

DOW CHEMICAL CO /DE/
Form 10-Q
July 30, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended JUNE 30, 2013

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-3433
THE DOW CHEMICAL COMPANY
(Exact name of registrant as specified in its charter)

Delaware 38-1285128
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)
2030 DOW CENTER, MIDLAND, MICHIGAN 48674
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: 989-636-1000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

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Class	Outstanding at June 30, 2013
Common Stock, par value \$2.50 per share	1,210,213,904 shares

Table of Contents

The Dow Chemical Company
 QUARTERLY REPORT ON FORM 10-Q
 For the quarterly period ended June 30, 2013
 TABLE OF CONTENTS

	PAGE
 <u>PART I – FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	4
<u>Consolidated Statements of Income</u>	4
<u>Consolidated Statements of Comprehensive Income</u>	5
<u>Consolidated Balance Sheets</u>	6
<u>Consolidated Statements of Cash Flows</u>	7
<u>Consolidated Statements of Equity</u>	8
<u>Notes to the Consolidated Financial Statements</u>	9
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	40
<u>Results of Operations</u>	41
<u>Changes in Financial Condition</u>	53
<u>Other Matters</u>	58
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	60
Item 4. <u>Controls and Procedures</u>	61
 <u>PART II – OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	62
Item 1A. <u>Risk Factors</u>	62
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	63
Item 4. <u>Mine Safety Disclosures</u>	63
Item 6. <u>Exhibits</u>	63
<u>SIGNATURE</u>	65

EXHIBIT INDEX

66

2

Table of Contents

The Dow Chemical Company and Subsidiaries

FORWARD-LOOKING STATEMENTS

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report including, without limitation, “Management's Discussion and Analysis,” and “Risk Factors.” These forward-looking statements are generally identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “future,” “opportunity,” “plan,” “may,” “should,” “be,” “will continue,” “will likely result,” and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of principal risks and uncertainties which may cause actual results and events to differ materially from such forward-looking statements is included in the section titled “Risk Factors” (see Part II, Item 1A of this Quarterly Report on Form 10-Q; Part II, Item 1A of the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2013; and, Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2012). The Dow Chemical Company undertakes no obligation to update or revise publicly any forward-looking statements whether because of new information, future events, or otherwise, except as required by securities and other applicable laws.

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The Dow Chemical Company and Subsidiaries
Consolidated Statements of Income

In millions, except per share amounts (Unaudited)	Three Months Ended		Six Months Ended	
	Jun 30, 2013	Jun 30, 2012	Jun 30, 2013	Jun 30, 2012
Net Sales	\$14,577	\$14,513	\$28,960	\$29,232
Cost of sales	12,103	12,200	23,810	24,485
Research and development expenses	417	406	852	811
Selling, general and administrative expenses	716	674	1,488	1,381
Amortization of intangibles	115	122	230	244
Restructuring charges	—	—	—	357
Equity in earnings of nonconsolidated affiliates	228	148	458	317
Sundry income (expense) - net	2,053	27	2,021	44
Interest income	10	10	18	16
Interest expense and amortization of debt discount	279	312	575	641
Income Before Income Taxes	3,238	984	4,502	1,690
Provision for income taxes	795	244	1,399	430
Net Income	2,443	740	3,103	1,260
Net income attributable to noncontrolling interests	18	6	43	29
Net Income Attributable to The Dow Chemical Company	2,425	734	3,060	1,231
Preferred stock dividends	85	85	170	170
Net Income Available for The Dow Chemical Company Common Stockholders	\$2,340	\$649	\$2,890	\$1,061
Per Common Share Data:				
Earnings per common share - basic	\$1.96	\$0.55	\$2.42	\$0.90
Earnings per common share - diluted	\$1.87	\$0.55	\$2.36	\$0.90
Common stock dividends declared per share of common stock				
Weighted-average common shares outstanding - basic	1,186.1	1,169.7	1,183.6	1,165.3
Weighted-average common shares outstanding - diluted	1,288.2	1,176.6	1,286.3	1,172.7
Depreciation				
Capital Expenditures	\$504	\$506	\$1,009	\$1,016
	\$506	\$581	\$852	\$983
See Notes to the Consolidated Financial Statements.				

Table of ContentsThe Dow Chemical Company and Subsidiaries
Consolidated Statements of Comprehensive Income

	Three Months Ended		Six Months Ended		
In millions (Unaudited)	Jun 30, 2013	Jun 30, 2012	Jun 30, 2013	Jun 30, 2012	
Net Income	\$2,443	\$740	\$3,103	\$1,260	
Other Comprehensive Income (Loss), Net of Tax					
Net change in unrealized gains (losses) on investments	(36	) (25	) (31	) 32
Translation adjustments	83	(456) (269) (174)
Adjustments to pension and other postretirement benefit plans	142	97	283	182	
Net gains (losses) on cash flow hedging derivative instruments	(21) 3	7	(11)
Other comprehensive income (loss)	168	(381	) (10	) 29
Comprehensive Income	2,611	359	3,093	1,289	
Comprehensive income (loss) attributable to noncontrolling interests, net of tax	(6	) 6	9	29
Comprehensive Income Attributable to The Dow Chemical Company	\$2,617	\$353	\$3,084	\$1,260	
See Notes to the Consolidated Financial Statements.					

Table of Contents

The Dow Chemical Company and Subsidiaries

Consolidated Balance Sheets

In millions (Unaudited)	Jun 30, 2013	Dec 31, 2012
Assets		
Current Assets		
Cash and cash equivalents (variable interest entities restricted - 2013: \$158; 2012: \$146)	\$4,883	\$4,318
Accounts and notes receivable:		
Trade (net of allowance for doubtful receivables - 2013: \$128; 2012: \$121)	5,619	5,074
Other	4,859	4,605
Inventories	8,836	8,476
Deferred income tax assets - current	735	877
Other current assets	395	334
Total current assets	25,327	23,684
Investments		
Investment in nonconsolidated affiliates	4,012	4,121
Other investments (investments carried at fair value - 2013: \$1,938; 2012: \$2,061)	2,424	2,565
Noncurrent receivables	278	313
Total investments	6,714	6,999
Property		
Property	54,366	54,366
Less accumulated depreciation	37,164	36,846
Net property (variable interest entities restricted - 2013: \$2,577; 2012: \$2,554)	17,202	17,520
Other Assets		
Goodwill	12,721	12,739
Other intangible assets (net of accumulated amortization - 2013: \$3,013; 2012: \$2,785)	4,454	4,711
Deferred income tax assets - noncurrent	3,050	3,333
Asbestos-related insurance receivables - noncurrent	163	155
Deferred charges and other assets	511	464
Total other assets	20,899	21,402
Total Assets	\$70,142	\$69,605
Liabilities and Equity		
Current Liabilities		
Notes payable	\$505	\$396
Long-term debt due within one year	846	672
Accounts payable:		
Trade	4,812	5,010
Other	2,323	2,327
Income taxes payable	903	251
Deferred income tax liabilities - current	89	95
Dividends payable	465	86
Accrued and other current liabilities	2,670	2,656
Total current liabilities	12,613	11,493
Long-Term Debt (variable interest entities nonrecourse - 2013: \$1,423; 2012: \$1,406)	17,475	19,919
Other Noncurrent Liabilities		
Deferred income tax liabilities - noncurrent	795	837
Pension and other postretirement benefits - noncurrent	11,131	11,459
Asbestos-related liabilities - noncurrent	497	530
Other noncurrent obligations	3,284	3,353

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Total other noncurrent liabilities	15,707	16,179
Redeemable Noncontrolling Interest	147	147
Stockholders' Equity		
Preferred stock, series A	4,000	4,000
Common stock	3,031	3,008
Additional paid-in capital	3,537	3,281
Retained earnings	20,620	18,495
Accumulated other comprehensive loss	(7,526)	(7,516)
Unearned ESOP shares	(371)	(391)
Treasury stock at cost	(80)	—
The Dow Chemical Company's stockholders' equity	23,211	20,877
Noncontrolling interests	989	990
Total equity	24,200	21,867
Total Liabilities and Equity	\$70,142	\$69,605
See Notes to the Consolidated Financial Statements.		

Table of ContentsThe Dow Chemical Company and Subsidiaries
Consolidated Statements of Cash Flows

In millions (Unaudited)	Six Months Ended	
	Jun 30, 2013	Jun 30, 2012
Operating Activities		
Net Income	\$3,103	\$1,260
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,327	1,353
Provision (credit) for deferred income tax	173	(133)
Earnings of nonconsolidated affiliates less than dividends received	160	191
Pension contributions	(511)	(499)
Net gain on sales of investments	(37)	(6)
Net gain on sales of property, businesses and consolidated companies	(3)	(71)
Other net (gain) loss	(1)	32
Net gain on sale of ownership interest in nonconsolidated affiliates	(2)	—
Restructuring charges	—	357
Loss on early extinguishment of debt	170	24
Excess tax benefits from share-based payment arrangements	(10)	(58)
Changes in assets and liabilities, net of effects of acquired and divested companies:		
Accounts and notes receivable	(1,312)	(2,143)
Proceeds from interests in trade accounts receivable conduits	436	1,972
Inventories	(370)	(790)
Accounts payable	(128)	(248)
Other assets and liabilities	1,193	180
Cash provided by operating activities	4,188	1,421
Investing Activities		
Capital expenditures	(852)	(983)
Proceeds from sales of property, businesses and consolidated companies	61	62
Investments in consolidated companies, net of cash acquired	(11)	(27)
Investments in and loans to nonconsolidated affiliates	(45)	(168)
Distributions from nonconsolidated affiliates	17	13
Proceeds from sale of ownership interests in nonconsolidated affiliates	3	—
Purchases of investments	(266)	(266)
Proceeds from sales and maturities of investments	381	254
Cash used in investing activities	(712)	(1,115)
Financing Activities		
Changes in short-term notes payable	10	(63)
Proceeds from issuance of long-term debt	558	446
Payments on long-term debt	(2,948)	(1,431)
Purchases of treasury stock	(80)	—
Proceeds from issuance of common stock	149	190
Issuance costs on debt and equity securities	(2)	—
Excess tax benefits from share-based payment arrangements	10	58
Contributions from noncontrolling interests	17	—
Distributions to noncontrolling interests	(26)	(58)
Dividends paid to stockholders	(549)	(751)
Cash used in financing activities	(2,861)	(1,609)

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Effect of Exchange Rate Changes on Cash	(50) (13)
Summary			
Increase (decrease) in cash and cash equivalents	565	(1,316)
Cash and cash equivalents at beginning of year	4,318	5,444	
Cash and cash equivalents at end of period	\$4,883	\$4,128	
See Notes to the Consolidated Financial Statements.			

7

Table of ContentsThe Dow Chemical Company and Subsidiaries
Consolidated Statements of Equity

In millions (Unaudited)	Six Months Ended	
	Jun 30, 2013	Jun 30, 2012
Preferred Stock		
Balance at beginning of year and end of period	\$4,000	\$4,000
Common Stock		
Balance at beginning of year	3,008	2,961
Common stock issued	23	35
Balance at end of period	3,031	2,996
Additional Paid-in Capital		
Balance at beginning of year	3,281	2,663
Common stock issued	126	155
Stock-based compensation and allocation of ESOP shares	130	200
Balance at end of period	3,537	3,018
Retained Earnings		
Balance at beginning of year	18,495	19,087
Net income available for The Dow Chemical Company common stockholders	2,890	1,061
Dividends declared on common stock (per share: \$0.64 in 2013, \$0.57 in 2012)	(759)	(667)
Other	(6)	(8)
Balance at end of period	20,620	19,473
Accumulated Other Comprehensive Loss		
Balance at beginning of year	(7,516)	(5,996)
Other comprehensive income (loss)	(10)	29
Balance at end of period	(7,526)	(5,967)
Unearned ESOP Shares		
Balance at beginning of year	(391)	(434)
Shares allocated to ESOP participants	20	35
Balance at end of period	(371)	(399)
Treasury Stock		
Balance at beginning of year	—	—
Purchases	(80)	—
Balance at end of period	(80)	—
The Dow Chemical Company's Stockholders' Equity	23,211	23,121
Noncontrolling Interests		
Balance at beginning of year	990	1,010
Net income attributable to noncontrolling interests	43	29
Distributions to noncontrolling interests	(26)	(58)
Capital contributions (noncash capital contributions 2013: \$0; 2012: \$95)	17	95
Consolidation of a variable interest entity	—	37
Cumulative translation adjustments	(31)	(6)
Other	(4)	(4)
Balance at end of period	989	1,103
Total Equity	\$24,200	\$24,224

See Notes to the Consolidated Financial Statements.

Table of Contents

The Dow Chemical Company and Subsidiaries
(Unaudited) PART I – FINANCIAL INFORMATION, Item 1. Financial Statements
Notes to the Consolidated Financial Statements
Table of Contents

Note		Page
1	<u>Consolidated Financial Statements</u>	<u>9</u>
2	<u>Recent Accounting Guidance</u>	<u>9</u>
3	<u>Restructuring</u>	<u>10</u>
4	<u>Inventories</u>	<u>11</u>
5	<u>Goodwill and Other Intangible Assets</u>	<u>12</u>
6	<u>Financial Instruments</u>	<u>13</u>
7	<u>Fair Value Measurements</u>	<u>18</u>
8	<u>Commitments and Contingent Liabilities</u>	<u>20</u>
9	<u>Transfers of Financial Assets</u>	<u>27</u>
10	<u>Notes Payable, Long-Term Debt and Available Credit Facilities</u>	<u>29</u>
11	<u>Variable Interest Entities</u>	<u>31</u>
12	<u>Pension Plans and Other Postretirement Benefits</u>	<u>33</u>
13	<u>Stock-Based Compensation</u>	<u>34</u>
14	<u>Earnings Per Share Calculations</u>	<u>35</u>
15	<u>Income Taxes</u>	<u>36</u>
16	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>37</u>
17	<u>Operating Segments and Geographic Areas</u>	<u>37</u>

NOTE 1 – CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim consolidated financial statements of The Dow Chemical Company and its subsidiaries (“Dow” or the “Company”) were prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and reflect all adjustments (including normal recurring accruals) which, in the opinion of management, are considered necessary for the fair presentation of the results for the periods presented. These statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012.

NOTE 2 – RECENT ACCOUNTING GUIDANCE

Recently Adopted Accounting Guidance

During the first quarter of 2013, the Company adopted Accounting Standards Update (“ASU”) ASU 2011-11, “Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities,” which requires entities to disclose both gross and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting agreement and ASU 2013-01, “Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Asset and Liabilities,” which clarifies the scope of the offsetting disclosures of ASU 2011-11. The objective of the disclosure is to facilitate comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of International Financial Reporting Standards. The adoption of this standard was immaterial to the consolidated financial statements.

During the first quarter of 2013, the Company adopted ASU 2013-02, “Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income,” which requires entities to provide information about the amounts reclassified out of accumulated other comprehensive income, by component.

In addition, entities are required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, entities are required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail on these amounts. See Note 16 for the disclosures related to this adoption.

Table of Contents

Accounting Guidance Issued But Not Adopted as of June 30, 2013

In February 2013, the Financial Accounting Standards Board ("FASB") issued ASU 2013-04, "Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date," which defines how entities measure obligations from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date and for which no guidance exists, except for obligations addressed within existing guidance in U.S. GAAP. The guidance also requires entities to disclose the nature and amount of the obligation as well as other information about those obligations. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Retrospective presentation for all comparative periods presented is required and early adoption is permitted. The Company is currently evaluating the impact of adopting this guidance.

