



TRANSFORMING

Joint Venture White Paper
Updated: April 2008



DEFINITIONS

References to “Dow” or the “Company” mean The Dow Chemical Company and its consolidated subsidiaries unless otherwise expressly noted.

DISCLAIMERS

The Company is providing the financial information contained herein regarding its joint ventures, or nonconsolidated affiliates, for informational purposes only. Certain financial information appearing in this White Paper has not been audited. Such unaudited financial information is based on internal financial data furnished to management. It should not be taken as representative of the Company’s future consolidated results of operations or financial position, and should be considered in combination with our audited financial statements. While the Company believes that the financial information disclosed herein is accurate as of the dates presented, the Company does not guarantee that such information is complete or accurate, does not assume any obligation to update or correct such information, and explicitly disclaims any duty to do so.

FORWARD-LOOKING STATEMENTS

The forward-looking statements contained in this document involve risks and uncertainties that may affect the Company’s operations, markets, products, services, prices and other factors as discussed in filings with the U.S. Securities and Exchange Commission (“SEC”). These risks and uncertainties include, but are not limited to, economic, competitive, legal, governmental and technological factors. Accordingly, there is no assurance that the Company’s expectations will be realized. The Company assumes no obligation to provide revisions to any forward-looking statements should circumstances change, except as otherwise required by securities and other applicable laws. For more information on the risks involved in forward-looking statements, see the Company’s SEC filings.



THE BUSINESS OF JOINT VENTURES

Joint ventures, or nonconsolidated affiliates, play an integral role in Dow's strategy to dampen earnings cyclicality and improve earnings growth. In recent years, the financial contribution of our joint ventures has grown significantly. In 2007, equity earnings rose to \$1.1 billion, exceeding \$1 billion for the first time in the Company's history, while cash distributions from joint ventures topped \$800 million, setting another record for the Company.

This White Paper is intended to provide greater clarity around Dow's joint venture activities and their value proposition to Dow, with a specific focus on the Company's principal nonconsolidated affiliates, or principal joint ventures, numbering around a dozen in total. In 2007, these principal joint ventures accounted for over 90 percent of Dow's total equity earnings and cash distributions from nonconsolidated affiliates.

THE STRATEGIC CONTEXT

As Dow pursues a strategy focused on improving earnings growth and consistency, joint ventures are a crucial enabler, creating opportunities to accelerate the Company's strategic agenda across several different dimensions.

Competitiveness

Dow has established a number of joint ventures with upstream partners focused specifically on developing highly competitive, world-scale production facilities with access to cost-advantaged feedstocks. Dow brings technology, operational know-how, global reach and product diversity. Its partners bring cost-advantaged feedstocks, upstream expertise, local market presence and/or regional perspective. This combination delivers a significant competitive edge to each joint venture.

Optimizing the value of existing Dow assets

The Company has strengthened the market position and future growth potential of several of its commodity businesses by placing existing Dow assets into newly formed joint ventures. For Dow, this carve-out model retains the value of integration, while reducing capital investment and further shifting the Company's portfolio balance towards the Performance businesses. Additional value is also derived by working with partners that bring specific strengths, such as back integration to feedstocks or an expanded geographic presence. And in some cases, the formation of a joint venture also generates substantial cash for Dow, with which the Company can pursue investment opportunities focused on its Performance businesses.

Access to geographic regions

The Company's joint venture model has helped Dow to build its presence in several important geographic regions, providing access to areas that were either restricted by regulation or constrained by well-established supplier relationships. Partnering with local companies, the Company has been able to swiftly develop brand and market presence, while creating in-country manufacturing capability for a joint venture, which can derive significant value from Dow's technology and operational expertise.

Technology collaboration

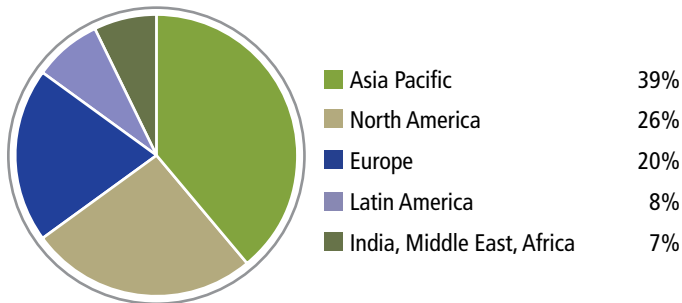
Joint ventures can provide a vital platform for technology development, defining a structure that enables full collaboration between Dow and its selected partners, as well as creating a mechanism for effective commercialization. The Company has formed several joint ventures through the years with organizations both inside and outside the chemical industry, specifically focused on delivering technology breakthroughs that neither party could achieve alone.

Dow has gained a tremendous amount of respect within the world of global chemical companies for its know-how, technology, operational excellence, global reach, cultural understanding, product breadth, and market positions/channels. This makes Dow an attractive partner to companies around the globe that wish to get into the chemicals arena, allowing the Company to select from a range of attractive opportunities.

