Victory LG Inc.
Form 10-K
June 13, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: February 29, 2012

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission File No.: 333-173056

Victory LG, INC.
(Exact name of registrant as specified in its charter)

Nevada	38-3829642
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6544 Kathrine Ann Court, Salt Lake City, Utah 84118
(Address of principal executive offices)

(877) 262-5154
(Registrant's telephone number)

Securities registered under Section 12(b) of the Exchange Act:

Securities registered under Section 12(g) of the Exchange Act:

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. o Yes x No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. o Yes o No

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. x Yes o 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). x Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes x No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $0

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 18,000,000 shares of common stock par value $0.001 as of May 22, 2012.

DOCUMENTS INCORPORATED BY REFERENCE

None

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains “forward-looking statements”. All statements other than statements of historical fact are “forward-looking statements” for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objections of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements or belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words “may,” “could,” “estimate,” “intend,” “continue,” “believe,” “expect” or “anticipate” or other similar words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. Except for our ongoing securities laws, we do not intend, and undertake no obligation, to update any forward-looking statement. Additionally, the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 most likely do not apply to our forward-looking statements as a result of being a penny stock issuer. You should, however, consult further disclosures we make in future filings of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Although we believe the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The factors impacting these risks and uncertainties include, but are not limited to:

- Our current deficiency in working capital;
- Increased competitive pressures from existing competitors and new entrants;
- Our ability to market our services to new subscribers;
- Inability to locate additional revenue sources and integrate new revenue sources into our organization;
- Adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;
- Changes in U.S. GAAP or in the legal, regulatory and legislative environments in the markets in which we operate;
- Consumer acceptance of price plans and bundled offering of our services;
- Loss of customers or sales weakness;
- Technological innovations;
- Inability to efficiently manage our operations;
- Inability to achieve future sales levels or other operating results;
- Inability of management to effectively implement our strategies and business plan
- Key management or other unanticipated personnel changes;
- The unavailability of funds for capital expenditures; and
- The other risks and uncertainties detailed in this report.

For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see “Item 1A. Risk Factors” in this document.

AVAILABLE INFORMATION

We file annual, quarterly and special reports and other information with the SEC that can be inspected and copied at the public reference facility maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549-0405.

Information regarding the public reference facilities may be obtained from the SEC by telephoning 1-800-SEC-0330. The Company's filings are also available through the SEC's Electronic Data Gathering Analysis and Retrieval System which is publicly available through the SEC's website (www.sec.gov). Copies of such materials may also be obtained by mail from the public reference section of the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549-0405 at prescribed rates.

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PART I

Item 1. Business

General Overview

We were incorporated in the State of Nevada on January 5, 2011.

Victory LG Inc. is presently marketing for sale one Liquid-Gel capsule (named Victory LG 8-hour Energy Liquid Gels).

Victory LG Inc. has not commenced its major operations of having its one product a liquid-gel capsule named Victory LG 8-hour energy Liquid-Gels, manufactured by an unaffiliated outside provider (Soft Gel Technologies, Inc. (SGTI) and the Company has not distributed the product to anyone. The Company will not have any 8-hour Energy Liquid-Gels manufactured until the Company has sold the product to an end user. Victory LG, Inc. is considered a development stage company because it has not commenced its major operations. In addition, the Company has not achieved any revenue in connection with its business to date. As a result we are a startup company. This means we have no operating history or revenue, and are at a competitive disadvantage.

The competition for and difficulty in selling energy liquid-gels may affect our ability to develop profitable operations in the future. Companies that are engaged in energy liquid-gels, retail products, include large, established companies with substantial capabilities and long earnings records.

We have no operating history and expect to incur losses for the foreseeable future. Should we continue to incur losses for a significant amount of time, the value of your investment in the common shared could be affected downward, and you could lose your entire investment.

We have not yet received any revenues from our development stage operations, nor have we otherwise engaged in any business operations. Victory LG, Inc. is a development stage company and in the absent of revenues and operations the Independent Audit Report dated February 29, 2012 cites a going concern. The going concern statement opinion issued by the independent auditors is the result of a lack of operations and working capital.

The Company will need to raise capital which concerned the independent auditors because there is insufficient cash for operations for the next twelve months. We will have to seek other sources of capital.

We established the minimum amount of $75,000 that the Company will need to raise through debt instruments such as bank loans, or private financing so that operations could start, in order to generate some type of revenue. Presently no other sources have been identified and it is unknown if any other sources will be identified. There is no assurance that the Company will be able to obtain any bank loans or private financing.

In 2013 Victory LG, Inc. intends to market and distribute quality dietary supplements products.