In March 2013, the FASB issued ASU 2013-05, "Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity," which defines the treatment of the release of cumulative translation adjustments upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted and prior periods should not be adjusted. The Company does not expect the adoption of this guidance to have a material impact on the consolidated financial statements.

NOTE 3 – RESTRUCTURING

4Q12 Restructuring

On October 23, 2012, the Company's Board of Directors approved a restructuring plan ("4Q12 Restructuring") to advance the next stage of the Company's transformation and to address macroeconomic uncertainties. The 4Q12 Restructuring plan accelerates the Company's structural cost reduction program and will affect approximately 2,850 positions and result in the shutdown of approximately 20 manufacturing facilities. These actions are expected to be completed primarily by March 31, 2015. As a result of the 4Q12 Restructuring activities, the Company recorded pretax restructuring charges of \$990 million in the fourth quarter of 2012 consisting of costs associated with exit or disposal activities of \$39 million, severance costs of \$375 million and asset write-downs and write-offs of \$576 million.

The severance component of the 4Q12 Restructuring charge of \$375 million was for the separation of approximately 2,850 employees under the terms of the Company's ongoing benefit arrangements, primarily by March 31, 2015. At December 31, 2012, severance of \$8 million had been paid and a liability of \$367 million remained for 2,767 employees. In the first six months of 2013, severance of \$128 million was paid, leaving a liability of \$239 million for approximately 1,550 employees at June 30, 2013.

The following table summarizes the activities related to the Company's 4Q12 Restructuring reserve:

4Q12 Restructuring Activities	Costs Associated with Exit or Disposal Activities	Severance Costs	Total
In millions			
Reserve balance at December 31, 2012	\$ 30	\$ 367	\$ 397
Cash payments	(1	) (69	) (70
Reserve balance at March 31, 2013	\$ 29	\$ 298	\$ 327
Cash payments	(1	) (59	) (60
Reserve balance at June 30, 2013	\$ 28	\$ 239	\$ 267

The reserve balance is included in the consolidated balance sheets as "Accrued and other current liabilities" and "Other noncurrent obligations."

Table of Contents

1Q12 Restructuring

On March 27, 2012, the Company's Board of Directors approved a restructuring plan ("1Q12 Restructuring") to optimize its portfolio, respond to changing and volatile economic conditions, particularly in Western Europe, and to advance the Company's Efficiency for Growth program. The 1Q12 Restructuring plan included the shutdown of a number of manufacturing facilities and the elimination of approximately 900 positions. These actions are expected to be completed primarily by December 31, 2013. As a result of the 1Q12 Restructuring activities, the Company recorded pretax restructuring charges of \$357 million in the first quarter of 2012 consisting of costs associated with exit or disposal activities of \$150 million, severance costs of \$113 million and asset write-downs and write-offs of \$94 million. The impact of these charges was shown as "Restructuring charges" in the consolidated statements of income.

The severance component of the 1Q12 Restructuring charge of \$113 million was for the separation of approximately 900 employees under the terms of the Company's ongoing benefit arrangements, primarily by December 31, 2013. At December 31, 2012, severance of \$82 million had been paid and a liability of \$31 million remained for 248 employees. In the first six months of 2013, severance of \$25 million was paid, leaving a liability of \$6 million for approximately 80 employees at June 30, 2013.

The following table summarizes the activities related to the Company's 1Q12 Restructuring reserve:

1Q12 Restructuring Activities

	Costs Associated with Exit or Disposal Activities	Severance Costs	Total	
In millions				
Reserve balance at December 31, 2012	\$56	\$31	\$87	
Cash payments	(4	) (20	) (24)
Noncash settlements	(7	) —	(7)
Foreign currency impact	(1	) —	(1)
Reserve balance at March 31, 2013	\$44	\$11	\$55	
Cash payments	(4	) (5	) (9)
Noncash settlements	(1	) —	(1)
Reserve balance at June 30, 2013	\$39	\$6	\$45	

The reserve balance is included in the consolidated balance sheets as "Accrued and other current liabilities."

Dow expects to incur additional costs in the future related to its restructuring activities, as the Company continually looks for ways to enhance the efficiency and cost effectiveness of its operations, and to ensure competitiveness across its businesses and across geographic areas. Future costs are expected to include demolition costs related to closed facilities and restructuring plan implementation costs; these costs will be recognized as incurred. The Company also expects to incur additional employee-related costs, including involuntary termination benefits, related to its other optimization activities. These costs cannot be reasonably estimated at this time.

NOTE 4 – INVENTORIES

The following table provides a breakdown of inventories:

Inventories	Jun 30, 2013	Dec 31, 2012
In millions		
Finished goods	\$4,921	\$4,880
Work in process	2,108	1,910

Raw materials	949	866
Supplies	858	820
Total inventories	\$8,836	\$8,476

The reserves reducing inventories from the first-in, first-out (“FIFO”) basis to the last-in, first-out (“LIFO”) basis amounted to \$823 million at June 30, 2013 and \$842 million at December 31, 2012.

Table of Contents

NOTE 5 – GOODWILL AND OTHER INTANGIBLE ASSETS

The following table shows the carrying amount of goodwill by operating segment:

Goodwill	Electronic and Functional Materials	Coatings and Infra-structure Solutions	Ag Sciences	Perf Materials	Perf Plastics	Feedstocks and Energy	Total
In millions							
Net goodwill at Dec 31, 2012	\$4,945	\$4,052	\$1,558	\$740	\$1,381	\$63	\$12,739
Sale of a Plastics Additives product line	—	—	—	(3	) —	—	(3)
Foreign currency impact	(5)	(6)	—	—	(4)	—	(15)
Net goodwill at Jun 30, 2013	\$4,940	\$4,046	\$1,558	\$737	\$1,377	\$63	\$12,721

The following table provides information regarding the Company's other intangible assets:

Other Intangible Assets	At June 30, 2013			At December 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
In millions						
Intangible assets with finite lives:						
Licenses and intellectual property	\$1,768	\$(826	) \$942	\$1,729	\$(747	) \$982
Patents	120	(101	) 19	120	(100	) 20
Software	1,107	(580	) 527	1,047	(548	) 499
Trademarks	685	(313	) 372	691	(285	) 406
Customer related	3,575	(1,055	) 2,520	3,688	(974	) 2,714
Other	158	(138	) 20	158	(131	) 27
Total other intangible assets, finite lives	\$7,413	\$(3,013	) \$4,400	\$7,433	\$(2,785	) \$4,648
IPR&D (1), indefinite lives	54	—	54	63	—	63
Total other intangible assets	\$7,467	\$(3,013	) \$4,454	\$7,496	\$(2,785	) \$4,711

(1) In-process research and development ("IPR&D") purchased in a business combination.

The following table provides information regarding amortization expense related to intangible assets:

Amortization Expense	Three Months Ended		Six Months Ended	
In millions	Jun 30, 2013	Jun 30, 2012	Jun 30, 2013	Jun 30, 2012
Other intangible assets, excluding software	\$115	\$122	\$230	\$244
Software, included in "Cost of sales"	\$17	\$16	\$33	\$31

Total estimated amortization expense for 2013 and the five succeeding fiscal years is as follows:

Estimated Amortization Expense	
In millions	
2013	\$525
2014	\$503
2015	\$484
2016	\$473

2017	\$438
2018	\$421

12

Table of Contents

NOTE 6 – FINANCIAL INSTRUMENTS

Investments

The Company's investments in marketable securities are primarily classified as available-for-sale.

Investing Results	Six Months Ended	
	Jun 30, 2013	Jun 30, 2012
In millions		
Proceeds from sales of available-for-sale securities	\$352	\$236
Gross realized gains	\$56	\$9
Gross realized losses	\$(11	) \$(5

The following table summarizes the contractual maturities of the Company's investments in debt securities:

Contractual Maturities of Debt Securities
at June 30, 2013

In millions	Amortized Cost	Fair Value
Within one year	\$32	\$32
One to five years	416	450
Six to ten years	567	584
After ten years	150	170
Total	\$1,165	\$1,236

At June 30, 2013, the Company had \$1,875 million (\$1,701 million at December 31, 2012) of held-to-maturity securities (primarily Treasury Bills) classified as cash equivalents, as these securities had original maturities of three months or less at the time of purchase. The Company's investments in held-to-maturity securities are held at amortized cost, which approximates fair value. At June 30, 2013, the Company had investments in money market funds of \$248 million classified as cash equivalents (\$252 million at December 31, 2012).

The net unrealized loss from mark-to-market adjustments recognized in earnings during the three-month period ended June 30, 2013 on trading securities held at June 30, 2013 was \$8 million (\$4 million gain during the three-month period ended June 30, 2012). The net unrealized loss from mark-to-market adjustments recognized in earnings during the six-month period ended June 30, 2013 on trading securities held at June 30, 2013 was \$10 million (\$2 million gain during the six-month period ended June 30, 2012).

The following table provides the fair value and gross unrealized losses of the Company's investments that were deemed to be temporarily impaired at June 30, 2013 and December 31, 2012, aggregated by investment category:

Temporarily Impaired Securities Less than 12 Months (1)

In millions	At June 30, 2013		At December 31, 2012	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities:				
Government debt (2)	\$100	\$(4) \$—	\$—
Corporate bonds	165	(6	) 22	(1
Total debt securities	\$265	\$(10	) \$22	\$(1
Equity securities	160	(16	) 30	(2
Total temporarily impaired securities	\$425	\$(26	) \$52	\$(3

(1) Unrealized losses of 12 months or more were less than \$1 million.

(2) U.S. Treasury obligations, U.S. agency obligations, agency mortgage-backed securities and other municipalities' obligations.

Portfolio managers regularly review the Company's holdings to determine if any investments are other-than-temporarily impaired. The analysis includes reviewing the amount of the impairment, as well as the length of time it has been impaired. In addition, specific guidelines for each instrument type are followed to determine if an other-than-temporary impairment has occurred.

Table of Contents

For debt securities, the credit rating of the issuer, current credit rating trends, the trends of the issuer's overall sector, the ability of the issuer to pay expected cash flows and the length of time the security has been in a loss position are considered in determining whether unrealized losses represent an other-than-temporary impairment. The Company did not have any credit-related losses during the six-month periods ended June 30, 2013 or June 30, 2012.

For equity securities, the Company's investments are primarily in Standard & Poor's ("S&P") 500 companies; however, the Company's policies allow investments in companies outside of the S&P 500. The largest holdings are Exchange Traded Funds that represent the S&P 500 index or an S&P 500 sector or subset; the Company also has holdings in Exchange Traded Funds that represent emerging markets. The Company considers the evidence to support the recovery of the cost basis of a security including volatility of the stock, the length of time the security has been in a loss position, value and growth expectations, and overall market and sector fundamentals, as well as technical analysis, in determining whether unrealized losses represent an other-than-temporary impairment. In the six-month period ended June 30, 2013, other-than-temporary impairment write-downs on investments still held by the Company were \$2 million (\$5 million in the six-month period ended June 30, 2012).

The aggregate cost of the Company's cost method investments totaled \$172 million at June 30, 2013 (\$176 million at December 31, 2012). Due to the nature of these investments, the fair market value is not readily determinable. These investments are reviewed quarterly for impairment indicators. The Company's impairment analysis resulted in a \$3 million reduction in the cost basis of these investments for the six-month period ended June 30, 2013 (no reduction in the six-month period ended June 30, 2012).

The following table summarizes the fair value of financial instruments at June 30, 2013 and December 31, 2012:

Fair Value of Financial Instruments

In millions	At June 30, 2013				At December 31, 2012			
	Cost	Gain	Loss	Fair Value	Cost	Gain	Loss	Fair Value
Marketable securities: (1)								
Debt securities:								
Government debt (2)	\$522	\$35	\$(4)	\$553	\$506	\$59	\$—	\$565
Corporate bonds	643	47	(7)	683	676	81	(1)	756
Total debt securities	\$1,165	\$82	\$(11)	\$1,236	\$1,182	\$140	\$(1)	\$1,321
Equity securities	590	128	(16)	702	634	109	(3)	740
Total marketable securities	\$1,755	\$210	\$(27)	\$1,938	\$1,816	\$249	\$(4)	\$2,061
Long-term debt incl. debt due within one year (3)	\$(18,321)	\$224	\$(2,163)	\$(20,260)	\$(20,591)	\$24	\$(3,195)	\$(23,762)
Derivatives relating to:								
Interest rates	\$—	\$1	\$(4)	\$(3)	\$—	\$1	\$(6)	\$(5)
Commodities (4)	\$—	\$18	\$(6)	\$12	\$—	\$26	\$(7)	\$19
Foreign currency	\$—	\$35	\$(24)	\$11	\$—	\$34	\$(20)	\$14

(1) Included in "Other investments" in the consolidated balance sheets.

(2) U.S. Treasury obligations, U.S. agency obligations, agency mortgage-backed securities and other municipalities' obligations.

(3) Cost includes fair value adjustments of \$23 million at June 30, 2013 and \$23 million at December 31, 2012.

(4) Presented net of cash collateral, as disclosed in Note 7.

Risk Management

Dow's business operations give rise to market risk exposure due to changes in interest rates, foreign currency exchange rates, commodity prices and other market factors such as equity prices. To manage such risks effectively, the Company enters into hedging transactions, pursuant to established guidelines and policies, which enable it to mitigate

the adverse effects of financial market risk. Derivatives used for this purpose are designated as cash flow, fair value or net foreign investment hedges where appropriate. Accounting guidance requires companies to recognize all derivative instruments as either assets or liabilities at fair value. A secondary objective is to add value by creating additional nonspecific exposures within established limits and policies; derivatives used for this purpose are not designated as hedges. The potential impact of creating such additional exposures is not material to the Company's results.

The Company's risk management program for interest rate, foreign currency and commodity risks is based on fundamental, mathematical and technical models that take into account the implicit cost of hedging. Risks created by derivative instruments and the mark-to-market valuations of positions are strictly monitored at all times, using value at risk and stress tests. Counterparty credit risk arising from these contracts is not significant because the Company minimizes counterparty

Table of Contents

concentration, deals primarily with major financial institutions of solid credit quality, and the majority of its hedging transactions mature in less than three months. In addition, the Company minimizes concentrations of credit risk through its global orientation by transacting with large, internationally diversified financial counterparties. It is the Company's policy to not have credit-risk-related contingent features in its derivative instruments. No significant concentration of counterparty credit risk existed at June 30, 2013. The Company does not anticipate losses from credit risk, and the net cash requirements arising from counterparty risk associated with risk management activities are not expected to be material in 2013.

The Company revises its strategies as market conditions dictate and management reviews its overall financial strategies and the impacts from using derivatives in its risk management program with the Company's Board of Directors.

Interest Rate Risk Management

The Company enters into various interest rate contracts with the objective of lowering funding costs or altering interest rate exposures related to fixed and variable rate obligations. In these contracts, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated on an agreed-upon notional principal amount. At June 30, 2013, the Company had open interest rate swaps with maturity dates that extend to 2021.