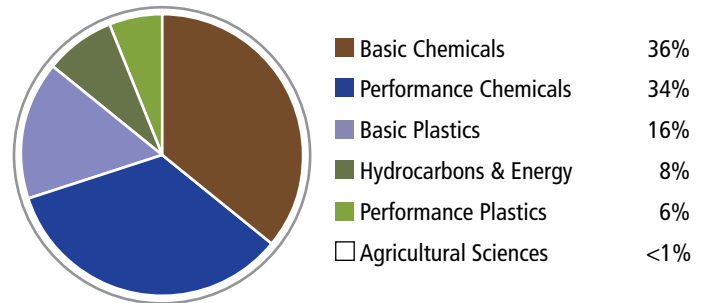
GEOGRAPHICAL AND BUSINESS DIVERSITY

Dow's joint venture portfolio has tremendous global reach. In 2007, nearly 75 percent of Dow's proportionate share of joint venture sales went to customers outside North America – with 39 percent in Asia Pacific. Joint ventures also contribute across the breadth of Dow's operating segments, with 40 percent of Dow's equity earnings coming from joint ventures in the Performance portfolio.

Dow's proportionate share of 2007 JV sales by geographic area: \$6.6 billion



2007 equity earnings by operating segment: \$1,122 million

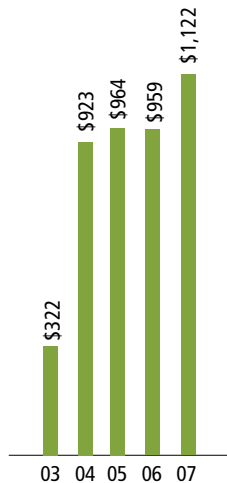


STRONG FINANCIAL PERFORMANCE

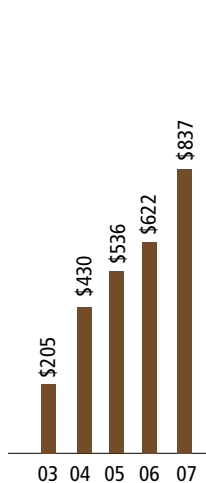
In 2007, Dow's proportionate share of its nonconsolidated affiliates' sales was \$6.6 billion, a 12 percent increase from \$5.9 billion in the previous year.

Total equity earnings increased to \$1,122 million in 2007, a 17 percent increase from the previous year, while cash distributions (principally dividends) increased 35 percent to \$837 million. Dow's return on its average investment in nonconsolidated affiliates was 39 percent, consistent with the level of recent years.

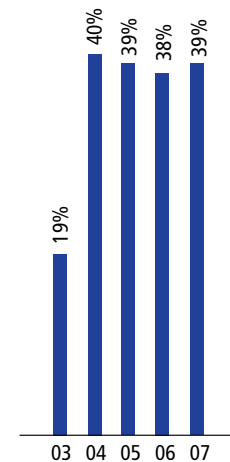
Equity Earnings (\$ in millions)



Cash Distributions (\$ in millions)



Return on Investment*

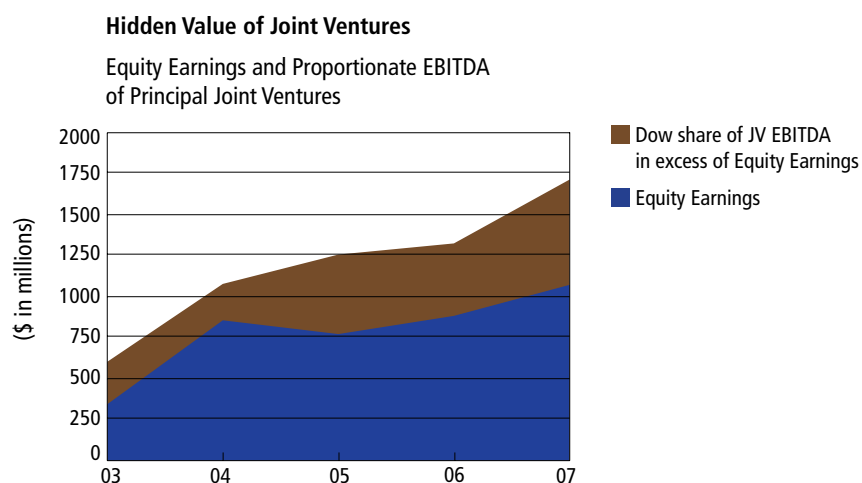


*Equity earnings/Average investment in nonconsolidated affiliates

ADDITIONAL VALUE IN NONCONSOLIDATED AFFILIATES

EBITDA, a non-GAAP performance measure used by some investors, equals EBIT* plus depreciation and amortization. Equity earnings are included in EBIT reported for Dow's operating segments. Since the equity method of accounting is used to account for nonconsolidated affiliates, interest, income taxes, minority interests, and depreciation and amortization expenses of the nonconsolidated affiliates are embedded in equity earnings and are not reflected elsewhere in Dow's consolidated financial statements. Therefore, investors who use EBITDA as a measure of performance may not fully recognize the contribution of our joint ventures.

The graph below illustrates this point using data of Dow's principal joint ventures. Dow's proportionate share of the EBITDA of these joint ventures is significantly greater than their contribution to Dow's equity earnings, and investors who calculate EBITDA for the Company might fail to include this additional value.



GOVERNANCE APPROACH AND PRACTICES

Dow has developed solid governance practices to guide the formation, operation and potential termination of its joint venture activities. These provide a critical framework for each relationship, focused on ensuring that the Company's expectations, minimum standards and key requirements are appropriately captured. From partner selection and legal entity structure to environmental, health and safety ("EH&S") programs and internal financial controls, governance practices play a key role in the success of each joint venture, helping to ensure the risk profile is properly managed.

