

**112th Annual Meeting of
The Dow Chemical Stockholders**
Midland, Michigan
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Chairman and CEO,
The Dow Chemical Company



This annual meeting – the company’s 112th in its long and proud history – is my fifth as CEO and fourth as Chairman. And, I would have to say, it is also my most difficult and no doubt yours.

Although we have made great progress over the past few months to stabilize the company and improve our share price, I understand that you are disappointed and I understand your desire to know how we intend to move forward.

So what I’d like to do in the next few minutes is walk you through this past year ... to give you the context in which we were – and are – operating ... to give you the facts behind our recent actions ... and to share with you our plans to return this company’s performance back to an acceptable level.

When we convened here last year, you may remember that our greatest concerns were high energy prices and a slightly softening economy, especially here in the United States. Virtually every economist believed a recession was unlikely.

Dow’s product demand was relatively strong and our strategy was firmly on track. In that context, in July we announced a deal to purchase Rohm and Haas – another key step in our transformational strategy. This acquisition of a true specialty chemical and advanced materials company marked an historic moment in Dow’s quest to become a reliable earnings growth company. It is a great company and a fantastic opportunity to further our strategy.

This was done, if you’ll remember, before the world intervened.

Commencing around September 2008 – and in particular the last quarter – we experienced nothing short of a global economic meltdown. What began as banking and credit problems bled over into the general economy, affecting companies and individual investors around the world.

Let me give you a few numbers to put 2008 into perspective: In this country alone, job losses in August and September were averaging 82,000 a month. For the remainder of the year, they averaged 420,000 a month. U.S. industrial production dropped 9% in the third quarter, then dropped an additional 13% in the fourth. A total of 25 banks either failed or were taken over and another 31 have failed so far this year.

The economic fallout was so bad, in fact, 2008 was the worst profit year for the Fortune 500 since the 1930s. Collectively, profits fell by more than 80% year-over-year.

Dow was one of those affected companies. Our 2008 financial results were heavily impacted by the widespread demand destruction and the swift economic slowdown in the fourth quarter. Although sales were up, our earnings and equity earnings both dropped as operating rates hit historic lows of 44% in December.

While the major distress in the economy was certainly becoming a major issue, we at Dow were managing other problems that were unique to us.

[Pause]

The biggest of those occurred when our would-be K-Dow partner – the Petrochemical Industries Company of Kuwait – pulled out of our joint venture transaction at the eleventh hour and 59th minute.

Let me remind everyone that we been partners with PIC for a number of years. And we felt secure that we had - and in fact still have - a signed contract with them. We entered into it only after the Kuwait Supreme Petroleum Council had granted its unconditional approval. And we had re-negotiated the deal in November to reflect the economic circumstances that I just described.

We met every contractual condition for closing, but the Kuwait Supreme Petroleum Council - buckling under improper political pressure - reversed its prior commercial decision approving the binding and definitive agreement.

While it is true that the withdrawal of the agreement itself was disruptive to our business plans – it was the TIMING which created the most problems. Their decision came just days before we were to receive regulatory clearance allowing us to close our acquisition of Rohm and Haas – an acquisition we were legally bound to close.

Many have asked about our ability – given the unprecedented change in the economy – to cancel the Rohm and Haas transaction.

Remember that Rohm and Haas was and is a highly sought after prized asset in the specialty chemical universe. Many companies – including Dow – had pursued them throughout the years and they were simply never available.

Therefore when they became available they set the conditions of the auction such that every bidder would come to the table with the same terms. They needed certainty so that the process would be completed quickly. That meant there were no escape clauses allowed for a general economic collapse ... not for us ... not for the other bidders.

We knew that Rohm and Haas was THE asset that would transform Dow into an earnings growth company and if others acquired them, it would have a profound and negative effect on Dow's key market competitiveness.

So we placed our bid with a firm belief that we would close this transaction as expected. This meant that we put in place a financing contingency plan in case the K-Dow funds did not come through on time.

This is a point that is not well understood. Contrary to what some people believed, we did have a contingency financing plan for Rohm and Haas.

It was built into Dow's risk analysis before we announced the Rohm and Haas acquisition.

That contingency plan consisted of the original \$13 billion bridge loan we secured in case the K-Dow funds did not arrive in time plus the investments from Berkshire Hathaway and the Kuwait Investment Authority, two respected investors whose participation was widely hailed as validation of the merits of the deal.