Foreign Currency Risk Management

The Company's global operations require active participation in foreign exchange markets. The Company enters into foreign exchange forward contracts and options, and cross-currency swaps to hedge various currency exposures or create desired exposures. Exposures primarily relate to assets, liabilities and bonds denominated in foreign currencies, as well as economic exposure, which is derived from the risk that currency fluctuations could affect the dollar value of future cash flows related to operating activities. The primary business objective of the activity is to optimize the U.S. dollar value of the Company's assets, liabilities and future cash flows with respect to exchange rate fluctuations. Assets and liabilities denominated in the same foreign currency are netted, and only the net exposure is hedged. At June 30, 2013, the Company had forward contracts, options and cross-currency swaps to buy, sell or exchange foreign currencies. These contracts had various expiration dates, primarily in the third quarter of 2013.

Commodity Risk Management

The Company has exposure to the prices of commodities in its procurement of certain raw materials. The primary purpose of commodity hedging activities is to manage the price volatility associated with these forecasted inventory purchases. At June 30, 2013, the Company had futures contracts, options and swaps to buy, sell or exchange commodities. These agreements had various expiration dates through the fourth quarter of 2015.

Accounting for Derivative Instruments and Hedging Activities

Cash Flow Hedges

For derivatives that are designated and qualify as cash flow hedging instruments, the effective portion of the gain or loss on the derivative is recorded in "Accumulated other comprehensive income (loss)" ("AOCI"); it is reclassified to "Cost of sales" in the same period or periods that the hedged transaction affects income. The unrealized amounts in AOCI fluctuate based on changes in the fair value of open contracts at the end of each reporting period. The Company anticipates volatility in AOCI and net income from its cash flow hedges. The amount of volatility varies with the level of derivative activities and market conditions during any period. Gains and losses on the derivatives representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current period income.

The Company had open interest rate derivatives designated as cash flow hedges at June 30, 2013 with a net loss of \$2 million after tax and a notional U.S. dollar equivalent of \$404 million (net loss of \$3 million after tax and a notional U.S. dollar equivalent of \$433 million December 31, 2012).

Current open foreign currency forward contracts hedge the currency risk of forecasted feedstock purchase transactions until January 2014. The effective portion of the mark-to-market effects of the foreign currency forward contracts is recorded in AOCI; it is reclassified to income in the same period or periods that the underlying feedstock purchase affects income. The net gain from the foreign currency hedges included in AOCI at June 30, 2013 was \$1 million after tax (net loss of \$14 million after tax at December 31, 2012). At June 30, 2013, the Company had open forward

contracts with various expiration dates to buy, sell or exchange foreign currencies with a notional U.S. dollar equivalent of \$743 million (\$366 million at December 31, 2012).

Table of Contents

Commodity swaps, futures and option contracts with maturities of not more than 36 months are utilized and designated as cash flow hedges of forecasted commodity purchases. Current open contracts hedge forecasted transactions until December 2014. The effective portion of the mark-to-market effect of the cash flow hedge instrument is recorded in AOCI; it is reclassified to income in the same period or periods that the underlying commodity purchase affects income. The net gain from commodity hedges included in AOCI at June 30, 2013 was \$15 million after tax (net gain of \$24 million after tax at December 31, 2012). At June 30, 2013 and December 31, 2012, the Company had the following gross aggregate notionals of outstanding commodity forward and futures contracts to hedge forecasted purchases:

Commodity	Jun 30, 2013	Dec 31, 2012	Notional Volume Unit
Corn	6.2	1.9	million bushels
Crude Oil	0.4	0.4	million barrels
Ethane	1.6	1.8	million barrels
Naphtha	—	90.0	kilotons
Natural Gas	140.6	186.0	million million British thermal units
Soybeans	2.0	1.3	million bushels

The net after-tax amounts to be reclassified from AOCI to income within the next 12 months are a \$15 million gain for commodity contracts and a \$1 million gain for foreign currency contracts.

Fair Value Hedges

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current period income and reflected as “Interest expense and amortization of debt discount” in the consolidated statements of income. The short-cut method is used when the criteria are met. The Company had no open interest rate swaps designated as fair value hedges of underlying fixed rate debt obligations at June 30, 2013 or December 31, 2012.

Net Foreign Investment Hedges

For derivative instruments that are designated and qualify as net foreign investment hedges, the effective portion of the gain or loss on the derivative is included in “Cumulative Translation Adjustments” in AOCI. At June 30, 2013 and December 31, 2012, the Company had no open forward contracts or outstanding options to buy, sell or exchange foreign currencies designated as net foreign investment hedges. At June 30, 2013, the Company had outstanding foreign-currency denominated debt designated as a hedge of net foreign investment of \$202 million (\$233 million at December 31, 2012). The result of hedges of the Company’s net investment in foreign operations included in “Cumulative Translation Adjustments” in AOCI was a net gain of \$19 million after tax at June 30, 2013 (net gain of \$22 million after tax at December 31, 2012). See Note 16 for further detail on changes in AOCI.

Other Derivative Instruments

The Company utilizes futures, options and swap instruments that are effective as economic hedges of commodity price exposures, but do not meet the hedge accounting criteria for derivatives and hedging. At June 30, 2013 and December 31, 2012, the Company had the following gross aggregate notionals of outstanding commodity contracts:

Commodity	Jun 30, 2013	Dec 31, 2012	Notional Volume Unit
Ethane	0.6	1.0	million barrels
Naphtha	15.0	—	kilotons
Natural Gas	16.8	33.0	million million British thermal units

The Company also uses foreign exchange forward contracts, options, and cross-currency swaps that are not designated as hedging instruments primarily to manage foreign currency exposure. The Company had open foreign exchange contracts with various expiration dates to buy, sell or exchange foreign currencies with a gross notional U.S. dollar equivalent of \$14,731 million at June 30, 2013 (\$17,637 million at December 31, 2012) and open interest rate swaps with a gross notional U.S. dollar equivalent of \$497 million at June 30, 2013 (\$472 million at December 31, 2012).

Table of Contents

The following table provides the fair value and gross balance sheet classification of derivative instruments at June 30, 2013 and December 31, 2012:

Fair Value of Derivative Instruments	Balance Sheet Classification	Jun 30, 2013	Dec 31, 2012
In millions			
Asset Derivatives			
Derivatives designated as hedges:			
Interest rates	Other current assets	\$ 1	\$ 1
Commodities	Other current assets	20	28
Foreign currency	Accounts and notes receivable – Other	4	3
Total derivatives designated as hedges		\$ 25	\$ 32
Derivatives not designated as hedges:			
Commodities	Other current assets	\$ 1	\$ 3
Foreign currency	Accounts and notes receivable – Other	46	52
Total derivatives not designated as hedges		\$ 47	\$ 55
Total asset derivatives		\$ 72	\$ 87
Liability Derivatives			
Derivatives designated as hedges:			
Interest rates	Accounts payable – Other	\$ 4	\$ 5
Commodities	Accounts payable – Other	17	21
Foreign currency	Accounts payable – Other	4	14
Total derivatives designated as hedges		\$ 25	\$ 40
Derivatives not designated as hedges:			
Interest rates	Accounts payable – Other	\$ —	\$ 1
Commodities	Accounts payable – Other	2	6
Foreign currency	Accounts payable – Other	35	27
Total derivatives not designated as hedges		\$ 37	\$ 34
Total liability derivatives		\$ 62	\$ 74

Table of Contents

NOTE 7 – FAIR VALUE MEASUREMENTS

Fair Value Measurements on a Recurring Basis

The following tables summarize the bases used to measure certain assets and liabilities at fair value on a recurring basis:

Basis of Fair Value Measurements on a Recurring Basis at June 30, 2013	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Counterparty and Cash Collateral Netting (1)	Total
In millions					
Assets at fair value:					
Cash equivalents (2)	\$—	\$2,123	\$—	\$—	\$2,123
Interests in trade accounts receivable conduits (3)	—	—	1,291	—	1,291
Equity securities (4)	668	34	—	—	702
Debt securities: (4)					
Government debt (5)	—	553	—	—	553
Corporate bonds	—	683	—	—	683
Derivatives relating to: (6)					
Interest rates	—	1	—	—	1
Commodities	7	14	—	(3	) 18
Foreign currency	—	50	—	(15	) 35
Total assets at fair value	\$675	\$3,458	\$1,291	\$(18	) \$5,406
Liabilities at fair value:					
Long-term debt (7)	\$—	\$20,260	\$—	\$—	\$20,260
Derivatives relating to: (6)					
Interest rates	—	4	—	—	4
Commodities	13	6	—	(13	) 6
Foreign currency	—	39	—	(15	) 24
Total liabilities at fair value	\$13	\$20,309	\$—	\$(28	) \$20,294

(1) Cash collateral amounts represent the estimated net settlement amount when applying netting and set-off rights included in master netting arrangements between the Company and its counterparties and the payable or receivable for cash collateral held or placed with the same counterparty.

(2) Primarily Treasury Bills included in "Cash and cash equivalents" in the consolidated balance sheets and held at amortized cost, which approximates fair value.

(3) Included in "Accounts and notes receivable – Other" in the consolidated balance sheets. See Note 9 for additional information on transfers of financial assets.

(4) The Company's investments in equity and debt securities are primarily classified as available-for-sale and are included in "Other investments" in the consolidated balance sheets.

(5) U.S. Treasury obligations, U.S. agency obligations, agency mortgage-backed securities and other municipalities' obligations.

(6) See Note 6 for the classification of derivatives in the consolidated balance sheets.

(7) See Note 6 for information on fair value adjustments to long-term debt, included at cost in the consolidated balance sheets.

Table of Contents

Basis of Fair Value Measurements on a Recurring Basis at December 31, 2012	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Counterparty and Cash Collateral Netting (1)	Total
In millions					
Assets at fair value:					
Cash equivalents (2)	\$—	\$1,953	\$—	\$—	\$1,953
Interests in trade accounts receivable conduits (3)	—	—	1,057	—	1,057
Equity securities (4)	702	38	—	—	740
Debt securities: (4)					
Government debt (5)	—	565	—	—	565
Corporate bonds	—	756	—	—	756
Derivatives relating to: (6)					
Interest rates	—	1	—	—	1
Commodities	9	22	—	(5	) 26
Foreign currency	—	55	—	(21	) 34
Total assets at fair value	\$711	\$3,390	\$1,057	\$(26	) \$5,132
Liabilities at fair value:					
Long-term debt (7)	\$—	\$23,762	\$—	\$—	\$23,762
Derivatives relating to: (6)					
Interest rates	—	6	—	—	6
Commodities	16	11	—	(20	) 7
Foreign currency	—	41	—	(21	) 20
Total liabilities at fair value	\$16	\$23,820	\$—	\$(41	) \$23,795

(1) Cash collateral amounts represent the estimated net settlement amount when applying netting and set-off rights included in master netting arrangements between the Company and its counterparties and the payable or receivable for cash collateral held or placed with the same counterparty.

(2) Primarily Treasury Bills included in "Cash and cash equivalents" in the consolidated balance sheets and held at amortized cost, which approximates fair value.

(3) Included in "Accounts and notes receivable – Other" in the consolidated balance sheets. See Note 9 for additional information on transfers of financial assets.

(4) The Company's investments in equity and debt securities are primarily classified as available-for-sale and are included in "Other investments" in the consolidated balance sheets.

(5) U.S. Treasury obligations, U.S. agency obligations, agency mortgage-backed securities and other municipalities' obligations.

(6) See Note 6 for the classification of derivatives in the consolidated balance sheets.

(7) See Note 6 for information on fair value adjustments to long-term debt, included at cost in the consolidated balance sheets.

Assets and liabilities related to forward contracts, interest rate swaps, currency swaps, options and other conditional or exchange contracts executed with the same counterparty under a master netting arrangement are netted. Collateral accounts are netted with corresponding liabilities. The Company posted cash collateral of \$27 million at June 30, 2013 (\$20 million at December 31, 2012).

For assets and liabilities classified as Level 1 measurements (measured using quoted prices in active markets), total fair value is either the price of the most recent trade at the time of the market close or the official close price, as defined by the exchange in which the asset is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs.

For assets and liabilities classified as Level 2 measurements, where the security is frequently traded in less active markets, fair value is based on the closing price at the end of the period; where the security is less frequently traded,

fair value is based on the price a dealer would pay for the security or similar securities, adjusted for any terms specific to that asset or liability, or by using observable market data points of similar, more liquid securities to imply the price. Market inputs are obtained from well-established and recognized vendors of market data and subjected to tolerance/quality checks.

For derivative assets and liabilities, standard industry models are used to calculate the fair value of the various financial instruments based on significant observable market inputs, such as foreign exchange rates, commodity prices, swap rates, interest rates and implied volatilities obtained from various market sources. Market inputs are obtained from well-established and recognized vendors of market data and subjected to tolerance/quality checks.

Table of Contents

For all other assets and liabilities for which observable inputs are used, fair value is derived through the use of fair value models, such as a discounted cash flow model or other standard pricing models. See Note 6 for further information on the types of instruments used by the Company for risk management.

During the six-month period ended June 30, 2013, the Company transferred from Level 1 to Level 2 certain over-the-counter equity securities valued at \$4 million, as these securities trade in less active markets. There were no transfers between Levels 1 and 2 in the year ended December 31, 2012.

For assets classified as Level 3 measurements, the fair value is based on significant unobservable inputs including assumptions where there is little, if any, market activity. The fair value of the Company's interests held in trade receivable conduits is determined by calculating the expected amount of cash to be received using the key input of anticipated credit losses in the portfolio of receivables sold that have not yet been collected. Given the short-term nature of the underlying receivables, discount rate and prepayments are not factors in determining the fair value of the interests. See Note 9 for further information on assets classified as Level 3 measurements.

The following table summarizes the changes in fair value measurements using Level 3 inputs for the three- and six-month periods ended June 30, 2013 and 2012:

Fair Value Measurements Using Level 3 Inputs Interests Held in Trade Receivable Conduits (1)	Three Months Ended		Six Months Ended	
	Jun 30, 2013	Jun 30, 2012	Jun 30, 2013	Jun 30, 2012
In millions				
Balance at beginning of period	\$1,339	\$1,429	\$1,057	\$1,141
Gain (Loss) included in earnings (2)	(1)	1	(2)	(2)
Purchases	343	100	672	2,053
Settlements	(390)	(310)	(436)	(1,972)
Balance at June 30	\$1,291	\$1,220	\$1,291	\$1,220

(1)Included in "Accounts and notes receivable – Other" in the consolidated balance sheets.

(2)Included in "Selling, general and administrative expenses" in the consolidated statements of income.

Fair Value Measurements on a Nonrecurring Basis

The following table summarizes the bases used to measure certain assets and liabilities at fair value on a nonrecurring basis in the consolidated balance sheets at June 30, 2012:

Basis of Fair Value Measurements on a Nonrecurring Basis at June 30, 2012	Significant Other Unobservable Inputs (Level 3)	Total Losses 2012
In millions		
Assets at fair value:		
Long-lived assets and other assets	\$—	\$(94)

As part of the 1Q12 Restructuring plan that was approved on March 27, 2012, the Company shut down a number of manufacturing facilities during 2012. The manufacturing assets and facilities associated with this plan were written down to zero in the first quarter of 2012 and a \$94 million impairment charge was included in "Restructuring charges" in the consolidated statements of income. See Note 3 for additional information on the Company's restructuring activities.

NOTE 8 – COMMITMENTS AND CONTINGENT LIABILITIES

Dow Corning Credit Facility

The Company is a 50 percent shareholder in Dow Corning Corporation ("Dow Corning"). On June 1, 2004, the Company agreed to provide a credit facility to Dow Corning as part of Dow Corning's Joint Plan of Reorganization. The aggregate amount of the facility was originally \$300 million; it was reduced to \$50 million effective June 1, 2013, of which the Company's share is \$25 million. At June 30, 2013, no draws had been taken against the credit facility.