To support this effort, Dow has formed a corporate level governance team that is charged with ensuring appropriate controls are in place for the Company's portfolio of joint ventures. This team includes executives from corporate auditing, EH&S, legal, controllers, ethics and compliance, and human resources.

Each of the Company's major joint ventures is also subject to periodic business reviews, providing Dow's executive management with an in-depth evaluation of the entity from several different perspectives, including financial and operating performance, governance standards and business outlook. If a joint venture does not meet Dow's performance criteria, or is subsequently deemed to be outside the scope of Dow's business strategy, the joint venture may be dissolved, or the Company's equity may be divested. In other cases, Dow may choose to acquire its partner's interest in a joint venture for strategic reasons, in order to accelerate the Company's growth.

* Dow defines EBIT as earnings before interest, income taxes and minority interests. For a reconciliation between EBIT and Net Income Available for Common Stockholders, see Dow's SEC filings.

2007 JOINT VENTURE ACTIVITIES

In 2007, Dow took a number of significant steps in the joint venture arena. The most significant of these was the announcement in December by Dow and Petrochemical Industries Company ("PIC") of the State of Kuwait of plans to form a 50:50 joint venture that will be a market-leading, global petrochemical company. The joint venture will manufacture and market polyethylene, ethyleneamines, ethanolamines, polypropylene, and polycarbonate and will build upon PIC's feedstock position, as well as Dow's technology and market leadership. This joint venture will improve the competitiveness and profitability of these businesses, providing them with the opportunity to grow, especially in emerging regions like China, India, and the Middle East. The joint venture is expected to have sales of more than \$11 billion and employ around 5,000 people worldwide. Estimated pre-tax cash transaction proceeds to Dow are \$9.5 billion. The transaction is expected to close in late 2008.

Other significant actions on the joint venture front included:

- The Company signed a Heads of Agreement with the National Oil Corporation of Libya to operate and expand the Ras Lanuf petrochemical complex. The venture is a strong example of Dow's joint venture agenda for its Basics businesses – lowering capital investment while capturing the benefits of a strategic location and cost-advantaged feedstocks.
- Dow and Chevron Phillips Chemical announced plans to form Americas Styrenics, a polystyrene and styrene monomer joint venture in the Americas. The joint venture will unite Dow's industry-leading polystyrene activities with Chevron Phillips Chemical's solid position in styrene monomers, creating a platform on which to strengthen regional presence, improve efficiency, drive innovation and enhance customer service.
- Dow and The Shenhua Group began a detailed feasibility study for the construction of a world-scale coal-to-chemicals complex in the Shaanxi Province of China. This project will significantly enhance Dow's leading position as a chemical supplier in the fast-growing Chinese market.
- Dow and Saudi Aramco signed a Memorandum of Understanding for the construction and operation of a world-scale chemicals and plastics production complex at the Ras Tanura complex in Saudi Arabia and have begun the up-front engineering and design study for this project.
- Dow and Crystalsev, one of Brazil's largest ethanol producers, agreed to form a joint venture that will make ethanol from sugarcane, the foundation for an integrated polyethylene complex that is expected to begin operations by mid-2011.

PRINCIPAL NONCONSOLIDATED AFFILIATES

Although Dow participates in many joint ventures, the most significant joint ventures from a financial perspective are:

- Compañía MEGA S.A.
- Dow Corning Corporation
- EQUATE Petrochemical Company K.S.C.
- Equipolymers
- MEGlobal
- The OPTIMAL Group of Companies
- The SCG-Dow Group
- Univation Technologies, LLC

In 2007, these joint ventures accounted for over 90 percent of Dow's total equity earnings and cash distributions from nonconsolidated affiliates. The table on the next page provides summarized financial information for these principal nonconsolidated affiliates. Dow's proportionate share of the various income statement, balance sheet and cash flow data of these joint ventures is shown for reference purposes only, as these amounts are not reported or included in any of the Company's financial statements, other than equity earnings, cash distributions received and Dow's investment book value. Certain reclassifications of prior year amounts have been made to conform to the 2007 presentation. The following commentary highlights certain aspects of these joint ventures' financial performance.

Equity Earnings from Dow's principal nonconsolidated affiliates in 2007 increased 21 percent to \$1,072 million from the previous year. Cash Distributions from principal nonconsolidated affiliates were \$766 million in 2007, a 39 percent increase from the previous year, increasing the payout ratio (Cash Distributions as a percentage of Equity Earnings) for these joint ventures to 71 percent.

Dow's proportionate share of free cash flow (defined as Cash Provided by Operating Activities less Capital Expenditures) from principal nonconsolidated affiliates was approximately \$1 billion in 2007. Dow's proportionate share of Capital Expenditures of these joint ventures increased to \$754 million in 2007, primarily due to expansion projects of Dow Corning Corporation.

Additional details are provided for each of these principal nonconsolidated affiliates beginning in the next section.

