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**Chairman & CEO**  
**The Dow Chemical Company's 2007 Annual Meeting**  
**Thursday – May 10, 2007**

Today marks the 110th annual meeting of The Dow Chemical Company ... and I don't mind telling you that it is humbling to stand before you as CEO of one the world's truly great companies ... humbling yes, but also inspiring ... inspiring because The Dow Chemical Company of 2007 has something very important in common with the company founded by Herbert H. Dow in 1897 ...

Now, as then ... we are a company on the move ... applying the science of chemistry to solve some of the world's most vexing problems ... and in doing so, we are putting our company firmly on the path of realizing our vision to become the largest, most profitable and most respected chemical company in the world.

In my report to you today, I will focus on three areas that are essential to our company's success and where we have made substantial progress over the past year:

- Driving earnings consistency,
- Accelerating strategic growth, and
- Raising the bar on sustainability across the globe.

To achieve our twin goals of greater earnings growth and greater earnings consistency ... we are transforming our company in three stages.

Phase One – getting fit – began in 2003 when we restored our financial strength and institutionalized measures to maintain that strength through good times and bad.

In phase two and phase three of our plan – what we call Changing the Rules and Changing the Game – we are taking action to first, gain access to low-cost feedstocks and energy, so as to be the world's most efficient producer; and second, to shift the weight of our portfolio from Basics businesses to our Performance businesses, which will deliver higher margins and make us less vulnerable to cyclical downturns.

The sequence of this transformation is first, to manage, then to dampen the cycle, and finally to break the cycle ... delivering strong earnings growth and greater earnings consistency, regardless of where we are in the industry cycle.

I am pleased to report that we delivering on that goal through:  
... strict financial discipline  
... a diversified portfolio that we are actively managing ...  
... and a global reach that extends to virtually every country in the world.

Also, our balance sheet is strong, and we have the financial flexibility to invest in growth when and where we want ... while at the same time rewarding our shareholders.

To the latter point, we continue to purchase shares, having just completed a buyback program earlier this year for 25 million shares, and we now embarking upon a new program to repurchase \$2 billion in additional shares.

We are also delivering consistent dividend increases ... raising dividends by 12% in 2006 and just last month, announcing yet another 12% increase for 2007 – underscoring our confidence in the future.

Put simply, we are moving from a company that used to be predictable in its cyclicality to one that is predictable in its profitability – even in the trough. Let's look at our recent numbers.

Our 2006 sales of \$49 billion were the highest in our company's history, and our adjusted net income was a robust \$4.1 billion.

Earnings were \$4.25 a share, only slightly below our all-time record in 2005.

We achieved these earnings despite the impact of high hydrocarbon and energy costs – which now constitute 48% of our total costs compared to 29% just four years ago.

This huge increase is the primary reason we are pursuing joint ventures that give us access to low-cost feedstocks and energy – such as those in the Middle East, Africa and Asia ... and this is greatly enhancing our efforts to expand our profit margins.

Over the past four years, our joint ventures have greatly impacted our bottom line.

In 2006 alone, they contributed nearly \$1 billion in equity earnings ... over \$600 million in cash dividends ... and returned 35% on our investment.

Their value can not be overstated, and they will continue to be an integral part of our strategy.

Our strong financial performance has enabled us to strengthen our balance sheet. In 2006, we reduced our overall debt by \$1.2 billion, lowering our debt-to-capital ratio to 34%, compared with 39% at year-end 2005 and 59% in 2002.

Now, shifting to our first-quarter results ... We posted record first-quarter sales of \$12.4 billion and strong earnings of \$1 a share ... and here I should mention that last year's earnings included significant income from our licensing business.

This was our sixth straight quarter of earning roughly \$1 a share since the peak of the industry's commodity cycle in 2005.

Clearly, the actions we have taken to transform our company are beginning to build a ridge of consistent earnings ... a ridge that is substantially higher than our earnings at a similar stage of the last industry cycle.

And let me assure you that we are fully committed to extend this ridge going forward.

To help drive results, we are accelerating strategic growth through an integrated and diversified business model that maximizes the competitive advantages of both our Basics and Performance businesses.

On the Basics side, we are pursuing joint ventures that enable us to share the costs of assets, spread the risk, open new markets, and – as I said earlier – gain access to more affordable feedstocks and energy.

On the Performance side, we are investing in higher margin products and market-facing businesses that bring the full power of Dow's capabilities to the marketplace, driving the earnings results we seek.