Table of Contents

Environmental Matters

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. At June 30, 2013, the Company had accrued obligations of \$725 million for probable environmental remediation and restoration costs, including \$70 million for the remediation of Superfund sites. This is management's best estimate of the costs for remediation and restoration with respect to environmental matters for which the Company has accrued liabilities, although it is reasonably possible that the ultimate cost with respect to these particular matters could range up to approximately two and a half times that amount. Consequently, it is reasonably possible that environmental remediation and restoration costs in excess of amounts accrued could have a material impact on the Company's results of operations, financial condition and cash flows. It is the opinion of the Company's management, however, that the possibility is remote that costs in excess of the range disclosed will have a material impact on the Company's results of operations, financial condition and cash flows. Inherent uncertainties exist in these estimates primarily due to unknown conditions, changing governmental regulations and legal standards regarding liability, and emerging remediation technologies for handling site remediation and restoration. At December 31, 2012, the Company had accrued obligations of \$754 million for probable environmental remediation and restoration costs, including \$69 million for the remediation of Superfund sites.

Midland Off-Site Environmental Matters

On June 12, 2003, the Michigan Department of Environmental Quality ("MDEQ") issued a Hazardous Waste Operating License (the "License") to the Company's Midland, Michigan manufacturing site (the "Midland site"), which included provisions requiring the Company to conduct an investigation to determine the nature and extent of off-site contamination in the City of Midland soils, the Tittabawassee River and Saginaw River sediment and floodplain soils, and the Saginaw Bay, and, if necessary, undertake remedial action.

City of Midland

The MDEQ, as a result of ongoing discussions with the Company regarding the implementation of the requirements of the License, announced on February 16, 2012, a proposed plan to resolve the issue of dioxin contamination in residential soils in Midland. As part of the proposed plan, the Company will sample soil at residential properties near the Midland site for the presence of dioxins to determine where clean-up may be required. On March 6, 2012, the Company submitted an Interim Response Activity Plan Designed to Meet Criteria ("Work Plan") to the MDEQ. On May 25, 2012, the Company submitted a revision to the Work Plan to the MDEQ to address agency and public comments. The MDEQ approved the Work Plan on June 1, 2012. Implementation of the Work Plan began on June 4, 2012. The Company submitted amendments to the Work Plan to increase the number of properties to be sampled in 2012. The amendments were approved by the MDEQ on July 23, 2012 and September 13, 2012. On February 15, 2013, the Company submitted a plan for properties to be sampled during 2013 ("2013 Plan"), as required by the approved Work Plan. Approval of the 2013 Plan was granted, as anticipated, in May 2013.

Tittabawassee and Saginaw Rivers, Saginaw Bay

The Company, the U.S. Environmental Protection Agency ("EPA") and the State of Michigan ("State") entered into an administrative order on consent ("AOC"), effective January 21, 2010, that requires the Company to conduct a remedial investigation, a feasibility study and a remedial design for the Tittabawassee River, the Saginaw River and the Saginaw Bay, and pay the oversight costs of the EPA and the State under the authority of the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"). These actions, to be conducted under the lead oversight of the EPA, will build upon the investigative work completed under the State Resource Conservation Recovery Act ("RCRA") program from 2005 through 2009. The Tittabawassee River, beginning at the Midland site and extending down to the first six miles of the Saginaw River, are designated as the first Operable Unit for purposes of conducting the remedial investigation, feasibility study and remedial design work. This work will be performed in a largely upriver to downriver sequence for eight geographic segments of the Tittabawassee and upper Saginaw Rivers. In the first quarter of 2012, the EPA requested the Company address the Tittabawassee River floodplain as an

additional segment. The remainder of the Saginaw River and the Saginaw Bay are designated as a second Operable Unit and the work associated with that unit may also be geographically segmented. The AOC does not obligate the Company to perform removal or remedial action; that action can only be required by a separate order. The Company and the EPA will be negotiating orders separate from the AOC that will obligate the Company to perform remedial actions under the scope of work of the AOC. The Company and the EPA have entered into two separate orders to perform limited remedial actions to implement early actions. In addition, the Company and the EPA have entered into the first order to address remedial actions in the first of the nine geographic segments in the first Operable Unit.

Alternative Dispute Resolution Process

The Company, the EPA, the U.S. Department of Justice, and the natural resource damage trustees (which include the Michigan Office of the Attorney General, the MDEQ, the U.S. Fish and Wildlife Service, the U.S. Bureau of Indian Affairs

Table of Contents

and the Saginaw-Chippewa tribe) have been engaged in negotiations to seek to resolve potential governmental claims against the Company related to historical off-site contamination associated with the City of Midland, the Tittabawassee and Saginaw Rivers and the Saginaw Bay. The Company and the governmental parties started meeting in the fall of 2005 and entered into a Confidentiality Agreement in December 2005. The Company continues to conduct negotiations under the Federal Alternative Dispute Resolution Act with all of the governmental parties, except the EPA which withdrew from the alternative dispute resolution process on September 12, 2007.

On September 28, 2007, the Company and the natural resource damage trustees entered into a Funding and Participation Agreement that addressed the Company's payment of past costs incurred by the natural resource damage trustees, payment of the costs of a trustee coordinator and a process to review additional cooperative studies that the Company might agree to fund or conduct with the natural resource damage trustees. On March 18, 2008, the Company and the natural resource damage trustees entered into a Memorandum of Understanding to provide a mechanism for the Company to fund cooperative studies related to the assessment of natural resource damages. This Memorandum of Understanding has been amended and extended until March 2014. On April 7, 2008, the natural resource damage trustees released their "Natural Resource Damage Assessment Plan for the Tittabawassee River System Assessment Area."

At June 30, 2013, the accrual for these off-site matters was \$42 million (included in the total accrued obligation of \$725 million at June 30, 2013). At December 31, 2012, the Company had an accrual for these off-site matters of \$42 million (included in the total accrued obligation of \$754 million at December 31, 2012).

Litigation

DBCP Matters

Numerous lawsuits have been brought against the Company and other chemical companies, both inside and outside of the United States, alleging that the manufacture, distribution or use of pesticides containing dibromochloropropane ("DBCP") has caused personal injury and property damage, including contamination of groundwater. It is the opinion of the Company's management that the possibility is remote that the resolution of such lawsuits will have a material impact on the Company's consolidated financial statements.

Asbestos-Related Matters of Union Carbide Corporation

Introduction

Union Carbide Corporation ("Union Carbide"), a wholly owned subsidiary of the Company, is and has been involved in a large number of asbestos-related suits filed primarily in state courts during the past three decades. These suits principally allege personal injury resulting from exposure to asbestos-containing products and frequently seek both actual and punitive damages. The alleged claims primarily relate to products that Union Carbide sold in the past, alleged exposure to asbestos-containing products located on Union Carbide's premises, and Union Carbide's responsibility for asbestos suits filed against a former Union Carbide subsidiary, Amchem Products, Inc. ("Amchem"). In many cases, plaintiffs are unable to demonstrate that they have suffered any compensable loss as a result of such exposure, or that injuries incurred in fact resulted from exposure to Union Carbide's products.

Union Carbide expects more asbestos-related suits to be filed against Union Carbide and Amchem in the future, and will aggressively defend or reasonably resolve, as appropriate, both pending and future claims.

Estimating the Liability

Based on a study completed by Analysis, Research & Planning Corporation ("ARPC") in January 2003, Union Carbide increased its December 31, 2002 asbestos-related liability for pending and future claims for the 15-year period ending in 2017 to \$2.2 billion, excluding future defense and processing costs. Since then, Union Carbide has compared current asbestos claim and resolution activity to the results of the most recent ARPC study at each balance sheet date to determine whether the accrual continues to be appropriate. In addition, Union Carbide has requested ARPC to

review Union Carbide's historical asbestos claim and resolution activity each year since 2004 to determine the appropriateness of updating the most recent ARPC study.

In November 2011, Union Carbide requested ARPC to review Union Carbide's 2011 asbestos claim and resolution activity and determine the appropriateness of updating its then most recent study completed in December 2010. In response to that request, ARPC reviewed and analyzed data through October 31, 2011. In January 2012, ARPC stated that an update of its study would not provide a more likely estimate of future events than the estimate reflected in its December 2010 study and, therefore, the estimate in that study remained applicable. Based on Union Carbide's own review of the asbestos claim and resolution activity and ARPC's response, Union Carbide determined that no change to the accrual was required. At December 31, 2011, the asbestos-related liability for pending and future claims was \$668 million.

Table of Contents

In October 2012, Union Carbide requested ARPC to review its historical asbestos claim and resolution activity and determine the appropriateness of updating its December 2010 study. In response to that request, ARPC reviewed and analyzed data through September 30, 2012. In December 2012, based upon ARPC's December 2012 study and Union Carbide's own review of the asbestos claim and resolution activity for 2012, it was determined that no adjustment to the accrual was required at December 31, 2012. Union Carbide's asbestos-related liability for pending and future claims was \$602 million at December 31, 2012. At December 31, 2012, approximately 18 percent of the recorded liability related to pending claims and approximately 82 percent related to future claims.

Based on Union Carbide's review of 2013 activity, Union Carbide determined that no adjustment to the accrual was required at June 30, 2013. Union Carbide's asbestos-related liability for pending and future claims was \$568 million at June 30, 2013. Approximately 17 percent of the recorded liability related to pending claims and approximately 83 percent related to future claims.

Insurance Receivables

At December 31, 2002, Union Carbide increased the receivable for insurance recoveries related to its asbestos liability to \$1.35 billion, substantially exhausting its asbestos product liability coverage. The insurance receivable related to the asbestos liability was determined by Union Carbide after a thorough review of applicable insurance policies and the 1985 Wellington Agreement, to which Union Carbide and many of its liability insurers are signatory parties, as well as other insurance settlements, with due consideration given to applicable deductibles, retentions and policy limits, and taking into account the solvency and historical payment experience of various insurance carriers. The Wellington Agreement and other agreements with insurers are designed to facilitate an orderly resolution and collection of Union Carbide's insurance policies and to resolve issues that the insurance carriers may raise.

In September 2003, Union Carbide filed a comprehensive insurance coverage case, now proceeding in the Supreme Court of the State of New York, County of New York, seeking to confirm its rights to insurance for various asbestos claims and to facilitate an orderly and timely collection of insurance proceeds (the "Insurance Litigation"). The Insurance Litigation was filed against insurers that are not signatories to the Wellington Agreement and/or do not otherwise have agreements in place with Union Carbide regarding their asbestos-related insurance coverage, in order to facilitate an orderly resolution and collection of such insurance policies and to resolve issues that the insurance carriers may raise. Since the filing of the case, Union Carbide has reached settlements with most of the carriers involved in the Insurance Litigation, including settlements reached with two significant carriers in the fourth quarter of 2009. The Insurance Litigation is ongoing.

Union Carbide's receivable for insurance recoveries related to its asbestos liability was \$25 million at June 30, 2013 and \$25 million at December 31, 2012. At June 30, 2013 and December 31, 2012, all of the receivable for insurance recoveries was related to insurers that are not signatories to the Wellington Agreement and/or do not otherwise have agreements in place regarding their asbestos-related insurance coverage.

In addition to the receivable for insurance recoveries related to its asbestos liability, Union Carbide had receivables for defense and resolution costs submitted to insurance carriers that have settlement agreements in place regarding their asbestos-related insurance coverage. The following table summarizes Union Carbide's receivables related to its asbestos-related liability:

Receivables for Asbestos-Related Costs	Jun 30,	Dec 31,
In millions	2013	2012
Receivables for defense costs – carriers with settlement agreements	\$17	\$17
Receivables for resolution costs – carriers with settlement agreements	134	137
Receivables for insurance recoveries – carriers without settlement agreements	25	25
Total	\$176	\$179

Union Carbide expenses defense costs as incurred. The pretax impact for defense and resolution costs, net of insurance, was \$29 million in the second quarter of 2013 (\$23 million in the second quarter of 2012) and \$51 million in the first six months of 2013 (\$48 million in the first six months of 2012) and was included in "Cost of sales" in the consolidated statements of income.

After a review of its insurance policies, with due consideration given to applicable deductibles, retentions and policy limits, after taking into account the solvency and historical payment experience of various insurance carriers; existing insurance settlements; and the advice of outside counsel with respect to the applicable insurance coverage law relating to the terms and conditions of its insurance policies, Union Carbide continues to believe that its recorded receivable for insurance recoveries from all insurance carriers is probable of collection.

Table of Contents

Summary

The amounts recorded by Union Carbide for the asbestos-related liability and related insurance receivable described above were based upon current, known facts. However, future events, such as the number of new claims to be filed and/or received each year, the average cost of disposing of each such claim, coverage issues among insurers, and the continuing solvency of various insurance companies, as well as the numerous uncertainties surrounding asbestos litigation in the United States, could cause the actual costs and insurance recoveries for Union Carbide to be higher or lower than those projected or those recorded.

Because of the uncertainties described above, Union Carbide's management cannot estimate the full range of the cost of resolving pending and future asbestos-related claims facing Union Carbide and Amchem. Union Carbide's management believes that it is reasonably possible that the cost of disposing of Union Carbide's asbestos-related claims, including future defense costs, could have a material impact on Union Carbide's results of operations and cash flows for a particular period and on the consolidated financial position of Union Carbide.

It is the opinion of Dow's management that it is reasonably possible that the cost of Union Carbide disposing of its asbestos-related claims, including future defense costs, could have a material impact on the Company's results of operations and cash flows for a particular period and on the consolidated financial position of the Company.

Synthetic Rubber Industry Matters

In 2003, the U.S., Canadian and European competition authorities initiated separate investigations into alleged anticompetitive behavior by certain participants in the synthetic rubber industry. Certain subsidiaries of the Company (but as to the investigation in Europe only) have responded to requests for documents and are otherwise cooperating in the investigations.

On June 10, 2005, the Company received a Statement of Objections from the European Commission (the "EC") stating that it believed that the Company and certain subsidiaries of the Company (the "Dow Entities"), together with other participants in the synthetic rubber industry, engaged in conduct in violation of European competition laws with respect to the butadiene rubber and emulsion styrene butadiene rubber businesses. In connection therewith, on November 29, 2006, the EC issued its decision alleging infringement of Article 81 of the Treaty of Rome and imposed a fine of Euro 64.575 million (approximately \$85 million at that time) on the Dow Entities; several other companies were also named and fined. As a result, the Company recognized a loss contingency of \$85 million related to the fine in the fourth quarter of 2006. The Company appealed the EC's decision and a hearing was held before the Court of First Instance on October 13, 2009. On July 13, 2011, the General Court issued a decision that partly affirmed the EC's decision with regard to the amount of the fine and the liability of the parent company, but rejected the EC's decision regarding the length of the conspiracy and determined that it was of a shorter duration. The Dow Entities filed an appeal of this decision to the Court of Justice of the European Union, which was rejected on July 18, 2013. The Dow Entities anticipate paying the fine in the third quarter of 2013 and this proceeding will be resolved. Subsequent to the imposition of the fine in 2006, the Company and/or certain subsidiaries of the Company became named parties in various related U.S., United Kingdom and Italian civil actions. The U.S. matter was settled in March 2010 through a confidential settlement agreement, with an immaterial impact on the Company's consolidated financial statements. The United Kingdom and Italian civil actions are still pending.