PRINCIPAL NONCONSOLIDATED AFFILIATES – SUMMARY FINANCIAL INFORMATION

Dollars in millions – Unaudited

	2007		2006		2005	
	Total	Dow share	Total	Dow share	Total	Dow share
<i>JV Income Statement Data</i>						
Net Sales	\$13,884	\$6,532	\$11,916	\$5,604	\$11,046	\$5,203
Adjusted Net Sales ¹	10,837	5,197	9,298	4,453	8,554	4,093
Depreciation/Amortization	552	254	509	233	488	224
EBIT	3,386	1,460	2,559	1,092	2,380	1,033
Net Income	2,464	1,051	1,960	837	1,808	784
<i>JV Balance Sheet Data</i>						
Cash, Cash Equivalents and Marketable Securities	2,830	1,308	2,366	1,102	2,063	920
Total Debt	4,490	2,091	3,647	1,715	3,211	1,533
Adjusted Total Debt ²	4,245	1,969	3,423	1,602	3,003	1,429
Total Equity	6,747	3,032	6,006	2,685	5,467	2,378
<i>JV Cash Flow Data</i>						
Cash Provided by Operating Activities	4,001	1,776	2,881	1,244	2,767	1,179
Capital Expenditures	1,567	754	1,038	487	379	179
<i>JV Impact on Dow Financial Statements</i>						
Equity Earnings		1,072		883		772
Cash Distributions Received		766		553		370
Dow Investment Book Value		2,488		2,107		1,780

¹Adjusted Net Sales is equal to Net Sales for these joint ventures less sales to Dow and/or to other Dow joint ventures.

²Adjusted Total Debt is equal to Total Debt for these joint ventures less debt owed to Dow and/or to other Dow joint ventures.

PRINCIPAL JOINT VENTURE PROFILES

The following profile for each principal joint venture includes data as of December 31, 2007. Products listed include only products that are sold by the joint venture and exclude intermediate products that are consumed by the joint venture. Sales and employee data are rounded. Net sales represents total sales of the joint venture, including sales of products to Dow and/or to other Dow joint ventures.



Located in Argentina, Compañía MEGA S.A. is a regional provider of hydrocarbons for the gas and petrochemical industry that has established a solid reputation for operational efficiency, strength of supplier and client relationships, and commitment to shareholders.

MEGA produces ethane, propane, butane and natural gasoline. Ethane is sold to Dow for final polyethylene production used in applications ranging from high-strength packaging to plastic bottles, grocery sacks to packaging films, and blow-molded bottles. The other products are sold to Petrobras for uses outside Argentina.

MEGA processes approximately 13 billion cubic meters of natural gas each year. Natural gas is supplied to MEGA from the Neuquen area, separated into liquid components at its Loma de la Lata site, and then pumped through a 600 km pipeline to regional strategic customers. MEGA supplies ethane to Dow's ethylene/polyethylene complex at Bahía Blanca, Argentina.

MEGA enjoys access to the harbor complex of Blanca Bay – the only deep water port in the country – providing a distinct competitive advantage to the joint venture.

Formed:	1997 (in operation since 2001)
Ownership:	Dow 28% Repsol YPF 38% Petrobras 34%
Headquarters location:	Buenos Aires, Argentina
Production facilities:	Loma de la Lata and Bahía Blanca, Argentina
Products:	Ethane, propane, butane, natural gasoline
Product applications:	Feedstock for production of polymers
Employees:	100
Web site:	www.ciamega.com.ar (Spanish)
Selected product capacities:	Ethane: 570,000 metric tons per year Propane: 390,000 metric tons per year Butane: 264,000 metric tons per year Natural gasoline: 229,000 metric tons per year
2007 net sales:	\$730 million
Alignment within Dow:	Hydrocarbons & Energy

Dow Corning Corporation is a global leader in silicon-based technology and innovation. It offers more than 7,000 products and services in a wide range of industries including automotive, electronics, healthcare, household and cleaning, personal care, plastics and textiles. The company's performance-enhancing solutions meet the needs of more than 20,000 customers worldwide.

In addition to its silicon-based business, Dow Corning offers services that help customers build their business and increase productivity. These include analytical testing, process and supply chain optimization, and environmental, health and safety services.

Dow Corning is working to develop the next generation of silicon-based technologies. Focus areas include:

- Exploring business and technology opportunities in applications such as fuel cells, printed electronics, and specialty films.
- Building an innovation portfolio in environmentally-compatible technologies such as solar energy, materials to improve paper product recycling and high-performance light emitting diodes.
- Investing in production facilities of key materials for silicone and silicon-based applications. Development is under way for a world-class siloxane plant in China. Additionally, through its joint venture, Hemlock Semiconductor, the world's largest producer of polycrystalline silicon, expansion is ongoing to increase production of this essential raw material for the solar and electronics industries. In May 2007, Hemlock Semiconductor announced it will invest up to \$1 billion at its Hemlock, Michigan facility to increase total output of polycrystalline silicon to 36,000 metric tons, an increase of 90 percent. The expansion is expected to come online in 2010.

Dow Corning is building on its history of growth through geographic development by expanding its presence in developing regions such as China, India, and Russia. The company was recognized in 2007 as a "Great Place to Work" by *Fortune* magazine and twice has had similar recognition from *Working Mother* magazine.

More than half of Dow Corning's annual sales are outside the United States.

