

Andrew N. Liveris
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I think what you just saw paints a vivid picture of the importance of the science of chemistry ... of the business of chemistry ... and of our company.

We indeed have a lot to be proud of ... our products and what they bring to the world ... our people ... our values ... and so much more.

That is why when Dow people come to work in the morning, they do so with passion and energy ... because we know that what we do truly makes a difference to people the world over, in fields ranging from food production to medicine to computers.

The simple fact is, modern life would literally not be possible without chemistry, and we have every reason to draw inspiration from the work we have done and continue to do ... raising both the standard of living for people around the globe ... and equally important, improving the quality of their lives. It may not be found on the periodic table, but there is an enormous human element in everything we do.

Before I get into our regular agenda, I want to say something about the flag you see on the screen. Any sailors out there know what it means?

Two of these, stacked one over the other, signal a hurricane warning ... but no, this is not a warning that a hurricane is on its way here ... what it is, however, is a tribute to the people of Dow.

We had a great year in 2005 ... in all the conventional ways, financial, safety performance, preparing our company for the future. But if you were to ask Dow people what their greatest achievement was ... they'd point to the people sitting here in the front rows ... in the red shirts ... and the thousands of their colleagues across the world they represent here today ... who gave their sweat, courage, time and money for relief efforts associated with the catastrophic tsunami in the Asia Pacific region ... the terrible earthquake in South Asia ... and the devastating hurricanes in the Gulf of Mexico ...

... and who incidentally during those hurricanes, secured the safety of their neighbors and communities by making sure our plants would withstand whatever nature threw at them. And we all know nature threw everything it had ... but our plants came through it all in tact thanks to the people of Dow, some of whom stayed at their posts and worked around the clock even as their own homes were being destroyed. And speaking of homes, you may have noticed in the parking lot outside a model of the shelters that we provided to victims of these disasters, many of whom were our own employees.

Many companies talk about the skill and quality of their workforces ... we talk about that too, but we take the greatest pride in the *character* of Dow people ...

... to the people here today who represent them, we are proud to be your colleagues ... and thank you for a job well done.

[Lights up, applause]

Now to the conventional agenda of today's meeting. We'll examine:

- Our full-year 2005 results and results for the first quarter of the current year;
- Our outlook for the remainder of this year and beyond;
- Our strategy going forward;
- An assessment of Dow as an investment opportunity; and
- Finally, our new 2015 sustainability goals, which I believe establish Dow as one of the true global leaders in corporate responsibility.

And as we look at our results, we will do so through the lens of the four strategic themes you see here ... because to be a truly successful company, we must achieve outstanding results in all four areas.

Our first theme is driving financial discipline and low cost-to-serve.

Starting with our financial results, 2005 was a record-setting year in both sales and earnings.

Our \$46 billion in sales represented an increase of 15% over 2004; and our earnings, excluding unusualls, were \$4.37 a share, a 61% increase from 2004, and as I mentioned, an all-time high.

Both our gross margins and EBIT as a percent of sales improved significantly over 2004.

And here I should mention that we achieved these results despite the economic turmoil caused by the natural disasters ... and despite an increase in hydrocarbon and energy costs of a staggering \$4 billion.

Our strong earnings and cash flow have enabled us over the past three years to cut our net debt-to-capital ratio from 56% at the end of 2002 to 29% at year-end 2005.

We now have the financial strength to invest for growth ... and to do so on our schedule and on terms most favorable to our company.

Now let's look at two of our long-term financial measurements.

Our goal was to achieve an average Return on Equity of 20% across the cycle

ROE was 28% in 2005, lifting the average since the last cyclical peak in 1995 to 19% from 13% in the previous period.

So while we are not yet at the 20% level, we have made a significant improvement

And we expect return on equity to remain at healthy levels going forward.

Another important long-term financial metric is earning an average of 3% above our cost of capital across the cycle ... and as you know, the cost of capital varies over time, at a level of roughly 10%.

And here again, we have shown improvement in the 1995 to 2005 period.