Additionally, on March 10, 2007, the Company received a Statement of Objections from the EC stating that it believed that DuPont Dow Elastomers L.L.C. ("DDE"), a former 50:50 joint venture with E.I. du Pont de Nemours and Company ("DuPont"), together with other participants in the synthetic rubber industry, engaged in conduct in violation of European competition laws with respect to the polychloroprene business. This Statement of Objections specifically names the Company, in its capacity as a former joint venture owner of DDE. On December 5, 2007, the EC announced its decision to impose a fine on the Company, among others, in the amount of Euro 48.675 million (approximately \$64 million). The Company previously transferred its joint venture ownership interest in DDE to

DuPont in 2005, and DDE then changed its name to DuPont Performance Elastomers L.L.C. (“DPE”). In February 2008, DuPont, DPE and the Company each filed an appeal of the December 5, 2007 decision of the EC. On February 2, 2012, the European General Court denied the appeals of the December 5, 2007 decision. The Company has appealed this decision to the European Court of Justice, which has indicated it will render its decision by the end of September 2013. Based on the Company’s allocation agreement with DuPont, the Company’s share of this fine, regardless of the outcome of the appeals, will not have a material impact on the Company’s consolidated financial statements.

Table of Contents

Urethane Matters

On February 16, 2006, the Company, among others, received a subpoena from the U.S. Department of Justice ("DOJ") as part of a previously announced antitrust investigation of manufacturers of polyurethane chemicals, including methylene diphenyl diisocyanate, toluene diisocyanate, polyether polyols and system house products. The Company cooperated with the DOJ and, following an extensive investigation, on December 10, 2007, the Company received notice from the DOJ that it had closed its investigation of potential antitrust violations involving these products without indictments or pleas.

In 2005, the Company, among others, was named as a defendant in multiple civil class action lawsuits alleging a conspiracy to fix the price of various urethane chemical products, namely the products that were the subject of the above described DOJ antitrust investigation. These lawsuits were consolidated in the U.S. District Court for the District of Kansas (the "District Court") or have been tolled. On July 29, 2008, the District Court certified a class of purchasers of the products for the six-year period from 1999 through 2004. Shortly thereafter, a series of "opt-out" cases were filed by a number of large volume purchasers; these cases are substantively identical to the class action lawsuit, but expanded the time period to include 1994 through 1998. In January 2013, the class action lawsuit went to trial in the District Court with the Company as the sole remaining defendant, the other defendants having previously settled. On February 20, 2013, the jury in the matter returned a damages verdict of approximately \$400 million against the Company, which would be trebled under applicable antitrust laws - less offsets from other settling defendants - if the verdict is not vacated or otherwise set aside by the District Court. The Company filed post-trial motions on March 5, 2013, requesting the District Court grant judgment in favor of the Company, grant the Company a new trial and/or decertify the class.

On May 15, 2013, the District Court denied the Company's request to overturn the verdict and, under antitrust laws, tripled the damages verdict resulting in a \$1.2 billion judgment. On July 26, 2013, the District Court entered an amended judgment in the amount of \$1.06 billion. The Company will appeal this amended judgment.

In addition to the matters described above, there are two separate but inter-related matters in Ontario and Quebec, Canada, both of which are pending a decision on class certification.

The Company has concluded it is not probable that a loss will occur and, therefore, a liability has not been recorded with respect to these matters.

Other Litigation Matters

In addition to the specific matters described above, the Company is party to a number of other claims and lawsuits arising out of the normal course of business with respect to commercial matters, including product liability, governmental regulation and other actions. Certain of these actions purport to be class actions and seek damages in very large amounts. All such claims are being contested. Dow has an active risk management program consisting of numerous insurance policies secured from many carriers at various times. These policies often provide coverage that will be utilized to minimize the financial impact, if any, of the contingencies described above.

Summary

Except for the possible effect of Union Carbide's Asbestos-Related Matters and the Urethane Matters described above, it is the opinion of the Company's management that the possibility is remote that the aggregate of all claims and lawsuits will have a material adverse impact on the results of operations, financial condition and cash flows of the Company.

Purchase Commitments

The Company has numerous agreements for the purchase of ethylene-related products globally. The purchase prices are determined primarily on a cost-plus basis. Total purchases under these agreements were \$304 million in 2012,

\$552 million in 2011 and \$714 million in 2010. The Company's take-or-pay commitments associated with these agreements at December 31, 2012 are included in the table below. There have been no material changes to purchase commitments since December 31, 2012.

Table of Contents

The Company also has various commitments for take-or-pay and throughput agreements. These commitments are at prices not in excess of current market prices. The remaining terms for all but one of these agreements extend from one to 32 years. One agreement has a remaining term of 64 years. The determinable future commitments for this specific agreement for a period of 10 years are included in the following table along with the fixed and determinable portion of all other obligations under the Company's purchase commitments at December 31, 2012:

Fixed and Determinable Portion of Take-or-Pay and
Throughput Obligations at December 31, 2012

In millions

2013	\$2,570
2014	2,607
2015	2,141
2016	1,904
2017	1,712
2018 and beyond	8,106
Total	\$19,040

In addition to the take-or-pay obligations at December 31, 2012, the Company had outstanding commitments which ranged from one to six years for materials, services and other items used in the normal course of business of approximately \$201 million. Such commitments were at prices not in excess of current market prices.

Guarantees

The Company provides a variety of guarantees as described more fully in the following sections.

Guarantees

Guarantees arise during the ordinary course of business from relationships with customers and nonconsolidated affiliates when the Company undertakes an obligation to guarantee the performance of others (via delivery of cash or other assets) if specified triggering events occur. With guarantees, such as commercial or financial contracts, non-performance by the guaranteed party triggers the obligation of the Company to make payments to the beneficiary of the guarantee. The majority of the Company's guarantees relate to debt of nonconsolidated affiliates, which have expiration dates ranging from less than one year to eight years, and trade financing transactions in Latin America, which typically expire within one year of inception. The Company's current expectation is that future payment or performance related to the non-performance of others is considered unlikely.

Residual Value Guarantees

The Company provides guarantees related to leased assets specifying the residual value that will be available to the lessor at lease termination through sale of the assets to the lessee or third parties.

The following tables provide a summary of the final expiration, maximum future payments and recorded liability reflected in the consolidated balance sheets for each type of guarantee:

Guarantees at June 30, 2013	Final	Maximum Future	Recorded
In millions	Expiration	Payments	Liability
Guarantees	2021	\$5,039	\$64
Residual value guarantees	2021	661	29
Total guarantees		\$5,700	\$93

Guarantees at December 31, 2012	Final	Maximum Future	Recorded
In millions	Expiration	Payments (1)	Liability

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Guarantees	2021	\$1,544	\$48
Residual value guarantees (2)	2021	637	31
Total guarantees		\$2,181	\$79

(1) The Company was indemnified by a third party for \$49 million if required to perform under a \$98 million guarantee.

(2) Does not include the residual value guarantee related to the Company's variable interest in an owner trust; see Note 11.

Table of Contents

During the first six months of 2013, the Company entered into guarantee agreements (“Guarantees”) related to project financing for Sadara Chemical Company (“Sadara”), a nonconsolidated affiliate. On April 2, 2013, Sadara issued an Islamic bond (“Sukuk”) in the amount of SAR 7.5 billion (approximately \$2 billion). On June 16, 2013, Sadara entered into definitive agreements with certain export credit agencies, commercial banks and the Public Investment Fund of the Kingdom of Saudi Arabia for approximately \$10.5 billion of project financing (“Additional Project Financing”). The Additional Project Financing closed on June 28, 2013 and Sadara is expected to start drawing on a portion of the project financing in the third quarter of 2013. Total project financing obtained by Sadara is approximately \$12.5 billion. The Company's guarantee of the Sukuk and the Additional Project Financing is in proportion to the Company's 35 percent ownership interest in Sadara, or up to approximately \$4.4 billion when the project financing is fully drawn. The Guarantees will be released upon completion of construction of the Sadara complex and satisfactory fulfillment of certain other conditions, including passage of an extensive operational testing program, which is currently anticipated for the end of 2017.

Asset Retirement Obligations

The Company has recognized asset retirement obligations for the following activities: demolition and remediation activities at manufacturing sites in the United States, Canada, Brazil, China, Argentina and Europe; and capping activities at landfill sites in the United States, Canada, Brazil and Europe. The Company has also recognized conditional asset retirement obligations related to asbestos encapsulation as a result of planned demolition and remediation activities at manufacturing and administrative sites in the United States, Canada, Brazil, China, Argentina and Europe.

The aggregate carrying amount of asset retirement obligations recognized by the Company was \$84 million at June 30, 2013 and \$92 million at December 31, 2012. The discount rate used to calculate the Company's asset retirement obligations was 0.87 percent at June 30, 2013 and 0.87 percent at December 31, 2012. These obligations are included in the consolidated balance sheets as "Accrued and other current liabilities" and "Other noncurrent obligations."

The Company has not recognized conditional asset retirement obligations for which a fair value cannot be reasonably estimated in its consolidated financial statements. It is the opinion of the Company's management that the possibility is remote that such conditional asset retirement obligations, when estimable, will have a material impact on the Company's consolidated financial statements based on current costs.

K-Dow Arbitration

In February 2009, the Company initiated arbitration proceedings against Petrochemical Industries Company (K.S.C.) ("PIC") alleging that PIC breached the Joint Venture Formation Agreement related to the establishment of K-Dow, a proposed 50:50 global petrochemicals joint venture with PIC, by failing to close the transaction. In May 2012, the International Court of Arbitration of the International Chamber of Commerce ("ICC") awarded the Company \$2.161 billion in damages ("Partial Award"), not including pre- and post-award interest and arbitration costs. On March 4, 2013, the ICC released the Final Award in the arbitration case covering the Company's claim for pre- and post-award interest and arbitration costs and awarded the Company \$318 million, as of February 28, 2013. On May 6, 2013, the Company and PIC entered into a Deed providing for payment of the Company's claims against PIC under the K-Dow arbitration. On May 7, 2013, the Company confirmed the receipt of a \$2.195 billion cash payment from PIC, which included the Partial Award of \$2.161 billion as well as recovery of Dow's costs incurred in the arbitration, including legal fees. In addition, Kuwait Petroleum Corporation provided assurances that no retaliatory or punitive actions would be taken against the Company and its affiliates as a result of the Deed and payment. In the second quarter of 2013, the Company recorded a pretax gain of \$2.195 billion, of which \$2.161 billion is included in "Sundry income (expense) - net" and \$34 million is included in "Cost of sales" in the consolidated statements of income and reflected in Corporate. The K-Dow arbitration is considered final and settled in full.

NOTE 9 – TRANSFERS OF FINANCIAL ASSETS

Sale of Trade Accounts Receivable in North America and Europe

The Company sells trade accounts receivable of select North America entities and qualifying trade accounts receivable of select European entities on a revolving basis to certain multi-seller commercial paper conduit entities ("conduits"). The Company maintains servicing responsibilities and the related costs are insignificant. The proceeds received are comprised of cash and interests in specified assets of the conduits (the receivables sold by the Company) that entitle the Company to the residual cash flows of such specified assets in the conduits after the commercial paper has been repaid. Neither the conduits nor the investors in those entities have recourse to other assets of the Company in the event of nonpayment by the debtors.

Table of Contents

During the three months ended June 30, 2013, the Company recognized a loss of \$5 million on the sale of these receivables (\$5 million during the three months ended June 30, 2012), which is included in "Interest expense and amortization of debt discount" in the consolidated statements of income. During the six months ended June 30, 2013, the Company recognized a loss of \$9 million on the sale of receivables (\$9 million during the six months ended June 30, 2012).

The Company's interests in the conduits are carried at fair value and included in "Accounts and notes receivable – Other" in the consolidated balance sheets. Fair value of the interests is determined by calculating the expected amount of cash to be received and is based on unobservable inputs (a Level 3 measurement). The key input in the valuation is the percentage of anticipated credit losses in the portfolio of receivables sold that have not yet been collected. Given the short-term nature of the underlying receivables, discount rates and prepayments are not factors in determining the fair value of the interests.

The following table summarizes the carrying value of interests held, which represents the Company's maximum exposure to loss related to the receivables sold, and the percentage of anticipated credit losses related to the trade accounts receivable sold. Also provided is the sensitivity of the fair value of the interests held to hypothetical adverse changes in the anticipated credit losses; amounts shown below are the corresponding hypothetical decreases in the carrying value of interests.

Interests Held	Jun 30,	Dec 31,	
In millions	2013	2012	
Carrying value of interests held	\$1,291	\$1,057	
Percentage of anticipated credit losses	0.74	% 0.73	%
Impact to carrying value - 10% adverse change	\$2	\$1	
Impact to carrying value - 20% adverse change	\$3	\$2	

Credit losses, net of any recoveries, on receivables sold during the three- and six-month periods ended June 30, 2013 and 2012 were insignificant.

Following is an analysis of certain cash flows between the Company and the conduits:

Cash Proceeds	Three Months Ended		Six Months Ended	
	Jun 30,	Jun 30,	Jun 30,	Jun 30,
In millions	2013	2012	2013	2012
Sale of receivables	\$—	\$41	\$19	\$57
Collections reinvested in revolving receivables	\$6,610	\$7,200	\$12,740	\$13,057
Interests in conduits (1)	\$390	\$310	\$436	\$1,972

(1) Presented in "Operating Activities" in the consolidated statements of cash flows.

Following is additional information related to the sale of receivables under these facilities:

Trade Accounts Receivable Sold	Jun 30,	Dec 31,
In millions	2013	2012
Delinquencies on sold receivables still outstanding	\$147	\$164
Trade accounts receivable outstanding and derecognized	\$2,544	\$2,294

In January 2013, the Company repurchased \$8 million of previously sold receivables related to a divestiture.

Sale of Trade Accounts Receivable in Asia Pacific

The Company sells participating interests in trade accounts receivable of select Asia Pacific entities. The Company maintains servicing responsibilities and the related costs are insignificant. The third-party holders of the participating

interests do not have recourse to the Company's assets in the event of nonpayment by the debtors.

During the three- and six-month periods ended June 30, 2013 and 2012, the Company recognized insignificant losses on the sale of the participating interests in the receivables, which is included in "Interest expense and amortization of debt discount" in the consolidated statements of income. The Company receives cash upon the sale of the participating interests in the receivables.

Table of Contents

Following is an analysis of certain cash flows between the Company and the third-party holders of the participating interests:

Cash Proceeds In millions	Three Months Ended		Six Months Ended	
	Jun 30, 2013	Jun 30, 2012	Jun 30, 2013	Jun 30, 2012
Sale of participating interests	\$12	\$16	\$26	\$32
Collections reinvested in revolving receivables	\$9	\$16	\$22	\$29

Following is additional information related to the sale of participating interests in the receivables under this facility:

Trade Accounts Receivable In millions	Jun 30, 2013	Dec 31, 2012
Derecognized from the consolidated balance sheets	\$8	\$13
Outstanding in the consolidated balance sheets	222	283
Total accounts receivable in select Asia Pacific entities	\$230	\$296

There were no credit losses on receivables relating to the participating interests sold during the three- and six-month periods ended June 30, 2013 and 2012. There were no delinquencies on the outstanding receivables related to the participating interests sold at June 30, 2013 or December 31, 2012.