Formed:	1943
Ownership:	Dow 50% Corning, Incorporated 50%
Headquarters location:	Midland, Michigan, U.S.A.
Production facilities:	47 manufacturing and warehousing facilities worldwide
Products:	Silicones and silicon-based products, technologies, and solutions
Product applications:	Automotive, electronics, healthcare, household and cleaning, personal care, plastics, solar, textiles
Employees:	Approximately 10,000
Web site:	www.dowcorning.com
Selected product capacities:	Not applicable
2007 net sales:	\$4.9 billion
Alignment within Dow:	Performance Chemicals



EQUATE Petrochemical Company K.S.C. is a state-of-the-art petrochemical complex dedicated to servicing the increasing demand for high-quality and competitively priced plastics and chemicals. The company's competitive position is supported by its strong feedstock integration, with access to cost-advantaged raw materials.

Located in Kuwait, EQUATE produces polyethylene for customers throughout the Middle East, North Africa, Asia Pacific and Europe. The company also manufactures ethylene glycol, which is distributed through MEGlobal, and polypropylene, which it produces on behalf of Dow's partner in the joint venture, Petrochemical Industries Company ("PIC") of the State of Kuwait.

- EQUATE produces and markets a range of polyethylenes including linear low density to high density resins used in packaging films, grocery sacks, trash bags, high-strength shipping sacks, and blow-molded bottles or containers.
- Ethylene glycol is a chemical intermediate for polyesters, which are used in a variety of products including fibers, films and bottles. Ethylene glycol is also widely used in the manufacture of automotive antifreeze.
- The polypropylene that EQUATE produces on behalf of PIC is used in fibers, films, molded parts and other applications.

EQUATE has played a significant role in the diversification of Kuwait's economy. Its business has also allowed the country to benefit from the use of new technology, research and development, as well as expertise in marketing, finance and management. Striving for the highest level of performance, the company has adopted policies and programs aimed at maintaining world-class environmental, health and safety standards.

Formed:	1995
Ownership:	Dow* 42.5% Petrochemical Industries Company 42.5% Boubyan Petrochemical Company 9% Al-Qurain Petrochemical Industries Company 6%
Headquarters location:	Jleeb Al-Shyoukh, Kuwait
Production facilities:	Shuaiba, Kuwait
Products:	Polyethylene, ethylene glycol
Product applications:	Packaging films, grocery sacks, trash bags, high-strength shipping sacks, blow-molded bottles and containers, fibers and automotive antifreeze
Employees:	1,000
Web site:	www.equate.com
Selected product capacities:	Polyethylene: 600,000 metric tons per year Ethylene glycol: 500,000 metric tons per year
2007 net sales:	\$1.2 billion
Alignment within Dow:	Basic Plastics (Polyethylene) Basic Chemicals (Ethylene glycol)

*In December 2007, Union Carbide Corporation (a wholly owned subsidiary of The Dow Chemical Company) through a series of related transactions contributed its 42.5% ownership interest in EQUATE to another wholly owned subsidiary of The Dow Chemical Company.



Equipolymers is well known throughout the polyethylene terephthalate (PET) industry for innovative leadership and high-quality products. Equipolymers is the preferred partner for brand owners and converters throughout Europe to whom it supplies products of outstanding quality and consistency.

Because it meets the strictest hygiene requirements, PET is widely used in the manufacture of bottles for carbonated and non-carbonated mineral water, soft drinks, food-grade vegetable oil, tea, juices and isotonic beverages. PET, which is 100 percent recyclable, is also used to produce containers for detergents, cosmetics and pharmaceuticals. It is globally recognized as a material of choice due to favorable performance characteristics such as clarity, lightness, sturdiness and design freedom.

Equipolymers is the second largest producer of PET resins in Europe, producing around 14 percent of industry supply. Equipolymers also produces purified terephthalic acid (PTA), which is the key raw material used in the production of PET. Equipolymers started its third new PET production facility in Ottana (Sardinia, Italy) in November 2007. This new plant will serve customers primarily in Southern Europe, including many well-known brand owners and beverage companies. Ottana is expected to be the only significant industry capacity addition until at least 2009 in an industry growing at 7 to 10 percent per year.

Equipolymers markets its PET products under the LIGHTER™ trademark, with two different series of resins to meet the needs of key PET fast growing end-uses:

- LIGHTER™ C PET Resins are designed for both blow-molding and thermoforming applications
- LIGHTER™ S PET Resins are suited for stretch blow-molding processes to maximize output

Formed:	2004
Ownership:	Dow 50% Petrochemical Industries Company 50%
Headquarters location:	Horgen, Switzerland
Production facilities:	Ottana, Italy and Schkopau, Germany
Products:	Polyethylene terephthalate resins (PET)
Product applications:	Bottles and other containers for beverage, food and other liquids; thermoforming applications
Employees:	240
Web site:	www.equipolymers.com
Selected product capacities:	PET: 485,000 metric tons per year
2007 net sales:	\$460 million
Alignment within Dow:	Basic Plastics



MEGlobal is a world leader in the manufacture and marketing of monoethylene glycol (“MEG”) and diethylene glycol (“DEG”), collectively known as ethylene glycol (“EG”).

- MEG is a vital ingredient and chemical intermediate used in the production of many products ranging from industrial fluids for de-icing, heat-transfer and automotive applications to consumer products such as latex paints, textiles, films, paper, fibers, packaging and leather.
- DEG augments the company’s MEG portfolio, extending applications to include plasticizers, glass- and cement-grinding aids, furniture and shoe polishes, printing ink, drywall joint compound, thermoplastic polyurethanes and emulsifiers.