Underpinning our entire business portfolio is a global technology effort that is revitalizing innovation across Dow – and delivering results. Over 30% of our 2006 revenue came from products introduced in the past 5 years. Looking forward, we have more than 600 new projects in the pipeline with a potential EBIT of \$2 billion by 2011. And, to maximize our growth in emerging markets, we are creating a global network of innovation from China to India to Brazil.

Over the past 15 months, we have taken numerous actions to strengthen both our Basics and Performance portfolios. Let me cite just a few of them.

In the Basics, we are conducting exclusive negotiations with Saudi Aramco for a world-scale, integrated complex in Saudi Arabia. We are working with Chevron Phillips Chemical to combine our polystyrene and styrene monomer assets in the Americas. And we signed an agreement with the National Oil Company of Libya to operate and expand a petrochemical complex in that country – and here I should mention that Dow is the first global chemical company to participate in Libya.

On the Performance side, we agreed to a joint venture with Izolan in Russia to meet the growing demand for polyurethane systems. We also stepped up our market-facing presence ... and we announced the acquisitions of Wolff Walsrode, Hyperlast and Autothane to expand our capabilities in cellulose, polyurethane elastomers, and advanced automotive components.

In addition to all of the actions you see on this slide, we also sharpened our focus on innovation ... and here, let me highlight just a few examples.

We launched Dow Water Solutions to meet the growing demand for what is probably the planet's most underappreciated natural resource: clean, accessible water.

In the U.S., we started up a new plant for the manufacture of FILMTEC membranes, a proven water purification technology that is being used in the Middle East at the world's largest desalination facility.

In China, we acquired Zhejiang Omex Engineering – a premier water treatment and design company – to advance our technologies while expanding our market presence in that country.

In Dow AgroSciences, we announced the doubling of our production capacity for heart-healthy canola and sunflower oils.

These oils are gaining rapid and wide acceptance among food companies, such as Taco Bell, Church's Chicken and many others who seek to put healthier foods on their menus in response to ever-growing consumer demand.

In Dow Building Solutions, we unveiled a composite decking material that blends wood and polymer, offering a number of advantages over conventional wood decks, including greater durability, aesthetics, water resistance, and easier maintenance.

In our Water Soluble Polymers business, we introduced a dietary fiber that can help reduce the incidence of obesity and cardio-vascular disease by enabling individuals to better manage their blood glucose, insulin and cholesterol levels.

And, in our Specialty Plastics business, we introduced an olefin block co-polymer that is superior to our competitors' offerings in both performance and processing.

Their improved elasticity, for example, makes them an outstanding choice in applications that range from diapers and toothbrushes to adhesives and foams.

In Dow Automotive, we launched a new energy-absorbing foam that costs less and performs better than traditional materials.

As one our first market-facing businesses, Dow Automotive demonstrated the advantages – both to Dow and to our customers – of focusing our company's capabilities on a single industry. But rather than explain how this market-facing approach works, let me show you ... with a bit of footage from a recent NASCAR race involving one of the circuit's champion drivers, Dale Jarrett.

Let's take a look.

*[Roll Dale Jarrett tape]*

Well, I am pleased to say that the man in that car, Dale Jarrett, is with us today ... and that he is safe and sound ... Dale ... could you stand up and say hello ... there you are.

Incidentally, Dale will be available to say hello to his many fans later today. Look for him and his UPS race car right outside in the parking lot here at the center from 12:30 to 2:00.

As you saw, our market-facing approach enables us to literally, get right on the track with some of our most demanding automotive customers ... and I think you know that many innovations that start on the track – from safety to fuel economy – soon find their way into the family car.

Now let me turn to the subject of sustainability ... but without leaving the subject of innovation ... because the fact is, the ambitious 2015 goals that we set in sustainability are absolutely dependent on our ability to innovate.

And let's be clear on this ... we believe that no one is better able to address sustainability issues than the chemical industry, and in particular, the Dow Chemical Company.

And let me also add that by using our science and technology to address these issues, we are not only helping to sustain our planet and improve the quality of life, but we are also creating value for our investors. Let's look at a few examples, starting with energy conservation.

The most familiar example is our STYROFOAM™ insulation, most certainly our best known brand, but probably less well known as a pillar of sustainability.