NOTE 10 – NOTES PAYABLE, LONG-TERM DEBT AND AVAILABLE CREDIT FACILITIES

Notes Payable In millions	Jun 30, 2013	Dec 31, 2012
Notes payable to banks	\$326	\$319
Notes payable to related companies	167	66
Notes payable trade	12	11
Total notes payable	\$505	\$396
Period-end average interest rates	2.39	% 3.14

Long-Term Debt In millions	2013 Average Rate	Jun 30, 2013	2012 Average Rate	Dec 31, 2012
Promissory notes and debentures:				
Final maturity 2013	6.92	% \$141	6.01	% \$404
Final maturity 2014	5.38	% 394	6.86	% 1,138
Final maturity 2015	3.05	% 50	5.82	% 1,290
Final maturity 2016	2.53	% 800	2.54	% 789
Final maturity 2017	5.84	% 900	5.88	% 890
Final maturity 2018	5.54	% 850	5.59	% 840
Final maturity 2019 and thereafter	5.96	% 12,156	5.96	% 12,148
Other facilities:				
U.S. dollar loans, various rates and maturities	1.53	% 580	2.30	% 288
Foreign currency loans, various rates and maturities	3.45	% 1,233	3.50	% 1,336
Medium-term notes, varying maturities through 2023	3.98	% 1,051	4.26	% 1,132
Pollution control/industrial revenue bonds, varying maturities through 2038	5.59	% 518	5.67	% 718
Capital lease obligations	—	35	—	21

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Unamortized debt discount	—	(387) —	(403)
Long-term debt due within one year	—	(846) —	(672)
Long-term debt	—	\$ 17,475	—	\$ 19,919	

Table of Contents

Annual Installments on Long-Term Debt

For Next Five Years at June 30, 2013

In millions

2013	\$254
2014	\$688
2015	\$462
2016	\$1,361
2017	\$1,216
2018	\$1,133

On June 24, 2013, the Company redeemed \$1.25 billion aggregate principal amount of 5.9 percent notes due February 15, 2015, at a price of 108.4 percent of the principal amount of the notes, plus accrued and unpaid interest. As a result of this redemption, the Company realized a \$108 million pretax loss on the early extinguishment of debt, included in "Sundry income (expense) - net" in the consolidated statements of income and reflected in Corporate.

On June 15, 2013, the Company redeemed \$142 million aggregate principal amount of InterNotes of various interest rates and varying maturities in 2017, 2018, 2020, 2021 and 2022. As a result of this redemption, the Company realized a \$2 million pretax loss on the early extinguishment of debt, included in "Sundry income (expense) - net" in the consolidated statements of income and reflected in Corporate.

On March 25, 2013, the Company redeemed \$750 million aggregate principal amount of 7.6 percent notes due May 15, 2014, at a price of 107.8 percent of the principal amount of the notes, plus accrued and unpaid interest. As a result of this redemption, the Company realized a \$60 million pretax loss on the early extinguishment of debt, included in "Sundry income (expense) - net" in the consolidated statements of income and reflected in Corporate.

During the first six months of 2013, the Company redeemed \$250 million of 5.6 percent notes that matured on March 15, 2013 and redeemed \$80 million principal amount of InterNotes at maturity. In the second quarter of 2013, the Company repurchased \$200 million of pollution control/industrial revenue tax-exempt bonds of which \$126 million is available for re-marketing.

During the first six months of 2013, the Company issued \$142 million aggregate principal amount of InterNotes and approximately \$48 million of long-term debt (net of \$61 million of repayments) was entered into by consolidated variable interest entities. The Company also drew \$300 million on a Committed Term Loan Facility on April 5, 2013.

On March 8, 2012, the Company redeemed \$1.25 billion aggregate principal amount of 4.85 percent notes due August 15, 2012, at a price of 101.8 percent of the principal amount of the notes, plus accrued and unpaid interest. As a result of this redemption, the Company realized a \$24 million pretax loss on the early extinguishment of debt, included in "Sundry income (expense) - net" in the consolidated statements of income and reflected in Corporate.

During the first six months of 2012, the Company issued \$210 million aggregate principal amount of certain notes and InterNotes and \$224 million of long-term debt was entered into by consolidated variable interest entities. The Company also redeemed \$37 million of pollution control/industrial revenue bonds that matured on January 1, 2012, and repurchased \$105 million of pollution control/industrial revenue tax-exempt bonds that are available for re-marketing.

Available Credit Facilities

The following table summarizes the Company's credit facilities:

Committed and Available Credit Facilities at June 30, 2013

In millions	Effective Date	Committed Credit	Credit Available	Maturity Date	Interest
Five Year Competitive Advance and Revolving Credit Facility	October 2011	\$ 5,000	\$5,000	October 2016	Floating rate
Bilateral Revolving Credit Facility	October 2012	170	170	October 2016	Floating rate
Bilateral Revolving Credit Facility	March 2013	100	100	March 2014	Floating rate
Bilateral Revolving Credit Facility	March 2013	300	300	October 2016	Floating rate
Term Loan Facility	March 2013	300	—	March 2016	Floating rate
Bilateral Revolving Credit Facility	April 2013	200	200	April 2016	Floating rate
Total Committed and Available Credit Facilities		\$ 6,070	\$5,770		

Table of Contents

The Company's outstanding long-term debt has been issued under indentures which contain, among other provisions, certain customary restrictive covenants with which the Company must comply while the underlying notes are outstanding. Such covenants include obligations to not allow liens on principal U.S. manufacturing facilities, enter into sale and lease-back transactions with respect to principal U.S. manufacturing facilities, or merge or consolidate with any other corporation, or sell or convey all or substantially all of the Company's assets. The outstanding debt also contains customary default provisions. Failure of the Company to comply with any of these covenants could result in a default under the applicable indenture, which would allow the note holders to accelerate the due date of the outstanding principal and accrued interest on the underlying notes.

The Company's primary, private credit agreements also contain certain customary restrictive covenant and default provisions in addition to the covenants set forth above with respect to the Company's debt. Significant other restrictive covenants and default provisions related to these agreements include:

the obligation to maintain the ratio of the Company's consolidated indebtedness to consolidated capitalization at no (a) greater than 0.65 to 1.00 at any time the aggregate outstanding amount of loans under the Five Year Competitive Advance and Revolving Credit Facility Agreement dated October 18, 2011 equals or exceeds \$500 million,

a default if the Company or an applicable subsidiary fails to make any payment, including principal, premium or interest, under the applicable agreement on other indebtedness of, or guaranteed by, the Company or such (b) applicable subsidiary in an aggregate amount of \$100 million or more when due, or any other default or other event under the applicable agreement with respect to such indebtedness occurs which permits or results in the acceleration of \$400 million or more in the aggregate of principal, and

(c) a default if the Company or any applicable subsidiary fails to discharge or stay within 60 days after the entry of a final judgment against the Company or such applicable subsidiary of more than \$400 million.

Failure of the Company to comply with any of the covenants or default provisions could result in a default under the applicable credit agreement which would allow the lenders to not fund future loan requests and to accelerate the due date of the outstanding principal and accrued interest on any outstanding indebtedness.

NOTE 11 – VARIABLE INTEREST ENTITIES

Consolidated Variable Interest Entities

The Company holds variable interests in eight joint ventures for which the Company is the primary beneficiary.

Three of the joint ventures own and operate manufacturing and logistics facilities, which produce chemicals and provide services in Asia Pacific. The Company's variable interest in these joint ventures relates to arrangements between the joint ventures and the Company involving the majority of the output on take-or-pay terms with pricing ensuring a guaranteed return to the joint ventures.

A fourth joint venture will construct, own and operate a membrane chlor-alkali facility to be located at the Company's Freeport, Texas integrated manufacturing complex. The Company's variable interests in this joint venture relate to equity options between the partners and a cost-plus off-take arrangement between the joint venture and the Company, involving proportional purchase commitments on take-or-pay terms and ensuring a guaranteed return to the joint venture. The Company will provide the joint venture with operation and maintenance services, utilities and raw materials; market the joint venture's co-products; and convert the other partner's proportional purchase commitments into ethylene dichloride under a tolling arrangement. The joint venture is expected to begin operations by the end of 2013.

The fifth joint venture manufactures products in Japan for the semiconductor industry. Each joint venture partner holds several equivalent variable interests, with the exception of a royalty agreement held exclusively between the joint venture and the Company. In addition, the entire output of the joint venture is sold to the Company for resale to third-party customers.

The sixth joint venture is an ethylene storage joint venture located in Alberta, Canada. Previously accounted for as an equity method investment, the Company became the primary beneficiary upon execution of new storage cavern agreements in 2011. The Company's variable interests relate to arrangements involving a majority of the joint venture's storage capacity on take-or-pay terms with pricing ensuring a guaranteed return to the joint venture; and favorably priced leases provided to the joint venture. The Company provides the joint venture with operation and maintenance services and utilities.

Table of Contents

The seventh joint venture is a development-stage enterprise located in Brazil that will initially produce ethanol from sugarcane. The Company owned 100 percent of this entity until November 2011, when the Company sold a 50 percent interest to a third party. The Company's variable interests in this joint venture relate to an equity option between the partners, a proportional parental guarantee related to debt financing and contractual arrangements limiting the partner's initial participation in the economics of certain assets and liabilities. Terms of the equity option were modified in the first quarter of 2013, requiring the Company to purchase the partner's equity investment at a price based on a specified formula if the partner elects to terminate a specific contract within 24 months of initial equity investment. The Company has classified a portion of the partner's equity investment as "Redeemable Noncontrolling Interest" in the consolidated balance sheets. On July 12, 2013, the partners amended governing documents of the joint venture, including terms of the equity option. These amendments will not result in a change to the Company's accounting treatment of the joint venture. The joint venture's ethanol mill is expected to process its first full harvest of sugarcane in 2014. The joint venture's original plans for expansion into downstream derivative products have been postponed. The eighth joint venture manages the growth, harvest and conditioning of soybean seed and grain, corn and wheat in several midwestern states in the United States. On March 2, 2012, the Company acquired a 49 percent equity interest in this venture. The Company's variable interest in this joint venture relates to an equity option between the partners. Terms of the equity option require the Company to purchase the partner's equity investment at a fixed price, after a specified period of time if the partner elects to sell its equity investment. The joint venture provides seed production services to the Company.

The Company also holds a variable interest in an owner trust, for which the Company is the primary beneficiary. The owner trust leases an ethylene facility in The Netherlands to the Company, whereby substantially all of the rights and obligations of ownership are transferred to the Company. On February 1, 2013, the Company notified the owner trust of its intent to purchase the facility upon expiration of the lease in January 2014 for \$443 million. The Company's variable interest in the owner trust relates to the fixed purchase price option. Prior to February 1, 2013, the Company's variable interest in the owner trust related to a residual value guarantee provided to the owner trust, which was valued at \$363 million at December 31, 2012.

As the primary beneficiary of these variable interest entities ("VIEs"), the entities' assets, liabilities and results of operations are included in the Company's consolidated financial statements. The other equity holders' interests are reflected in "Net income attributable to noncontrolling interests" in the consolidated statements of income and "Redeemable Noncontrolling Interest" and "Noncontrolling interests" in the consolidated balance sheets. The following table summarizes the carrying amounts of the entities' assets and liabilities included in the Company's consolidated balance sheets at June 30, 2013 and December 31, 2012:

Assets and Liabilities of Consolidated VIEs	Jun 30,	Dec 31,
In millions	2013	2012
Cash and cash equivalents (1)	\$158	\$146
Other current assets	132	129
Property	2,577	2,554
Other noncurrent assets	121	139
Total assets (2)	\$2,988	\$2,968
Current liabilities (nonrecourse 2013: \$249; 2012: \$261)	\$595	\$261
Long-term debt (nonrecourse 2013: \$1,423; 2012: \$1,406)	1,423	1,752
Other noncurrent liabilities (nonrecourse 2013: \$100; 2012: \$99)	100	99
Total liabilities	\$2,118	\$2,112

(1) Includes \$2 million at June 30, 2013 (\$2 million at December 31, 2012) specifically restricted for the construction of a manufacturing facility.

(2) All assets were restricted at June 30, 2013 and December 31, 2012.

In addition, the Company holds a variable interest in an entity created to monetize accounts receivable of select European entities. The Company is the primary beneficiary of this entity as a result of holding subordinated notes

while maintaining servicing responsibilities for the accounts receivable. The carrying amounts of assets and liabilities included in the Company's consolidated balance sheets pertaining to this entity were current assets of \$127 million (zero restricted) at June 30, 2013 (\$179 million, zero restricted, at December 31, 2012) and zero current liabilities (zero nonrecourse) at June 30, 2013 (less than \$1 million, less than \$1 million nonrecourse, at December 31, 2012). Amounts presented in the consolidated balance sheets and the table above as restricted assets or nonrecourse obligations relating to consolidated VIEs at June 30, 2013 and December 31, 2012 are adjusted for intercompany eliminations, parental guarantees and residual value guarantees.

Table of Contents

Nonconsolidated Variable Interest Entity

The Company holds a variable interest in a joint venture that manufactures crude acrylic acid in the United States and Germany on behalf of the Company and the other joint venture partner. The variable interest relates to a cost-plus arrangement between the joint venture and each joint venture partner. The Company is not the primary beneficiary, as a majority of the joint venture's output is sold to the other joint venture partner; therefore, the entity is accounted for under the equity method of accounting. At June 30, 2013, the Company's investment in the joint venture was \$137 million (\$161 million at December 31, 2012), classified as "Investment in nonconsolidated affiliates" in the consolidated balance sheets, representing the Company's maximum exposure to loss.

NOTE 12 – PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

Net Periodic Benefit Cost for All Significant Plans	Three Months Ended		Six Months Ended	
In millions	Jun 30, 2013	Jun 30, 2012	Jun 30, 2013	Jun 30, 2012
Defined Benefit Pension Plans:				
Service cost	\$ 117	\$ 95	\$ 235	\$ 190
Interest cost	252	274	505	548
Expected return on plan assets	(311)	) (316	) (623	) (632)
Amortization of prior service cost	6	6	12	13
Amortization of net loss	197	130	394	260
Net periodic benefit cost	\$ 261	\$ 189	\$ 523	\$ 379
Other Postretirement Benefits:				
Service cost	\$ 5	\$ 4	\$ 10	\$ 8
Interest cost	20	23	40	46
Amortization of prior service credit	(1	) (1	) (2	) (2)
Net periodic benefit cost	\$ 24	\$ 26	\$ 48	\$ 52

Table of Contents

NOTE 13 – STOCK-BASED COMPENSATION

On February 9, 2012, the Board of Directors authorized The Dow Chemical Company 2012 Employee Stock Purchase Plan (the "2012 ESPP") and The Dow Company 2012 Stock Incentive Plan (the "2012 Plan"). Both plans were approved by stockholders at the Company's annual meeting held on May 10, 2012 and became effective on that date.

The 2012 ESPP superseded the Company's prior Employee Stock Purchase Plan. Under the 2013 annual offering of the 2012 ESPP, most employees were eligible to purchase shares of common stock of the Company valued at up to 10 percent of their annual base salary. The value is determined using the plan price multiplied by the number of shares subscribed to by the employee. The plan price of the stock is set each year at no less than 85 percent of market price.

During the first quarter of 2013, employees subscribed to the right to purchase 8.3 million shares of the Company's common stock with a weighted-average exercise price of \$27.05 per share and a weighted-average fair value of \$7.20 per share under the 2012 ESPP.