I would ask you to remember, however, that this contingency plan was designed in a very different economic climate than the one we found ourselves in on January first. We were suddenly in the middle of a once-in-a-generation credit crisis. The economy was in freefall. And markets were in turmoil. The consequence was a ratings agency downgrade that threatened the bridge financing and its conditions that were set in July.

Given this sudden shift in sentiment, and the very real effects of the ratings downgrade ... it was not prudent or wise to put this very temporary debt on our balance sheet with the same financial terms and agreements.

These events forced us into one of the most difficult decision points in our history. Essentially we had only two options.

First, we could close our agreement with Rohm and Haas as expected. That, however, would put our company in a grave financial situation and jeopardize the future of two great companies, their employees and their communities.

The other option was to ask for more time to re-structure our financing. We did do this, but the other side did not agree. This meant we were exposed to a litigation event as the only recourse.

I will tell you that some people outside the company suggested there was a third option. That we could just walk away from the Rohm and Haas deal. For us, that was NEVER a viable option. Not only did we have a signed agreement with Rohm and Haas, but this was a key transaction for us and we felt strongly that we could solve the financing challenge and complete the transformative acquisition.

In the end, we steadfastly chose to protect the long-term viability of this company. With that principle as our guide, we delayed the closing, and risked a litigation time-clock while we re-negotiated with the banks and restructured the terms of our financing.

That decision gave us the time we needed. We rolled up our sleeves ... went to work 24/7 ... and completed the following seven critical tasks:

- We renegotiated the terms of our bridge loan – with 18 banks, each of which was facing its own financial crisis;
- We significantly improved the capital structure of the new transaction – by negotiating with two of Rohm and Haas’ largest shareholders;
- We overcame the litigation question;
- We closed the Rohm and Haas transaction – on terms we could live with;
- We developed and began implementing our 2009 operations and de-leveraging plans;
- We re-launched the Rohm and Haas integration – while significantly increasing our synergy plans; and

- We protected Dow's investment grade rating – a crucial - A CRUCIAL - step to protect our financial flexibility.

Perhaps the most critical decision the Board had to make during this period – as well its most controversial and painful for all of us – was the decision to reduce the dividend.

In making this decision, the Board considered a number of factors, including uncertainty in the credit markets, unprecedented lower demand for chemical products and the ongoing global recession.

We weren't alone, of course. Some of the biggest names in corporate America – companies like GE, Alcoa, International Paper, United States Steel Corp and Pfizer – cut their dividend, too. Some cut it to a penny or eliminated it altogether. We did not go that far.

Reducing the dividend as we did – as opposed to eliminating it – saves us \$1 billion on an annualized basis, while still preserving one of the longest track records of continuous dividend payments in corporate America.

I will not mince words. This was a tremendously difficult decision. But given the world's economic climate, it was the prudent one and now provides a dividend yield more in line with our peers.

So in that regard, let me take a moment to acknowledge the strength and courage of our Board and our management team. I want to thank them for their leadership and their ability to weather the uncertainties of the last few months. Their vision and their focus have allowed our company to move beyond this trying time and have prepared us for a stronger future.

We have already seen the results of these tough decisions. A few weeks ago, we announced our first quarter results. Because of our swift actions, our hard work and our focus on cutting costs and managing our cash, we were able to beat expectations and show sequential improvement.

Comparing the first quarter of this year with the fourth quarter of 2008 we saw the following:

- Sales were \$9 billion, off by 17%.
- Equity earnings rose to \$65 million; and
- Earnings were 3 cents a share compared to a loss of \$1.68 in the fourth quarter or 12 cents a share excluding certain items compared to a loss of 62 cents.

While both the sales and earnings may seem modest, we consider these very significant wins.

At a time when other companies were filing for bankruptcy, Dow people knuckled down and turned in results that were far and above what anyone had predicted.

So I hope you will forgive me if I pause a moment and publicly thank our employees for their performance during the first three months of this year. It was – by all accounts – a tremendous effort.

So what does our future look like beyond the first quarter? What can you expect from us for the remainder of 2009 and into 2010?

We have three key priorities:

- Pay down the new bridge loan and de-leverage the Company;
- Continue running the business effectively in a volatile economy; and
- Integrate Rohm and Haas and, once again, begin growing.