MEGlobal is the world’s largest marketer of EG. MEGlobal produces about 1 million metric tons of EG per year. In addition to its own production, MEGlobal markets approximately 2.5 million metric tons annually on behalf of Dow, EQUATE Petrochemical Company K.S.C. and OPTIMAL Glycols (Malaysia) Sdn Bhd. With commercial facilities in Hong Kong, Kuwait, Switzerland and the United States, MEGlobal is well positioned to serve its global customer base.

Formed:	2004
Ownership:	Dow 50% Petrochemical Industries Company 50%
Headquarters location:	Dubai, United Arab Emirates
Production facilities:	Fort Saskatchewan and Red Deer, Alberta, Canada
Products:	Monoethylene glycol (MEG) and Diethylene glycol (DEG)
Product applications:	Ethylene glycol (EG) is used as a raw material in the manufacture of polyester fibers, polyethylene terephthalate resins (PET), antifreeze formulations and other industrial products.
Employees:	200
Web site:	www.meglobal.biz
Selected product capacities:	EG: 1,000,000 metric tons per year Markets approximately 3,500,000 metric tons per year
2007 net sales:	\$3.1 billion
Alignment within Dow:	Basic Chemicals



The OPTIMAL Group of Companies is a world-class manufacturer and supplier of chemicals for the high-growth Asia Pacific region. With access to cost-advantaged raw materials, OPTIMAL's portfolio of products includes basic building blocks of ethylene and propylene; intermediates such as ethylene oxide, ethylene glycol and butanol; various ethylene oxide derivatives; and basic and high performance chemicals. These products are used in the manufacture of industrial and consumer goods including personal care products, cosmetics, household cleaners, paints, coatings and adhesives.

In total, OPTIMAL supplies more than 75 products to customers in Malaysia and Asia Pacific. About 60 percent of sales are to customers in Malaysia, with the remaining 40 percent targeted for the export market.

OPTIMAL's production facility has an extensive infrastructure network that includes world-class shipping terminals, abundant energy supply and well-developed roads and transportation services – strengthening its competitive position through a robust supply chain.

Formed:	1998
Ownership:	<p>OPTIMAL Olefins (Malaysia) Sdn Bhd Union Carbide Corporation* 23.75% Petroliam Nasional Berhad (PETRONAS) 64.25% Sasol Polymers International Investments (Pty) Ltd (Sasol) 12%</p> <p>OPTIMAL Glycols (Malaysia) Sdn Bhd Union Carbide Corporation* (indirect) 50% Petroliam Nasional Berhad (PETRONAS) 50%</p> <p>OPTIMAL Chemicals (Malaysia) Sdn Bhd Union Carbide Corporation* 50% Petroliam Nasional Berhad (PETRONAS) 50%</p>
Headquarters location:	Kuala Lumpur, Malaysia
Production facilities:	Kertih, Terengganu, Malaysia
Products:	Ethylene glycol, butanol and various ethylene oxide derivatives
Product applications:	Bottles and other containers for liquids; polyester fibers; intermediate building blocks in the manufacture of various industrial and consumer products such as personal care, cosmetics, household cleaners, paints, coatings and adhesives.
Employees:	570
Web site:	www.optimal.com.my
Selected product capacities:	Ethylene glycol: 385,000 metric tons per year Butanol: 140,000 metric tons per year
2007 net sales:	\$920 million
Alignment within Dow:	Basic Chemicals (Ethylene glycol, butanol) Performance Chemicals (Ethylene oxide derivatives)

*Union Carbide Corporation is a wholly owned subsidiary of The Dow Chemical Company.



The SCG-DOW Group is comprised of five operating joint venture companies that manufacture and supply customers across Asia Pacific with a portfolio of products, including linear low density polyethylene, polystyrene, styrene monomer, polyols and styrene-butadiene latex. These products are used in the manufacture of a wide range of industrial and consumer goods including food packaging, disposable drinking cups, foamed insulation, furniture, fire-retardant appliance housings, high-impact performance parts, and attractive paper coatings.

The Group's five operating companies include Siam Polyethylene Company Limited, Siam Polystyrene Company Limited, Siam Styrene Monomer Company Limited, Siam Synthetic Latex Company Limited and Pacific Plastics (Thailand) Limited. The companies share a commitment to continually increase customer satisfaction through leading technologies, economy of scale and innovation across a broad portfolio offering.

The Group is positioned to supply diverse applications in the rapidly growing Asia Pacific region. Approximately 65 percent of the Group's sales are to customers in Thailand, with the balance sold to customers throughout the rest of Asia Pacific.

In January 2008, Dow acquired the remaining 51 percent ownership of Pacific Plastics (Thailand) Limited as part of its strategy to invest in downstream Performance businesses, and to allow for a unified approach across Asia Pacific for Dow Polyurethanes.