The Company grants and has granted stock-based compensation to employees and non-employee directors under the 2012 Plan, the 1988 Award and Option Plan (the "1988 Plan") and the 2003 Non-Employee Directors' Stock Incentive Plan (the "2003 Plan"). The 2012 Plan superseded the 1988 Plan and the 2003 Plan. Most of the Company's stock-based compensation awards are granted in the first quarter of each year. There was minimal employee grant activity in the second quarter of 2013.

During the first quarter of 2013, the Company granted the following stock-based compensation awards to employees under the 2012 Plan:

• 17.1 million stock options with a weighted-average exercise price of \$32.16 per share and a weighted-average fair value of \$6.99 per share;

• 3.6 million shares of deferred stock with a weighted-average fair value of \$32.16 per share; and

• 1.3 million shares of performance deferred stock with a weighted-average fair value of \$34.41 per share.

During the second quarter of 2013, the Company granted the following stock-based compensation awards to non-employee directors under the 2012 Plan:

• 35,280 shares of restricted stock with a weighted-average fair value of \$34.46 per share.

Total unrecognized compensation cost at June 30, 2013 is provided in the following table:

Total Unrecognized Compensation Cost at June 30, 2013

In millions	Unrecognized Compensation Cost	Weighted-average Recognition Period (Years)
ESPP purchase rights	\$ 16	0.38
Unvested stock options	\$ 122	0.91
Deferred stock awards	\$ 138	0.93
Performance deferred stock awards	\$ 36	0.77

Table of Contents

NOTE 14 – EARNINGS PER SHARE CALCULATIONS

The following tables provide the earnings per share calculations for the three- and six-month periods ended June 30, 2013 and 2012:

Net Income for Earnings Per Share Calculations - Basic		Three Months Ended		Six Months Ended	
In millions		Jun 30, 2013	Jun 30, 2012	Jun 30, 2013	Jun 30, 2012
Net income		\$2,443	\$740	\$3,103	\$1,260
Net income attributable to noncontrolling interests		(18)	) (6	) (43	) (29
Net income attributable to The Dow Chemical Company		\$2,425	\$734	\$3,060	\$1,231
Preferred stock dividends		(85	) (85	) (170	) (170
Net income attributable to participating securities (1)		(20	) (6	) (25	) (10
Net income attributable to common stockholders		\$2,320	\$643	\$2,865	\$1,051
Earnings Per Share Calculations - Basic		Three Months Ended		Six Months Ended	
Dollars per share		Jun 30, 2013	Jun 30, 2012	Jun 30, 2013	Jun 30, 2012
Net income		\$2.06	\$0.63	\$2.62	\$1.08
Net income attributable to noncontrolling interests		(0.01	) —	(0.04	) (0.02
Net income attributable to The Dow Chemical Company		\$2.05	\$0.63	\$2.58	\$1.06
Preferred stock dividends		(0.07	) (0.07	) (0.14	) (0.15
Net income attributable to participating securities (1)		(0.02	) (0.01	) (0.02	) (0.01
Net income attributable to common stockholders		\$1.96	\$0.55	\$2.42	\$0.90
Net Income for Earnings Per Share Calculations - Diluted		Three Months Ended		Six Months Ended	
In millions		Jun 30, 2013	Jun 30, 2012	Jun 30, 2013	Jun 30, 2012
Net income attributable to The Dow Chemical Company		\$2,425	\$734	\$3,060	\$1,231
Preferred stock dividends (2)		—	(85	) —	(170
Net income attributable to participating securities (1)		(20	) (6	) (25	) (10
Net income attributable to common stockholders		\$2,405	\$643	\$3,035	\$1,051
Earnings Per Share Calculations - Diluted		Three Months Ended		Six Months Ended	
Dollars per share		Jun 30, 2013	Jun 30, 2012	Jun 30, 2013	Jun 30, 2012
Net income		\$1.90	\$0.63	\$2.41	\$1.07
Net income attributable to noncontrolling interests		(0.01	) —	(0.03	) (0.02
Net income attributable to The Dow Chemical Company		\$1.89	\$0.63	\$2.38	\$1.05
Preferred stock dividends (2)		—	(0.07	) —	(0.14
Net income attributable to participating securities (1)		(0.02	) (0.01	) (0.02	) (0.01
Net income attributable to common stockholders		\$1.87	\$0.55	\$2.36	\$0.90

Accounting Standards Codification Topic 260, "Earnings per Share," requires enterprises with participating securities to use the two-class method to calculate earnings per share and to report the most dilutive earnings per share amount. Deferred stock awards are considered participating securities due to Dow's practice of paying dividend equivalents on unvested shares.

(1) Preferred stock dividends were not added back in the calculation of diluted earnings per share for the three- and six-month periods ended June 30, 2012 because the effect of adding them back would have been antidilutive.

Table of Contents

Additional Share Count Information	Three Months Ended		Six Months Ended	
	Jun 30, 2013	Jun 30, 2012	Jun 30, 2013	Jun 30, 2012
Shares in millions				
Weighted-average common shares - basic	1,186.1	1,169.7	1,183.6	1,165.3
Plus dilutive effect of stock options and awards	5.3	6.9	5.9	7.4
Plus dilutive effect of assumed conversion of preferred stock (1)	96.8	—	96.8	—
Weighted-average common shares - diluted	1,288.2	1,176.6	1,286.3	1,172.7
Stock options and deferred stock awards excluded from EPS calculations (2)	69.0	54.4	65.1	51.3

Conversion of the Cumulative Convertible Perpetual Preferred Stock, Series A into shares of the Company's (1) common stock was excluded from the calculation of diluted earnings per share for the three- and six-month periods ended June 30, 2012 because the effect of including them would have been antidilutive.

(2) These outstanding options to purchase shares of common stock and deferred stock awards were excluded from the calculation of diluted earnings per share because the effect of including them would have been antidilutive.

NOTE 15 – INCOME TAXES

During the first quarter of 2013, court rulings on two separate tax matters resulted in the adjustment of uncertain tax positions. In February 2013, the U.S. District Court for the Middle District of Louisiana issued a ruling that disallowed, for tax purposes, transactions and partnerships associated with Chemtech, a wholly owned subsidiary. In March 2013, the U.S. Supreme Court denied certiorari in Union Carbide's research tax credit case. Through the denial of certiorari, the decision issued by the U.S. Court of Appeals denying Union Carbide's tax credit claim for supplies used in process-related research and development at its manufacturing facilities became final. As a result of these rulings, the Company adjusted uncertain tax positions related to these matters, resulting in a tax charge of \$223 million in the first quarter of 2013.

The following table provides a reconciliation of the Company's unrecognized tax benefits for the periods ended June 30, 2013 and December 31, 2012:

Total Gross Unrecognized Tax Benefits	Jun 30, 2013	Dec 31, 2012
In millions		
Balance at January 1	\$409	\$339
Increases related to positions taken on items from prior years	316	66
Decreases related to positions taken on items from prior years	(50)	(32)
Increases related to positions taken in the current year	7	53
Settlement of uncertain tax positions with authorities	(348)	(9)
Decreases due to expiration of statutes of limitations	(7)	(8)
Balance at end of period	\$327	\$409

At June 30, 2013, the total amount of unrecognized tax benefits was \$327 million (\$409 million at December 31, 2012), of which \$319 million would impact the effective tax rate, if recognized (\$392 million at December 31, 2012).

Interest and penalties associated with uncertain tax positions, including the matters that resulted in the adjustment of uncertain tax positions, are recognized as components of "Provision for income taxes" in the consolidated statements of income and totaled a benefit of \$18 million for the three months ended June 30, 2013 (\$86 million charge for the three months ended June 30, 2012). During the six months ended June 30, 2013, the Company recognized a benefit of \$151 million for interest and penalties associated with uncertain tax positions (a charge of \$87 million for the six months ended June 30, 2012). The Company's accrual for interest and penalties was \$43 million at June 30, 2013.

(\$131 million at December 31, 2012).

Table of Contents**NOTE 16 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The following table provides an analysis of the changes in accumulated other comprehensive income (loss) for the six months ended June 30, 2013 and 2012:

Accumulated Other Comprehensive Income (Loss)	Six Months Ended	
	Jun 30, 2013	Jun 30, 2012
In millions		
Unrealized Gains on Investments at beginning of year	\$ 147	\$ 78
Net change in unrealized gains (losses)	(6	) 37
Reclassification to earnings - Net Sales (net of tax of \$(15), \$(2)) (1)	(25	) (4
Reclassification to earnings - Sundry income (expense) - net (net of tax \$-, \$-) (1)	—	(1
Balance at end of period	\$ 116	\$ 110
Cumulative Translation Adjustments at beginning of year	328	72
Translation adjustments	(269	) (174
Balance at end of period	\$ 59	\$ (102
Pension and Other Postretirement Benefit Plans at beginning of year	(7,995	) (6,134
Adjustments to pension and other postretirement benefit plans (net of tax of \$135, \$90) (1)	283	182
Balance at end of period	\$ (7,712	) \$ (5,952
Accumulated Derivative Income (Loss) at beginning of year	4	(12
Net hedging results (3)	14	(14
Reclassification to earnings - Cost of sales (net of tax of \$(5), \$(6)) (1) (3) (4)	(7	) 3
Balance at end of period	\$ 11	\$ (23
Total Accumulated Other Comprehensive Loss	\$ (7,526	) \$ (5,967

(1) Tax amounts are included in "Provision for income taxes" in the consolidated statements of income.

(2) Included in net periodic pension cost. See Note 12 for additional information.

(3) Accumulated Derivative Income (Loss) activity for 2012 was reclassified in accordance with newly implemented ASU 2013-02.

(4) Presentation of the tax component for 2012 was changed to conform to the current year presentation.

NOTE 17 – OPERATING SEGMENTS AND GEOGRAPHIC AREAS

During the first quarter of 2013, the Company's Performance Plastics segment combined Dow Performance Packaging, Dow Hygiene and Medical, and Dow Polypropylene Licensing and Catalyst businesses into a newly created Dow Packaging and Specialty Plastics business to better align with the markets and customers served. The Performance Plastics businesses, which are reflected in the following updated profile for the segment, are as follows:

• Dow Elastomers

• Dow Electrical and Telecommunications

• Dow Packaging and Specialty Plastics

There were no other changes to Part I, Item I. Business included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Performance Plastics

The Performance Plastics segment consists of the solution-oriented portfolio of Dow Elastomers, Dow Electrical and Telecommunications, and Dow Packaging and Specialty Plastics. These businesses serve high-growth, high value sectors where Dow's world-class technology and rich innovation pipeline creates competitive advantages for customers and the entire value chain. Dow Elastomers is a leading global producer of polyolefin elastomers and the

largest metallocene ethylene propylene diene monomer ("EPDM") producer providing a cost-advantaged position. Dow Electrical and Telecommunications is a pioneer in the production of polymers for wire and cable applications. Dow Packaging and Specialty Plastics is a leading materials supplier of polyethylene based resins, films and specialty polymers for strategic segments within its five global target market sectors - performance packaging, hygiene and medical, adhesives and functional materials, industrial specialties and photovoltaic films.

These businesses also have complementary market reach, asset capabilities and technology platforms that provide the Company with immediate and long-term growth synergies. The segment has broad geographic reach with sales in more than 100 countries and manufacturing facilities located in all geographic areas. Market growth is expected to be driven by major shifts in population demographics, improving socioeconomic status in emerging geographies, consumer and brand

Table of Contents

owner demand for increased consumer convenience, efforts to reduce food waste, growth in telecommunications networks, specifically broadband and LTE networks, and global development of electrical transmission and distribution infrastructure and renewable energy applications.

Details on Performance Plastics' 2012 sales, by business and geographic area, are as follows:

Products

Major products by business and applications/market segments are listed below:

Business	Major Products	Applications/Market Segments
Dow Elastomers	Elastomers, plastomers, EPDMs	Adhesives, footwear, housewares, infrastructure, sports recreation, toys and infant products, transportation
Dow Electrical and Telecommunications	Wire and cable insulation, semiconductive and jacketing compound solutions, bio-based plasticizers	Building and construction, electrical transmission and distribution infrastructure, telecommunications infrastructure
Dow Packaging and Specialty Plastics	Polyethylene, low-density polyethylene, linear low-density polyethylene, high-density polyethylene, polyolefin emulsions, polyolefin plastomers, acrylics	Adhesives; flexible packaging for food and beverages; rigid packaging for food, household goods and industrial products; medical end-use; personal care products; sealants; unitization films; and water, natural gas and irrigation pipe

Transfers of products between operating segments are generally valued at cost. However, transfers of products to Agricultural Sciences from other segments are generally valued at market-based prices; the revenues generated by these transfers in the first six months of 2013 and 2012 were immaterial and eliminated in consolidation.

Table of Contents

Operating Segments	Three Months Ended		Six Months Ended	
In millions	Jun 30, 2013	Jun 30, 2012	Jun 30, 2013	Jun 30, 2012
Sales by operating segment				
Electronic and Functional Materials	\$1,152	\$1,151	\$2,293	\$2,272
Coatings and Infrastructure Solutions	1,888	1,888	3,555	3,591
Agricultural Sciences	1,850	1,676	3,953	3,514
Performance Materials	3,389	3,369	6,717	6,842
Performance Plastics	3,676	3,711	7,174	7,302
Feedstocks and Energy	2,543	2,657	5,099	5,592
Corporate	79	61	169	119
Total	\$14,577	\$14,513	\$28,960	\$29,232
EBITDA (1) by operating segment				
Electronic and Functional Materials	\$254	\$287	\$527	\$530
Coatings and Infrastructure Solutions	250	337	436	541
Agricultural Sciences	290	307	774	758
Performance Materials	284	350	724	682
Performance Plastics	1,010	760	1,962	1,478
Feedstocks and Energy	193	134	433	332
Corporate	1,885	(215)	1,530	(653)
Total	\$4,166	\$1,960	\$6,386	\$3,668
Equity in earnings (losses) of nonconsolidated affiliates by operating segment (included in EBITDA)				
Electronic and Functional Materials	\$28	\$35	\$45	\$54
Coatings and Infrastructure Solutions	25	45	51	67
Agricultural Sciences	1	(1)	3	—
Performance Materials	(12)	(20)	(35)	(37)
Performance Plastics	88	39	145	73
Feedstocks and Energy	105	52	264	177
Corporate	(7)	(2)	(15)	(17)
Total	\$228	\$148	\$458	\$317

The Company uses EBITDA (which Dow defines as earnings (i.e., "Net Income") before interest, income taxes, depreciation and amortization) as its measure of profit/loss for segment reporting purposes. EBITDA by operating (1) segment includes all operating items relating to the businesses, except depreciation and amortization; items that principally apply to the Company as a whole are assigned to Corporate. A reconciliation of EBITDA to "Income Before Income Taxes" is provided below.