Taking each of these in turn, one of the most frequent questions we get concerns our debt and specifically, the bridge loan. So let me walk you through what we've done.

To effect the Rohm and Haas transaction, we said on March 9 we would draw down \$9.5 to \$10 billion of our bridge loan. In fact, we restructured our plan and only drew down \$9.2 billion.

We said we would pay that amount off through a series of financial measures, including asset sales. Within hours of closing our Rohm and Haas transaction, we sold Morton Salt, getting \$200 million more than we anticipated.

We said we would issue \$600 million to the Rohm and Haas ESOP and we delivered this commitment earlier this week.

We also said we would issue new debt of approximately \$4.3 billion. Last week, however, we went to the market and issued \$6 billion of new long-term debt against more than \$20 billion in interest in the offering.

Also last week, we issued \$2.25B of new equity – the largest single U.S. non-financial sector equity issuance since October. Like the debt offering, it, too, was over-subscribed.

These actions – the Morton Salt sale and the tremendous reception to our debt and equity issuances – allow us to accelerate our bridge loan repayment. We had committed to paying it down to \$4.2 billion within 90 days. We're now on schedule to pay it down to \$3 billion – a full \$1.2 billion and 55 days ahead of schedule.

In fact, as you can see, we could pay down all the bridge loan if we so chose, but prefer to deploy these new funds in a manner to fully optimize our capital structure.

The debt and equity issuances last week allowed us to do one other thing as well. You may remember that as part of the Rohm and Haas financing, we had issued \$2.5B of perpetual preferred stock to Paulson and Co. and the Haas Trusts that paid a 15% dividend.

Because of the extra-ordinary reception we received last week, we have now eliminated ALL of the perpetual preferred shares from our capital structure. This has the immediate affect of increasing the net income available for all common shareholders by approximately \$300 million annually. On an earnings per share basis, this is equivalent to more than 25 cents annually.

This new pay-down schedule is a win for Dow and a tremendous win for shareholders and demonstrates that we have the strength to meet all of our financial commitments. It is also a tremendous validation event for our great company, our people, and our collective future.

Clearly, we are in a much stronger position than we were just 44 days ago. By re-financing the transaction the way we did ... we don't have a liquidity issue. We've given ourselves the breathing room needed to implement our de-leveraging plan in a methodical way and on our terms, and on our timing. Again – we do not have a liquidity issue. Your company is safe in the most un-safe of times. We have protected Dow's investment grade rating, a point recently reinforced by Standard & Poor's, Fitch and Moody's; and we still have 100% of our very valuable Basics franchise – and we all know the cash generating potential of this franchise in an economic up-cycle. We now have maximum flexibility.

This flexibility now allows us to control the scale, the timing and the strategic impact of any divestiture to help manage our portfolio and pay down our debt and bridge loans. In other words, we have the optionality to find the best deals for any potential divestiture and ensure full valuations.

In terms of potential divestitures, we have described various categories of over 12 assets we're currently assessing in the following manner:

The first category are previously announced non-strategic assets:

- Morton Salt
- Our share of TRN, a petroleum refining partnership
- Our stake in an olefins and derivatives business in South East Asia
- And our calcium chloride business

The second and third categories are assets that are strong performers, but are either non-strategic or need to be joint ventured with strategic partners including any K-Dow successor deal or any regional equivalent.

Finally, we are evaluating several stand-alone businesses as potential divestments. This includes Dow AgroSciences, but at this juncture I would like to stress that Dow Agrosciences IS a strategic business for us and an exceptional business in its own right. However given the current market for assets in the agricultural space, and given strong interest from third parties, we will continue to assess the right strategic outcome for this business. Options include everything from a full divestment to a joint venture to an Initial Public Offering.

Altogether, these assets represent approximately \$25B in potential value of which we only have to raise \$4B over the next 12 months, so you can see we now have the optionality, and we now have the flexibility to ensure we get full valuations. This means if we don't get full value, we won't sell. We have time to consider our options and their impact on our long-term strategy.

In summary: We are paying off the bridge loan ahead of schedule; we have robust options concerning which assets we might divest and when we do that; and we have control over our own destiny.

