

Event: **FilmTec Speech to Customers**
Speaker: Andrew Liveris
Chairman & CEO
The Dow Chemical Company

Location: Minneapolis
Date: September 7, 2006

I would like to express my appreciation to all of our customers for joining us here today to celebrate the successful start-up of our new, state-of-the-art FilmTec facility.

This is the culmination of more than 20 years of fantastic progress and collaboration in a variety of water markets. And it's the beginning of an exciting future together as we all seek to bring advanced water solutions to a world that is increasingly desperate for pure water.

When Dow purchased FilmTec in 1985, I vividly remember that many people in the company considered it to be a high-risk, high-priced proposition. Frankly, there was a lot of skepticism as to whether we could take this business to the next level. But many were intrigued – and optimistic.

The chemical engineer in me was, of course, attracted to the notion of advanced water filtration technology and all that came with it – reverse osmosis, nanofiltration, process optimization, and breakthrough performance. The business side of me found FilmTec fascinating because:

(A) it was a market-facing business for Dow, closer to consumers than we were accustomed, and

(B) it enabled us to build on some existing water separation technologies, like ion exchange resins, which Dow has been supplying for more than 50 years.

But mostly, we all realized that FilmTec was a business that had great potential for growth, because of the increasing need for clean water on a global scale.

From a personal vantage point, I saw water shortages as a young boy growing up in Australia, with its constant cycles of drought and water rationing. I also saw it as an expatriot living in Asia – where polluted lakes and streams left no option but to drink bottled water ...long before it became a mass market. Drinking from a public water supply was unthinkable!

Since then, the demand for clean water continues to escalate with a growing world population ... and so does the need for advanced membrane solutions from FilmTec ... solutions that are not only innovative, but also affordable ... and that FilmTec will continue to deliver in the future. Because just as FilmTec is committed to meeting your needs for quality products and technologies, so is Dow committed to this business. It is, in fact, part of our strategy for growth and sustainability ... let me explain, starting with our Vision.

Dow's Vision is to become the largest, most profitable and most respected chemical company in the world ... and in our eyes, sustainable success requires all three.

- We are already close to being the largest.
- We are certainly driving profitability higher.
- And we are working hard to be the most respected – in terms of the best investment, the best place to work, the best corporate citizen and – most important to you – the best at innovation and supplier reliability.

We are confident we can fulfill that Vision because we have a unique combination of capabilities that are unmatched by our competitors. These include strengths in all of the major chemical chains ... in addition to:

- operational excellence ...
- the low-cost advantages of integration ...
- global reach with a local presence..
- market knowledge ... and
- a depth of technological innovation and expertise that extends to new products and manufacturing processes.

So when you work with Dow, you are not just buying our products, you are also tapping into key strengths for competitive advantage. Furthermore, we offer customers a balanced mix of businesses in two key portfolios – Basics and Performance.

Our Basics businesses – which include plastics and chemicals like polyethylene and solvents – generate excellent cash flow. We are strengthening these by being the lowest cost global producer, maintaining our site and product integration, building our technology leadership,

and investing for competitive advantage. To do this, we are pursuing an asset-light approach where, through various forms of joint ventures, we will improve our access to low-cost feedstocks, lower our capital intensity and reduce risk.

This, in turn, helps us invest more in our Performance businesses – like FilmTec, which historically deliver more consistent earnings than our Basics businesses. Our strategy is to grow our Performance businesses both organically and through bolt-on acquisitions, while creating more market-facing units like Dow Water Solutions that are truly driven by technology. Dow Water Solutions brings together a spectrum of robust water solutions to customers. These include:

- FILMTEC™ membrane elements for water purification and desalination – which, as a Performance business, we continue to invest in ...
- DOWEX™ ion exchange resins for water purification ... and
- ADSORBSIA™ arsenic removal media for water purification.

In July, we expanded this line-up by acquiring Zhejiang Omex Environmental Engineering in China, a premier water treatment and design company that specializes in both industrial and ultra pure water applications. Three critical technologies will enable us to deliver even more effective water solutions to customers worldwide: ultra-filtration, membrane bio-reactor membranes, and electro-deionization.