Reconciliation of EBITDA to "Income Before Income Taxes"	Three Months Ended		Six Months Ended	
In millions	Jun 30, 2013	Jun 30, 2012	Jun 30, 2013	Jun 30, 2012
EBITDA	\$4,166	\$1,960	\$6,386	\$3,668
- Depreciation and amortization	659	674	1,327	1,353
+ Interest income	10	10	18	16
- Interest expense and amortization of debt discount	279	312	575	641
Income Before Income Taxes	\$3,238	\$984	\$4,502	\$1,690

Geographic Areas	Three Months Ended	Six Months Ended
In millions		

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	Jun 30, 2013	Jun 30, 2012	Jun 30, 2013	Jun 30, 2012
Sales by geographic area				
United States	\$4,804	\$4,785	\$9,618	\$9,635
Europe, Middle East and Africa	4,571	4,867	9,486	10,234
Rest of World	5,202	4,861	9,856	9,363
Total	\$14,577	\$14,513	\$28,960	\$29,232

Table of Contents

The Dow Chemical Company and Subsidiaries
(Unaudited) PART I – FINANCIAL INFORMATION, Item 2. Management's Discussion and
Analysis of Financial Condition and Results of Operations

OVERVIEW

The Company reported sales in the second quarter of 2013 of \$14.6 billion, essentially flat from \$14.5 billion in the second quarter of 2012. Sales gains were led by Agricultural Sciences, which was up 10 percent in the quarter and achieved a first-half sales record of nearly \$4 billion. Sales also increased in Performance Materials (up 1 percent). These gains offset declines in Feedstocks and Energy (down 4 percent) and Performance Plastics (down 1 percent). Sales increased in all geographic areas, except Europe, Middle East and Africa ("EMEA").

Volume increased 2 percent with gains reported in all operating segments, except Performance Plastics (down 1 percent) and Feedstocks and Energy (flat). Volume increased in all geographic areas, except EMEA (down 2 percent).

Price decreased 2 percent compared with the same period last year, with currency representing nearly one-third of the decline. Feedstocks and Energy led the decrease (down 4 percent), due to a declining feedstock cost environment. Price decreased in all geographic areas, except North America (up 1 percent).

Purchased feedstock and energy costs, which account for more than one-third of Dow's total costs, remained flat compared with the second quarter of 2012, with increasing natural gas costs offset by declining feedstock costs.

Research and development expenses and selling, general and administrative expenses increased in the second quarter of 2013 compared with the same period last year, primarily due to increased spending on growth initiatives in the Agricultural Sciences operating segment and higher performance-based compensation costs.

Equity earnings were \$228 million in the second quarter of 2013, up \$80 million from \$148 million in the second quarter of 2012, led by higher earnings from MEGlobal.

On May 6, 2013, the Company and Petrochemical Industries Company (K.S.C.) ("PIC") entered into a Deed providing for payment of the Company's claims against PIC under the K-Dow arbitration. On May 7, 2013, the Company confirmed the receipt of a \$2.195 billion cash payment from PIC. As a result of the cash payment, the Company recorded a pretax gain of \$2.195 billion in the second quarter of 2013, of which \$2.161 billion is reflected in "Sundry income (expense) - net" and \$34 million is reflected in "Cost of sales." The cash was utilized for debt reduction measures.

The Company retired approximately \$1.7 billion of debt in the second quarter of 2013, including the early retirement of nearly \$1.4 billion of outstanding notes and InterNotes, which resulted in a \$110 million pretax loss on the early extinguishment of debt included in "Sundry income (expense) - net."

In addition to the financial highlights listed above, the Company also made the following announcement during the second quarter of 2013:

On June 17, 2013, the Company announced the signing of the main financing for Sadara Chemical Company ("Sadara") whereby Sadara entered into definitive agreements with certain export agencies, commercial banks and the Public Investment Fund of the Kingdom of Saudi Arabia for approximately \$10.5 billion of additional project financing ("Additional Project Financing"). The Additional Project Financing closed on June 28, 2013.

Table of Contents

Selected Financial Data In millions, except per share amounts	Three Months Ended		Six Months Ended	
	Jun 30, 2013	Jun 30, 2012	Jun 30, 2013	Jun 30, 2012
Net sales	\$14,577	\$14,513	\$28,960	\$29,232
Cost of sales	\$12,103	\$12,200	\$23,810	\$24,485
Percent of net sales	83.0	% 84.1	% 82.2	% 83.8
Research and development expenses	\$417	\$406	\$852	\$811
Percent of net sales	2.9	% 2.8	% 2.9	% 2.8
Selling, general and administrative expenses	\$716	\$674	\$1,488	\$1,381
Percent of net sales	4.9	% 4.6	% 5.1	% 4.7
Effective tax rate	24.6	% 24.8	% 31.1	% 25.4
Net income available for common stockholders	\$2,340	\$649	\$2,890	\$1,061
Earnings per common share – basic	\$1.96	\$0.55	\$2.42	\$0.90
Earnings per common share – diluted	\$1.87	\$0.55	\$2.36	\$0.90
Operating rate percentage	78	% 78	% 80	% 81

RESULTS OF OPERATIONS

Net sales in the second quarter of 2013 were \$14.6 billion, essentially flat from \$14.5 billion in the second quarter of last year, with volume up 2 percent and price down 2 percent. Price was unfavorably impacted by currency, which contributed to nearly one-third of the price decrease. Volume increased in all operating segments, except Performance Plastics (down 1 percent) and Feedstocks and Energy (flat). Volume increased in all geographic areas, except EMEA (down 2 percent). Price declined in all operating segments, except Agricultural Sciences (up 1 percent) and Performance Plastics (flat). Price decreased in all geographic areas, except North America (up 1 percent).

Net sales for the first six months of 2013 were \$29.0 billion, down 1 percent from \$29.2 billion in the same period last year, with price down 1 percent and volume flat. Price was unfavorably impacted by currency, which represented more than half of the price decline. Price increases in Agricultural Sciences (up 2 percent) and Performance Plastics (up 1 percent) were more than offset by price declines in all other operating segments. Price decreased in Asia Pacific (down 3 percent) and EMEA (down 1 percent), remained flat in North America and increased in Latin America (up 1 percent). Volume was flat as increases in Agricultural Sciences (up 10 percent) and Electronic and Functional Materials (up 3 percent) were offset by declines in all other operating segments, except Coatings and Infrastructure Solutions which remained flat. Volume increased in all geographic areas, except EMEA (down 6 percent).

Gross margin was \$2.5 billion in the second quarter of 2013, up from \$2.3 billion in the second quarter of last year. Gross margin improved due to increased sales volume, lower feedstock costs, cost savings from the Company's 2012 restructuring programs and recovery of Dow's costs incurred in the K-Dow arbitration, including legal fees, which more than offset lower selling prices and higher performance-based compensation costs. Gross margin was also negatively impacted by \$12 million of restructuring plan implementation costs in the second quarter of 2013. Year to date, gross margin was nearly \$5.2 billion, compared with \$4.7 billion in the first six months of 2012. The increase in gross margin was due to the impact of lower feedstock costs and cost savings from the Company's 2012 restructuring programs which more than offset lower selling prices and higher performance-based compensation costs. Gross

margin was also negatively impacted by \$23 million of restructuring plan implementation costs in the first six months of 2013.

The Company's global plant operating rate was 78 percent of capacity in the second quarter of 2013, unchanged from the second quarter of 2012. For the first six months of 2013, the Company's global plant operating rate was 80 percent, down from 81 percent in the first six months of 2012.

Table of Contents

Personnel count was 52,714 at June 30, 2013, down from 54,353 at December 31, 2012 and 52,898 at June 30, 2012. Headcount decreased from December 31, 2012 and June 30, 2012 primarily due to the Company's 2012 restructuring programs, which are expected to be completed primarily by March 31, 2015, and the reduction of seasonal employees in the Agricultural Sciences operating segment, primarily in Latin America.

Research and development ("R&D") expenses totaled \$417 million in the second quarter of 2013, up 3 percent from \$406 million in the second quarter of last year, primarily due to increased spending on growth initiatives in the Agricultural Sciences operating segment and higher performance-based compensation costs which were partially offset by cost savings from the Company's 2012 restructuring programs. For the first six months of 2013, R&D expenses totaled \$852 million, up from \$811 million in the first six months of 2012.

Selling, general and administrative ("SG&A") expenses totaled \$716 million in the second quarter of 2013, up \$42 million (6 percent) from \$674 million in the second quarter of last year, primarily due to increased spending on growth initiatives in the Agricultural Sciences operating segment and higher performance-based compensation costs. For the first six months of 2013, SG&A expenses totaled \$1,488 million, up from \$1,381 million in the first six months of 2012.

Amortization of intangibles was \$115 million in the second quarter of 2013, down from \$122 million in the second quarter of last year. In the first six months of 2013, amortization of intangibles was \$230 million, down from \$244 million in the same period last year. See Note 5 to the Consolidated Financial Statements for additional information on intangible assets.

On March 27, 2012, the Company's Board of Directors approved a restructuring plan ("1Q12 Restructuring") as part of a series of actions to optimize its portfolio, respond to changing and volatile economic conditions, particularly in Western Europe, and to advance the Company's Efficiency for Growth program. As a result of the 1Q12 Restructuring activities, the Company recorded pretax restructuring charges of \$357 million in the first quarter of 2012. See Note 3 to the Consolidated Financial Statements for details on the Company's restructuring activities.

Dow's share of the earnings of nonconsolidated affiliates was \$228 million in the second quarter of 2013, up from \$148 million the same quarter last year primarily due to higher earnings from MEGlobal and improved results from The SCG-Dow Group. For the first six months of 2013, Dow's share of the earnings of nonconsolidated affiliates was \$458 million, up from \$317 million in the same period last year, primarily due to increased earnings from MEGlobal and Univation Technologies, LLC and improved results from The SCG-Dow Group.

In July 2012, the Chinese Ministry of Commerce ("MOFCOM") initiated antidumping and countervailing duty investigations of imports of solar-grade polycrystalline silicon products from the United States and Korea based on a petition filed by Chinese solar-grade polycrystalline silicon producers. The petition alleges that producers within these countries, including Dow Corning, exported solar-grade polycrystalline silicon to China at less than fair value, and that production of solar-grade polycrystalline silicon in the United States has been subsidized by the U.S. government. On July 18, 2013, MOFCOM announced its preliminary determination that China's solar-grade polycrystalline silicon industry suffered material damage because of dumping by producers in the United States and Korea. The Chinese authorities imposed provisional antidumping duties on producers in the United States and Korea ranging from 2.4% to 57.0%, including duties of 53.3% on future imports of solar-grade polycrystalline silicon produced by Dow Corning. A decision on subsidies has not been announced. The requirement for solar-grade polycrystalline silicon producers to pay provisional duties on imports became effective July 24, 2013, and is still subject to a final review process by MOFCOM. The duties do not apply to past imports. Dow Corning will continue to cooperate with MOFCOM in the investigations and will vigorously contest the determination. Dow Corning's polycrystalline silicon products accounted for a significant portion of its operating results.

As a result of the July 2013 MOFCOM ruling, Dow Corning is currently evaluating its polycrystalline silicon asset group for impairment. Based on current expectations, Dow Corning believes its estimate of future undiscounted cash flows will continue to indicate the polycrystalline silicon asset group is recoverable. However, due to challenging market conditions and other factors, it is reasonably possible that the estimate of undiscounted cash flows could change in the near term, resulting in the write-down of assets to fair value. If an asset impairment is recorded at Dow Corning related to the polycrystalline silicon asset group, the maximum potential after tax impact to Dow is estimated to be approximately \$800 million.

Sundry income (expense) – net includes a variety of income and expense items such as the gain or loss on foreign currency exchange, dividends from investments, and gains and losses on sales of investments and assets. Sundry income (expense) – net in the second quarter of 2013 was net income of \$2,053 million, an increase of \$2,026 million compared with net income of \$27 million in the same quarter last year. The second quarter of 2013 included a gain of \$2.161 billion related to damages awarded to the Company in the K-Dow arbitration proceeding (reflected in Corporate) and a \$110 million loss on the early extinguishment of debt (reflected in Corporate). Year to date, sundry income (expense) - net was net income of \$2,021 million,

Table of Contents

an increase of \$1,977 million compared with net income of \$44 million in the same period last year. The first six months of 2013 included a gain of \$2.161 billion related to damages awarded to the Company in the K-Dow arbitration proceeding (reflected in Corporate), foreign currency exchange gains and a \$170 million loss on the early extinguishment of debt (reflected in Corporate). In the first six months of 2012, sundry income (expense) – net included gains from small divestitures and asset sales, a gain due to income tax recoveries related to a prior divestiture, a \$24 million loss on the early extinguishment of debt (reflected in Corporate) and foreign currency exchange losses. See Note 8 to the Consolidated Financial Statements for additional information related to the K-Dow arbitration proceeding and Note 10 for additional information related to the early extinguishment of debt.

Net interest expense (interest expense less capitalized interest and interest income) was \$269 million in the second quarter of 2013, compared with \$302 million in the second quarter of last year. Year to date, net interest expense was \$557 million as compared to \$625 million in the first six months of 2012. The decline reflects the Company's ongoing deleveraging activities and lower debt financing costs. Interest income was \$10 million in the second quarter of 2013, unchanged from second quarter of 2012, and \$18 million for the first six months of 2013, compared to \$16 million in the first six months of 2012.

The effective tax rate for the second quarter of 2013 was 24.6 percent compared with 24.8 percent for the second quarter of 2012. For the first six months of 2013 the effective tax rate was 31.1 percent compared with 25.4 percent for the first six months of 2012. The Company's effective tax rate fluctuates based on, among other factors, where income is earned, reinvestment assertions regarding earned income and the level of income relative to tax credits available. For example, as the percentage of foreign sourced income increases, the Company's effective tax rate declines. The Company's tax rate is also influenced by the level of equity earnings, since most of the earnings from the Company's equity company investments are taxed at the joint venture level. The increase in the first six months of 2013 tax rate compared with the first six months of 2012 tax rate was primarily due to a change in the geographic mix of earnings and a \$223 million tax charge related to court rulings on two separate matters that resulted in the adjustment of uncertain tax positions, which was partially offset by the level of taxation related to the K-Dow award. See Note 15 to the Consolidated Financial Statements for additional information on income taxes.

Net income attributable to noncontrolling interests was \$18 million in the second quarter of 2013, up from \$6 million in the second quarter of 2012. Net income attributable to noncontrolling interests was \$43 million in the first six months of 2013 compared with \$29 million in the first six months of 2012.

Preferred stock dividends of \$85 million were recognized in the second quarters of 2013 and 2012 (\$170 million in the first six months of 2013 and 2012), related to the Company's Cumulative Convertible Perpetual Preferred Stock, Series A.

Net income available for common stockholders was \$2,340 million, or \$1.87 per share, in the second quarter of 2013, compared with \$649 million, or \$0.55 per share, in the second quarter of 2012. Net income available for common stockholders for the first six months of 2013 was \$2,890 million, or \$2.36 per share, compared with \$1,061 million, or \$0.90 for the same period of 2012. During the second quarter of 2013, the Company recorded a gain related to the K-Dow arbitration which significantly increased "Net income" for the quarter and year-to-date. As a result of this increase, the assumed conversion of the Company's Cumulative Convertible Perpetual Preferred Stock, Series A into potential shares of the Company's common stock was dilutive. See Note 14 to the Consolidated Financial Statements for details on the Company's earnings per share calculations.

Table of Contents

The following tables summarize the impact of certain items recorded in the three- and six-month periods ended June 30, 2013 and June 30, 2012, and previously described in this section.

Certain Items Impacting Results	Pretax Impact (1)		Net Income (2)		EPS - Diluted (3)	
	Three Months Ended		Three Months Ended		Three Months Ended	
In millions, except per share amounts (Unaudited)	Jun 30, 2013	Jun 30, 2012	Jun 30, 2013	Jun 30, 2012	Jun 30, 2013	Jun 30, 2012
Adjusted to exclude certain items (non-GAAP measures) (4)			\$ 770	\$ 649	\$ 0.64	\$ 0.55
Certain items:						