So let me repeat ... this is a far stronger position than we were in when we closed the Rohm and Haas transaction just 44 days ago today. In fact, our new financial position has been recognized by the securities analysts who cover our stock. Just this week, we were upgraded to Outperform by Credit Suisse. We have a solid foundation ... we have a great portfolio of market-facing

businesses. We have come a long way and we can move forward with confidence, realizing that our work is not done.

Why? Well the global economy is still in a terrible place and we need to adapt our business to the new economic realities by making tough decisions and tightly managing the company. This process has begun and was clearly evident in our first quarter results.

And looking ahead, expect us to take the same realistic approach. We are assuming the economy will continue to struggle throughout 2009. That means it is incumbent on us to do what we can to adjust our production, recalibrate our costs and modify our overall footprint to match the weaker than usual demand.

This is Dow 101. We know how to manage through the kind of economic cycle that began in the fourth quarter of 2008. As soon as that cycle hit, we took immediate action. We have already, for example, taken steps to right-size our asset base by trimming the number of plants worldwide by about 10%.

We have reduced capital expenditures and overall costs. And in the past year we have announced – between Dow and heritage Rohm and Haas – a total workforce reduction of about 17%.

Make no mistake. These are painful choices. No one enjoys shutting down plants and we certainly don't enjoy workforce reductions. As difficult as they are they are also necessary for our long-term competitiveness.

These fall under the category of controlling those things that we can control. If there is anything we have learned over this past year, it is this ...Manage what you can manage ... preserve your options and be ready when things improve.

Which leads me to our third priority for 2009 – the successful integration of Rohm and Haas.

Amid all of the distractions earlier this year, the fact that we indeed now own Rohm and Haas – and what that means for us long-term – has been lost on many. Rohm and Haas was identified by our Board several years ago as one of a handful of companies that fit squarely into our long-term strategy to transform Dow into an earnings growth company.

As a reminder, this graphic illustrates our strategy which has us preferentially investing in our Performance and Market Facing businesses and leveraging our immense R&D pipeline for organic growth

Rohm and Haas is THE pivotal acquisition to finally move this company's portfolio to a primarily specialties and downstream emphasis.

We now have a more stable and flexible overall business model as well. Our traditional Basics business model profile had operating margins often falling below 10%. Frankly, companies in this category are a dying breed.

Our strategy is to move to a different model, one that is distinctly more market-driven and where operating margins are greater and more predictable. Our businesses that have that characteristic

include Dow Agrosciences and Dow Advanced Materials, and companies that have this characteristic are 3M and Bayer.

That profile change is now distinctly enhanced by Dow Advanced Materials a \$14B division with enormous potential.

Dow Advanced Materials will serve five large industry segments: Coatings ... Building and Construction ... Specialty Materials ... Adhesive and Functional Polymers ... and Electronic Materials.

This division will consist of several Rohm and Haas businesses ... two that were unique to Dow ... and several where we both had existing products and technologies. Together they form a new technology rich, best-in-class division which will be an industry leader in its sectors.

Let me give you two examples. In Coatings, we now have a combined business worth about \$3.5B. Its size is impressive. But even more impressive are the short-term and long-term growth synergies we see when we join our technologies and customer reach.

Consumers keep saying, for example, they want coatings for their homes that not only perform better, but are also better for the environment. Dow has been delivering those by developing coatings with lower and lower levels of volatile organic compounds. Rohm and Haas has been developing similar coatings.

By combining our technologies, however, we can go farther than either of us could alone. We can now create odor-free, water-based coatings with ZERO Volatile Organic Compounds AND exceptional performance. That combination simply doesn't exist in the market today. These coatings will bring better drying times, better color fastness, and an ease of use that consumers are demanding.

Another great example is in electronic materials, an area that's already growing at twice the rate of the GDP. These are high-margin, high-science products ... an area where Rohm and Haas has delivered consistently over the years. They have developed a reputation as a global leader, especially in the field of materials for ultra small nano circuitry, one of the highest-margin and growth businesses in electronics.

As long as we keep using and buying more computers, hand held devices like iPods and smart phones, this business will continue to grow and we'll continue to benefit from Rohm and Haas's deep expertise.

When you look at this division in total, you see we have huge upside potential. We've already identified more than 50 short-term growth synergy projects worth more than \$2B in annual sales.