Formed:	1975 Pacific Plastics (Thailand) Limited [joint venture since 1987] 1988 Siam Styrene Monomer Company Limited 1990 Siam Synthetic Latex Company Limited 1993 Siam Polystyrene Company Limited 1995 Siam Polyethylene Company Limited
Ownership:	Pacific Plastics (Thailand) Limited: Dow 49%*; Siam Cement 48%; Others 3% Other SCG-Dow Group Companies: Dow 49%; Siam Cement 49%; Others 2%
Headquarters location:	Bangkok, Thailand
Production facilities:	Map Ta Phut Industrial Estate, Rayong Province, Thailand
Products:	Polyols, styrene monomer, latex, polystyrene and polyethylene
Product applications:	Packaging films, grocery sacks, trash bags, high-strength shipping sacks, plastic bottles, disposable drinking cups, foamed building insulation, fire-retardant appliance housings, high-impact performance parts, paper coatings
Employees:	380
Web site:	No joint venture website available
Selected product capacities:	Styrene monomer: 300,000 metric tons per year Polyethylene: 300,000 metric tons per year Polystyrene: 120,000 metric tons per year
2007 net sales:	\$900 million
Alignment within Dow:	Performance Plastics (Polyols) Performance Chemicals (Latex) Basic Plastics (Polyethylene, Polystyrene) Hydrocarbons & Energy (Styrene monomer)

*Dow's ownership interest in Pacific Plastics (Thailand) Limited at December 31, 2007.



As the leading technology licensor to the polyethylene (“PE”) industry, Univation Technologies, LLC licenses UNIPOL™ PE process technology to companies worldwide. Nearly 25 percent of the world’s PE is produced using this technology. In the swing High Density/ Linear Low category, UNIPOL™ PE represents almost 50 percent of capacity.

UNIPOL™ PE technology allows PE to be produced in a wide range of densities, melt indices and molecular weight distributions for applications including packaging films, hose and tubing, pipes, bottles and containers.

UNIPOL™ PE technology is currently used in more than 100 polyethylene reactor lines in 25 countries, producing more than 18 million metric tons of PE each year. The process is safe, environmentally friendly, adaptable and cost effective compared to competing processes.

Licensees benefit from in-depth expertise and support from knowledgeable specialists experienced with the UNIPOL™ PE process, catalysts and related technologies. In addition, Univation offers PREMIER™ products and services including process control software and operator training.

Univation Technologies is also the world’s largest supplier of catalysts for PE production. Its portfolio of globally available, proven products include UCAT™ Catalysts, XCAT™ Catalysts and PRODIGY™ Bimodal Catalysts.

Formed:	1997 (reorganized 2001)
Ownership:	Union Carbide Corporation* (indirect) 50% ExxonMobil Chemical Company (indirect) 50%
Headquarters location:	Houston, Texas, U.S.A.
Supporting facilities:	Technology Centers: Bound Brook, New Jersey; South Charleston, West Virginia; Baytown, Texas Catalyst Production: Seadrift, Texas; Mont Belvieu, Texas Extensive network of gas-phase pilot plants; 50,000 metric ton/year gas-phase reactor for commercial development; access to multiple commercial UNIPOL™ gas-phase production units, ranging in size from 250,000 metric ton/year to 550,000 metric ton/year
Products:	UNIPOL™ PE process; PREMIER™ APC+™ software; UCAT™ Conventional Catalysts; XCAT™ Metallocene Catalysts; PRODIGY™ Bimodal Catalyst; UT™: Deoxo Catalyst
Product applications:	UNIPOL™ PE process technology is licensed to companies worldwide for use in the manufacture of polyethylene. Univation Technologies is also the world’s largest supplier of catalysts for polyethylene production.
Employees:	Employees are secondees of the parent companies
Web site:	www.univation.com
Selected product capacities:	More than 18 million metric tons of annual production capacity
2007 net sales:	Not disclosed
Alignment within Dow:	Performance Plastics

*Union Carbide Corporation is a wholly owned subsidiary of The Dow Chemical Company.
UNIPOL™ and UCAT™ are trademarks of The Dow Chemical Company (“Dow”) or an affiliated company of Dow.
PREMIER™, XCAT™, PRODIGY™, and UT™ are trademarks of Univation Technologies, LLC.



ACCOUNTING FOR EQUITY INVESTMENTS

Dow's investments in nonconsolidated affiliates (20-50 percent owned companies, joint ventures and partnerships) are accounted for using the equity method of accounting. As a partner in a joint venture, Dow has the ability to exercise significant influence over the operating and financial policies of a joint venture, without exercising control over the joint venture.

Dow's equity investments are classified as and included in "Investments in nonconsolidated affiliates" in the consolidated balance sheets.

Under the equity method of accounting, Dow's investment in a joint venture is increased by: the initial investment in the venture (which could be in the form of cash or assets); subsequent capital injections (typically cash); and Dow's share of joint venture earnings. Dow's investment in a joint venture is reduced by: dividends paid to Dow by the joint venture; return of capital to Dow; and Dow's share of joint venture losses.

Dow's share of earnings (or losses) in its equity investments are classified as "Equity in earnings of nonconsolidated affiliates" in the consolidated statements of income. Dividends received from equity investments have no effect in the consolidated statements of income; rather they reduce the carrying value of the investment.

Dow's consolidated statements of cash flows include the cash flow effect of dividends and other cash distributions from the nonconsolidated affiliates. Since the consolidated statements of cash flows are based on Dow's net income, the equity in earnings/losses of affiliates (which are non-cash) must be eliminated and dividends included. The net impact of the elimination of the equity in earnings/losses of these joint ventures and addition of dividends is included as "Earnings of nonconsolidated affiliates in excess of dividends received" in the consolidated statements of cash flows. Other cash distributions are included as "Distributions from nonconsolidated affiliates" in the consolidated statements of cash flows.