In the previous period, we earned roughly the same as our cost of capital, while in the latest period, we earned 2% above it. So not quite our goal but significant improvement.

In the first quarter of 2006, our \$12 billion in sales set an all-time record. And though our earnings were down from the year-ago period, they represent the company's second highest quarterly earnings ever in our history ... and by the way, second only to the year-ago quarter.

Our second strategic theme is setting the standard for sustainability.

And here we have made enormous progress, not only year-over-year, but in our 10-year goals, including in the latter case, 90% reductions in our injury and illness rate and in leaks, breaks and spills ... and a 20% reduction in energy intensity.

Theme # 3 is building a people-centric performance culture.

You have probably heard me say many times that the one true lasting source of competitive advantage for any company is the quality of its workforce ... in the end, it all comes down to people.

So we were pleased that during the year we made four major steps:

- We introduced our new performance management system, which compares people's performance and rewards them accordingly;
- We convened the inaugural class of the H.H. Dow Academy to develop our next generation of leaders;
- We accelerated our efforts to diversify our workforce; and
- We strengthened our presence in the geographic regions, particularly our targeted growth areas.

And we have continued to make progress in our fourth strategic theme: to invest for strategic growth.

We have done so by

- Re-aligning our portfolio into Basics and Performance businesses so that we can resource and leverage them better;
- By exploring further production partnerships in the Middle East and Asia; and
- By expanding our presence in India and Russia.

With that, let's examine our outlook for the remainder of this year and for 2007.

Going forward, we expect world GDP growth to be very good.

We foresee no significant capacity additions that would seriously undermine the generally favorable supply-demand balance;

And of course, we must anticipate the continuation of high and volatile feedstock and energy costs ... which I should note here accounted for roughly \$20 billion of Dow's overall costs last year, as opposed to just \$8 billion in 2002.

As a result of the feedstock situation, we will continue to see a migration of production to cost-advantaged regions such as the Middle East.

We also see high growth in emerging economies, including China and India ... the globalization of the labor force, not only as part of our effort to expand in different regions ... but also as part of the relentless pursuit of brain power ... which is why we are establishing new R&D and IT centers in China.

And finally, we should remind ourselves that for all of these challenges, our industry continues to be a vital one, essential to modern life ... with huge potential for innovation and growth.

With that outlook in mind, let's turn to our strategy.

Let's start with the vision we have for our company. We think ours is straightforward and speaks to the interests of all our stakeholders ... to be the largest, most profitable and most respected chemical company in the world.

We are already very close to being the largest, if not there already ... and we are working hard to drive profitability higher. And here let me emphasize the "and" word. We will not be the largest at the expense of profitability ... it has to be both.

And being the most respected means being the best investment, the best at innovation, the best place to work ... and the best corporate citizen, and I'll have more to say about that at the end of my remarks.

Why do we think we can fulfill our vision? ... because our company has a unique array of strengths unmatched by our competitors ...we have a balanced mix of leading businesses in both the Basics and Performance portfolio ... we have strength in all of the major chemical chains ... operational excellence ... the low-cost advantages of integration ... global reach ... and a depth of technological innovation that extends to both new products and new manufacturing processes.

Our strategy ... to strengthen our franchise basics businesses and preferentially invest in our performance businesses is not changing.

In other words, we will continue to be an integrated, diversified company.

Here's how we are implementing our strategy on the Basics side, we are pursuing what we call our "asset light" approach ... investing in conventional joint ventures ... like those in Kuwait and Oman, for example ... or, less conventional ones, like ME Global and Equipolymers, where we sold our assets into joint ventures.

We benefit from our asset light approach in four important ways.

- Access to low-cost feedstocks;
- The local expertise of our partners;
- Lower capital intensity; and
- Less risk.

But in pursuing our asset-light strategy, we will not abandon one of the great competitive advantages of our company: site and product integration, which supports our low-cost position in both our Basics and Performance businesses.

Meanwhile, on the Performance side, we are growing our businesses both organically and through acquisitions.

As part of this effort, we are creating more market-facing businesses.