And we easily see another 30 long-term growth synergy projects with a potential of \$8B in revenues.

In addition, Rohm and Haas is the perfect complement to our already strong geographic presence, such as respective strengths in Latin America and Asia Pacific.

Together, we're stronger in every sense, especially on the bottom line where it counts. Seventy percent of our earnings now come from our enhanced market-driven businesses.

In other words, ladies and gentlemen we now have the portfolio we've always wanted. A Dow that is 2/3 specialty in revenue and where three out of four divisions are run as true market-driven, technology rich divisions with accountable and focused leadership. And a Dow that continues to drive innovation and technology.

In fact, there are few competitors who can match our new R&D capability. This acquisition combines two already strong R&D functions into one powerhouse unit. We have an R&D budget of \$1.5B ... one of the largest and most effective in the industry. This R&D capability is broader and deeper than we've ever had and has a new ability to speed up product development.

Dow already has more than 600 projects that will generate \$2B in risk-adjusted EBIT in 2012. But perhaps the most exciting work we're doing comes from using our deep background in science and technology to work on projects related to our Sustainability Goals and our commitment to develop greener technologies.

In the area of transportation, for example, Dow expects to launch next year a product that will allow diesel engines to meet new emission regulations while also increasing fuel efficiency.

This is a huge market – probably more than \$2B by 2011 – and our Diesel Particular Filters are already receiving a tremendous validation from our customers.

We are building the first production unit just down the road at our Michigan Operations facility – a great example of a high-science and high-margin area where Dow is leading the way.

Another area is in the intersection of construction and energy where – once again – our science and technology and engineering are playing substantial roles. We're developing solar photovoltaics for the building and construction industry. And not just any photovoltaics. We're offering aesthetically pleasing, simple-to-install and cost-competitive alternatives to traditional solar energy products.

The total market size for solar products is already more than \$30 billion and growing at over 40% per year. And margins across the value chain average 30 to 35%.

Our photovoltaics expect to capture part of that market by using next-generation semiconductor materials imbedded directly into the building material itself. Instead of placing solar cells on rooftops, in other words, our solar cells ARE the rooftop.

And yet another exciting development at Dow concerns our announcement last month regarding a proposed joint venture to build advanced lithium polymer batteries. As some of you may remember, this is a proposal between Dow, Townsend Ventures and Kokam America to build the next generation of safe and affordable large format advanced lithium polymer batteries for transportation and other industries. The joint venture is expected to produce enough batteries to supply 60,000 hybrid or electric vehicles per year.

The proposal has already received generous support from the State of Michigan. By August we should hear whether it will also receive Federal funding. If it does, the joint venture would move forward by building a manufacturing facility employing more than 800 people.

I'm very pleased today to announce that, if this joint venture does indeed move forward and receive the required Federal funding, the owners have decided that the manufacturing facility – and the associated jobs – will be located here in Midland.

This is a great development for Midland, our region and for Michigan as a whole. And I want to pay tribute to the tremendous support we've received from the Governor, her staff and the many regional leaders who are helping make this a reality.

This proposal is a testament to Dow's leading-edge technology ... to our manufacturing expertise ... and to our promise to continue working on the challenges of today AND the opportunities of tomorrow.

So I hope you see that this Company – your Company – is once again on the move. Yes, there are challenges. Yes, the economy could be better. But we have plans in place to respond to those. And we are implementing against them with a focus and commitment like we've never had.

I said it earlier, but it bears repeating: we have an absolutely great team working on these issues. I don't believe I'm being too bold when I say there is not another team in corporate America or the world for that matter that could have successfully handled all the issues our employees faced this year. Their work over the past few months gives me great confidence for the future.

In true Dow form, they came together in the middle of the greatest storm this Company has faced. They stabilized the Company. They turned in a first-quarter performance that was beyond expectations. And they positioned us for tremendous growth by beginning the integration of Rohm and Haas. And they did it in just three months while also maintaining an exceptional safety record.

With that as my backdrop, here is my pledge to you: Expect nothing less from us going forward.

My goals – the goals of the management team – the goals of Team Dow – are focused on the critical aspects of running this company, raising our performance to the level you expect and growing shareholder value.

Call it our “back-to-fundamentals” philosophy. Our intent to prove ... step-by-step ... result-by-result ... that this company is worthy of your continued investment.

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