The Dow Chemical Company and Subsidiaries
Consolidated Statements of Income

(In millions, except per share amounts) For the years ended December 31

	2007	2006	2005
Net Sales	\$ 53,513	\$ 49,124	\$ 46,307
Cost of sales	46,400	41,526	38,276
Research and development expenses	1,305	1,164	1,073
Selling, general and administrative expenses	1,864	1,663	1,545
Amortization of intangibles	72	50	55
Restructuring charges	578	591	114
Purchased in-process research and development charges	57	-	-
Asbestos-related credit	-	177	-
Equity in earnings of nonconsolidated affiliates	1,122	959	964
Sundry income - net	324	137	755
Interest income	130	185	138
Interest expense and amortization of debt discount	584	616	702
Income before Income Taxes and Minority Interests	4,229	4,972	6,399
Provision for income taxes	1,244	1,155	1,782
Minority interests' share in income	98	93	82
Income before Cumulative Effect of Change in Accounting Principle	2,887	3,724	4,535
Cumulative effect of change in accounting principle	-	-	(20)
Net Income Available for Common Stockholders	\$ 2,887	\$ 3,724	\$ 4,515

Dow's share of the earnings (losses) of nonconsolidated affiliates

The Dow Chemical Company and Subsidiaries
Consolidated Balance Sheets

(In millions, except share amounts) At December 31

	2007	2006
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,736	\$ 2,757
Marketable securities and interest-bearing deposits	1	153
Accounts and notes receivable:		
Trade (net of allowance for doubtful receivables - 2007: \$118; 2006: \$122)	5,944	4,988
Other	3,740	3,060
Inventories	6,885	6,058
Deferred income tax assets - current	348	193
Total current assets	18,654	17,209
Investments		
Investment in nonconsolidated affiliates	3,089	2,735
Other investments	2,489	2,143
Noncurrent receivables	385	288
Total investments	5,963	5,166
Property		
Property	47,708	44,381
Less accumulated depreciation	33,320	30,659
Net property	14,388	13,722
Other Assets		
Goodwill	3,572	3,242
Other intangible assets (net of accumulated amortization - 2007: \$721; 2006: \$620)	781	457
Deferred income tax assets - noncurrent	2,126	4,006
Asbestos-related insurance receivables - noncurrent	696	725
Deferred charges and other assets	2,621	1,054
Total other assets	9,796	9,484
Total Assets	\$ 48,801	\$ 45,581
Liabilities and Stockholders' Equity		
Current Liabilities		
Notes payable	\$ 1,548	\$ 219
Long-term debt due within one year	586	1,291
Accounts payable:		
Trade	4,555	3,825
	1,981	1,849
	728	569
	117	251
	418	382
	2,512	2,215
	12,445	10,601

Book value of Dow's investment in nonconsolidated affiliates

The Dow Chemical Company and Subsidiaries
Consolidated Statements of Cash Flows

(In millions) For the years ended December 31	2007	2006	2005
Operating Activities			
Net Income Available for Common Stockholders	\$ 2,887	\$ 3,724	\$ 4,515
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in accounting principle	-	-	20
Depreciation and amortization	2,190	2,074	2,079
Purchased in-process research and development charges	57	-	-
Provision for deferred income tax	494	104	740
Earnings of nonconsolidated affiliates in excess of dividends received	(348)	(343)	(469)
Minority interests' share in income	98	93	82
Pension contributions	(183)	(575)	(1,031)
Net gain on sales of ownership interests in nonconsolidated affiliates	-	-	(732)
Net gain on sales of investments	(143)	(19)	(33)
Net gain on sales of property, businesses and consolidated companies	(108)	(130)	(56)
Other net gain	(75)	(12)	(29)
Restructuring charges	577	586	41
Asbestos-related credit	-	(177)	-
Tax benefit - nonqualified stock option exercises	-	-	85
Excess tax benefits from share-based payment arrangements	(31)	(11)	-
Changes in assets and liabilities:			
Accounts and notes receivable	(1,002)	242	(469)
Inventories	(712)	(758)	(240)
Accounts payable	799	(129)	106
Other assets and liabilities	(16)	(515)	(135)
Cash provided by operating activities	4,484	4,154	4,474
Investing Activities			
Capital expenditures	(2,075)	(1,775)	(1,597)
Proceeds from sales of property, businesses and consolidated companies	211	296	105
Acquisitions of businesses	(143)	-	-
Purchase of previously leased assets	(30)	(208)	(263)
Investments in consolidated companies	(867)	(111)	(109)
Investments in nonconsolidated affiliates	(78)	(103)	(208)
Distributions from nonconsolidated affiliates	63	6	41
Proceeds from sales of ownership interests in nonconsolidated affiliates	30	10	956
Purchases of investments	(1,952)	(1,405)	(1,400)
Proceeds from sales and maturities of investments	1,983	1,383	1,379
	(2,858)	(1,907)	(1,096)

Cash distributions from nonconsolidated affiliates

Dow's share of equity earnings that are (greater than) or less than the dividends received from nonconsolidated affiliates



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