Think about it ... every year, 65 million tons of carbon dioxide are not pumped into the atmosphere because of the energy saved by Styrofoam. And every year, the Styrofoam in our homes, factories, office buildings, and elsewhere saves more energy than our company uses to produce all of our products.

And now, we are delivering even greater eco-performance by developing a next-generation technology that will completely eliminate ozone-depleting blowing agents used in the manufacture of this product.

We are also working on a unique filter technology that makes diesel fuel cleaner. This is important, because while diesel scores high in fuel efficiency, it also scores high in pollution, which is why it is not used in most cars.

Our new diesel filter could change all that because it removes diesel particulates better than any existing filter. This, in turn, would both improve diesel fuel economy and engine performance, while lowering CO2 emissions.

And now, let's turn to innovation in alternative sources of feedstocks and energy ... which is vital to reducing our dependency on fossil fuels.

We are developing a particularly promising technology in photovoltaics that utilizes the sun as a source of energy that is both clean and readily accessible ... at least for next 5 billion years or so.

By embedding solar collection devices directly into building materials – such as roofing systems and exterior siding – this technology can generate more electricity than conventional solar panels ... and do so at a more affordable cost.

We are also making progress in the area of renewable feedstocks, actually replacing high-cost fossil fuels with lower-cost vegetable oils.

We are using soybean oil, for example, to make polyols for use in urethane foam products like mattresses, furniture, car seats and appliances.

We are also using renewable glycerin – which itself is made from vegetable oil – to make propylene glycols for use in paints, electronics, antifreezes, cosmetics and many other widely used products.

These advances, by the way, not only reduce our need for fossil fuels, but also consume less water ... a resource that is becoming increasingly scarce around the world.

That brings me back to my earlier discussion about Dow Water Solutions and our focus on securing a sustainable and plentiful supply of water for humankind ... now and in the future.

This is a daunting challenge that no one can tackle alone: there are 1.2 billion people around the globe who do not have access to clean water, nor the means to get it.

To help address the problem, we are not only applying the power of Dow technology, but also drawing upon the spirit of volunteerism and philanthropy that has long been the hallmark of our company and our people.

I can think of no better example of this than our partnership with the Blue Planet Run Foundation to sponsor an around-the-world relay race to raise awareness and funding for clean water. The run – which begins June 1 at the United Nations – involves 20 athletes – two of them Dow people – who will traverse the globe, returning to New York City on September 4. We encourage you to track this unprecedented event on the news – and on Dow-dot-com.

Speaking of value to Dow, let me wrap this up by bringing back the slide on the transformation of our company ... the three phrases that will bring us to our ultimate goal of greater earnings growth and earnings consistency ... which in turn will make Dow a more valuable company for all of our stakeholders.

Based on the actions we have taken since 2003 and which are now accelerating, we are confident that we can reach our earnings targets, including:

#1 - a solid ridge of post 2005 earnings that are much higher than our earnings at a similar period in the last cycle;

# 2 - earning at least our cost of capital at the next trough; and

# 3 - by the next peak, achieving earnings growth of 10% per year.

If we can do this, and I am confident we can, we will have done something that only a handful of Fortune 500 companies have ever achieved.

As we drive toward these goals, we will continue to balance our use of cash ... both to invest in our company ... and reward our shareholders through dividend payments and share repurchases.

The transformation of our company that is now well underway would not be possible without that most essential element of all ... one that you don't commonly find on the periodic table ... what we call the human element ... including the 43,000 people of Dow. Dow people are smart, they are dedicated, they care, and they are making a difference ... whether it be in our laboratories creating eco-friendly products ... or in our communities improving the quality of life for everyone.

These are not just words. I am talking about real people doing terrific – and sometimes even heroic – things in their communities every day ... people who are making an indelible stamp on the world.

Let's visit with a few of them.

*[Roll video]*

And now, I'd like to ask those amazing individuals – four of whom were able to join us here today – to please stand up. You are the face of Dow ... you and thousands like you around the world are what our company is all about ... you are an inspiration to all of us ... please accept our heartfelt thanks ... and a rousing round of applause.

*[Applause]*

It is the countless people like these folks who safeguard what we hold most dear at Dow: our own good reputation. And as long as we have employees like you, I am confident that our reputation will be in safe hands ... and that we will continue to be a company that people want to work for ... to invest in ... and to have as a neighbor ... a company that is fully committed to making our world a better place.

Thank you for your attention – and most importantly, thank you for your support of The Dow Chemical Company.

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