We also signed an exclusive licensing agreement for Zero Discharge Desalination to evaluate this process technology, with a company based out of South Carolina called ZDD, Incorporated. This license offers additional advantages in energy efficiency, low cost and zero to near-zero liquid discharge. And, of course, we are here in Minneapolis to mark an expansion of FilmTec manufacturing that more than doubles our manufacturing capability. These are just three recent strategic investments that show how committed we are to you, our customers, and to maintaining our leadership role in cost-effective water purification.

Long-term, we view water treatment as having great value to Dow in two key ways:

- First, it is a \$40 billion market, with \$10 billion of that in components alone ... and demand will only continue as to grow as traditional water resources become scarcer.

- Second, it is critical to our commitment to sustainability, in which we are driven – as a company – to use our knowledge of science and technology to improve the quality of life around the world.

Actually, our focus on sustainability is nothing new. Since our founding more than 100 years ago in Midland, Michigan, we have carried with us the small-town values of helping others and doing what is right. We maintained this mindset as we grew and expanded globally – into 180 sites and small towns around the world, including Edina, Minnesota.

Along the way, our commitment made us a leader in environment, health and safety – recognized for standards that often exceeded those of various governments. We live in our communities, have a vested interest in their safety and success, and we work hard to be a good neighbor not just locally, but globally as well, to reduce our footprint on the planet. After all, we all want the same things – healthy economies, communities and environments.

What IS new and different is our courage to step out of the box to effect dramatic change. This began ten years ago, when we publicly announced an aggressive set of ten-year goals that many people in the industry doubted could be achieved.

I'm proud to say that we met and even exceeded those goals on most fronts, proving that aiming high delivers results. For example, we reduced our injury and illness rate by 90% ... our incidence of leaks, breaks and spills by 90% ... and our energy intensity by more than 20%.

This year, we raised the bar even higher with our 2015 Sustainability goals. These goals reach beyond Dow and our communities to engage us in some of the most pressing problems facing the world over the next ten years. And to show how serious we are about this, we are committed to developing at least three breakthroughs that solve the challenges of adequate food ... affordable housing ... personal health ... and yes, clean, affordable water.

Put simply, water equals life. While many of us take water for granted, like the air that we breathe, there are 1.2 billion people in this world who do not have sustainable access to clean

water. Many people are at risk every day from dehydration or from drinking contaminated water – and indeed, water-borne diseases already kill one child every eight seconds.

In addition:

- The Middle East and North Africa have reached or exceeded the limits of available supply.
- China faces serious water shortages in 400 of its 600 major cities and more water is being pumped from the earth than is being replaced by rain.
- And India's ancient aquifers are being sucked dry, potentially turning fertile farmland into desert in the next decade or so.

So, while lack of water can make us thirsty, it can also make us hungry – a situation that is only exacerbated by the impact of climate change and pollution. The United Nations, in fact, has concluded that water scarcity – not lack of arable land – will be the key barrier to food production in the near future. Given the fact that we have a finite water supply on Earth – where less than two percent of it is fresh – technologies such as those provided by FilmTec are increasingly important, joining a much broader management approach that extends to conservation, water collection, distribution, storage and more.

Most experts agree on one point: by 2025, nearly two-thirds of the world's population could face significant water shortages, if left unchecked. Clearly, this is a pervasive global problem that demands global water management solutions and collaboration across many sectors of society.

This is why we at Dow have teamed up with customers, government, environmental groups, universities, corporations, and the public to build awareness about the problems and develop creative, sustainable solutions. We are also bringing to the fight what Dow does best ... creating value in the laboratory and the marketplace through focused innovation ... new technologies ... new processes ... and new markets ... and by working closely with key customers like you to accelerate results and success, enabling us to defeat the problem sooner than anyone could do alone.

Perhaps the most important element of all, however, is a strong, prevailing compassion for the human family around the world, and the dedication to do what is right ... what we call the power of the Human Element. 42,000 Dow employees – including myself – are poised to make a difference in the world ... to bring the Human Element into their jobs every day ... where they do more than create value for Dow, but also live by our values of integrity and respect for people. And, in this way, we can all do our part and reap the personal reward of making the world a better place, a safer haven, and a healthier, nurturing environment for generations to come.

Thank you ... and now, may I introduce to you, the Power of the Human Element.

###