One example is in Automotive, where we bring a myriad of products to a fiercely competitive industry, working with manufacturers to increase their competitiveness through our innovation and technology.

An example is the Volkswagen Golf, the best selling vehicle in Germany, where Dow has created solutions in structural adhesives, glass bonding and many other applications and more underway.

What is the payoff for Dow? Today our sales are roughly \$24 per car; in five years we expect that number to be 10 times higher.

You can expect to see more market facing businesses in the near future ... for example, a market facing opportunity is developing in footwear.

We are now a major supplier to this industry through our Polyurethanes Systems and Elastomers businesses.

Because we have what is probably the largest elastomers position in the chemical industry, with both cost advantages and innovation capabilities, our company has the potential to become the supplier of choice for footwear manufacturers across the globe.

Underpinning our business model are many capabilities ... none more important than technology and R&D.

An example on the Basics side is our coal-to-olefins project in China. China has an abundance of coal, and we are working on a process to convert coal to chemicals on a large scale competitive basis.

An example on the Performance side is our technology that utilizes soybeans as a raw material to make polyurethanes.

And in Dow AgroSciences, we have recently received fast track review for a natural insecticide that eliminates insects that are harmful to fruit and nuts ... without harming beneficial insects.

So let's now look at Dow as an investment opportunity.

Our company's allocation of cash flow has been pretty well balanced historically, which we think reflects our financial discipline.

Capital spending has accounted for 39% and mergers and acquisitions, 20%.

Dividend payments constitute 27% and share repurchases, 14%.

So approximately 60% of our cash flow has been used to grow our businesses, and 40% to reward our shareholders.

Our balance sheet is very strong. Within the timeframe of just three years, we have returned our company to a position of tremendous financial strength ... so that we are able both to invest with confidence ... while at the same time, reward our shareholders.

To the latter point, we recently increased our dividend by 12%, to \$1.50 per share annually ... an increase that now marks 379 consecutive quarters we have either maintained or increased the dividend.

And we also recently implemented a share repurchase program – our first since we announced the acquisition of Union Carbide in 1999, and we are accelerating it.

And finally, total shareholder return, the combination of stock appreciation and dividend this is the single best measure of shareholder value.

Based on a 90-day trailing average, we have lagged the major indices over the past year – mostly having to do with the perception that we have reached the peak of the cycle.

However, over the past three, five and 10 years, we have beaten each of the indices.

And we believe we can improve on that record through the successful execution of our strategy to provide not only robust earnings growth across the cycle, but more consistent earnings on a year-to-year basis.

That is our biggest challenge to achieve our ultimate objective to maximize long-term shareholder value.

Finally, let me close by highlighting our new set of 10-year sustainability goals ... which are much broader and deeper than our very ambitious 2005 goals.

The goal of our 2015 program – which we announced last week in Washington – is nothing less than improving the quality of life for people the world over ... even as we improve our company's bottom line.

Now there are many aspects of the 2015 program ... so I'll summarize just a few of them:

First, we will work closely with the 150 communities in the 37 countries where we have facilities ... supporting projects that are essential to their well-being and prosperity.

Second, we will cut Dow's energy intensity by a further 25% over the next 10 years ; recall that we did so by 20% over the past decade.

Third, we will reduce our greenhouse gas emissions intensity by 2.5% a year.

Fourth, we will bring the power of our science and technology to bear on the unsustainable global appetite for fossil fuels.

Fifth, we will develop at least three product or technology breakthroughs that will significantly improve the quality of life in one or more key areas: sustainable water, adequate food supplies, decent housing and human health and safety.

We know that meeting these goals will not be easy ... they will be much harder than our 2005 goals, which were themselves very difficult.

But we also know that to achieve our vision ...

... to be not just the largest, not just the most profitable, but also the most respected chemical company in the world, we must broaden our scope of what outstanding corporate citizenship means ... on a global basis.

I know that based on past performance, Dow people can rise and will rise to this challenge, just as they always have.

So I welcome all of you in joining us at Dow to realize our vision.

Thank you.

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