Organization within the Last Five Years

To date, the Company has not generated any sales. Upon a purchase order being placed with Victory LG, Inc. for the Victory LG 8-hour Energy Liquid-Gels, the Company intends to contract with Soft Gel Technologies Inc to manufacture the 8-hour Energy Liquid Gel. After the 8-hour Energy Liquid-Gel is manufactured, the Company intends to enter into a contract with Traco Manufacturing Inc for packaging. Victory LG, Inc. intends to have Soft Gel Technologies ship the manufactured Liquid Gel Caps to Traco for packaging. Traco will then deliver the packaged

8-hour Energy Liquid-Gel to Victory LG, Inc. Victory LG, Inc. intends to deliver the finished product to the customer in the Salt Lake City, Utah area. Soft Gel Technologies has not produced any 8-hour Energy Gels to date. Soft Gel Technologies has not produced any test samples to date. Victory LG, Inc. does not have a formal contact with Soft Gel Technologies or Traco Manufacturing at this time.

Over the next twelve months, Victory LG, Inc. plans to build out its reputation and network in the energy Liquid Gel-Cap industry, thereby attracting new clients. Presently, the Company does not have any clients.

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Business Facilities

Victory LG, Inc. is located at 6544 Kathrine Ann Court, Salt Lake City, Utah 84118. The telephone number is: (877) 262-5154.

Internet Address

Our Internet address is http://www.victorylg.com

Unique Features of the Company

This market is very much lifestyle driven, especially by young, image-conscious adults, who see these Liquid Gel Caps as a kind of fashion accessory. In today's world, athletes are still a strong target market. However, the consumer base for Gel Caps and energy drinks has now expanded beyond that of simply athletes. From Clubbers, Video-gamers, Extreme Sports enthusiasts to everyday parents looking for a pick me up in the morning while at home or work.

The Company believes that the demand for Liquid Gel Caps could be a direct result of people's lives becoming busier. As people fill their lives to capacity and then add even more responsibilities, the daily schedules can become quite overwhelming, leaving little time for rest, relaxation, or sleep. The Company intends to market this problem to meet those demands.

Victory LG, Inc. aims to establish its Liquid Gel Caps in convenience stores and retail stores in the Salt Lake City, Utah area. The Company believes that their combination of their specialized Liquid Gel Cap, aimed to a consumer that has widespread applicability is one of its unique features.

Overall Strategic Direction

The Company plans to establish its reputation in the energy Liquid Gel-Cap industry, thereby attracting new clients and building out its network in the energy Liquid Gel-Cap industry.

The Company aims to form long term working relationships with a number of convenience stores in the Salt Lake City, (Utah) area.

Description of Products

Pauline Carson, CEO and Director of Victory LG, Inc. came up with idea over the last year of what she believes will be a successful Liquid Energy Gel Cap.

Product Development:

In 2010, Pauline Carson began working with Soft Gel Technologies Inc, located at 6982 Bandini Blvd, Los Angeles, CA 90040. Soft Gel Technologies, Inc.® (SGTI®) has specialized in providing Natural Products Industry marketers with premium quality dietary supplements in a soft gelatin capsule delivery system. Soft Gel is a full service contract manufacturer dedicated to the production and marketing of branded products and turnkey custom formulations.

Soft Gel is headquartered in Los Angeles, California, it has the capacity to meet high volume demands as well as accommodate smaller jobs.

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Pauline Carson and the Soft Gel Technologies technicians took several months to create the formula for the Liquid Gel Cap that Victory LG, Inc. intends to sell and market. Pauline Carson and Soft Gel Technologies technicians decided to include the following main ingredients into the product which include Ginseng, Guarana, Vitamins B3, B4, B6, and B12, Antioxidants, and Amino Acids and (L-Arginine). The Liquid Gel Cap will go under the label of Victory LG 8-Hour Energy Soft Gel. Sport Energy 8-Hour Energy Liquid Gel is a product that assists in increasing energy. Victory LG Inc. owns all the right to the formula for the 8-hour Energy Liquid-Gel. Neither Pauline Carson nor Soft Gel Technologies have any ownership or manufacturing rights to the formula.

The Company has not patented the formula that is to be used in Victory LG 8-Hour Energy Liquid Gels at this time. The 8-hour Energy Soft-Gel formula created for Victory LG, Inc. is not similar to other Soft Gel technologies product. Other Soft Gel Technologies customers market to weight loss supplements and the only similarity in ingredients is caffeine. Victory LG Liquid Gel-Caps are an Energy only formula.

Manufacturing:

In March of 2010, Soft Gel Technologies, Inc. (SGTI) and Victory LG Inc. finalized the formula for the Victory LG 8-Hour Energy Liquid Gel Caps; SGTI will manufacture Victory LG Energy 8-Hour Energy Liquid Gel Cap for the Company. All key ingredients included in our product are readily available from SGTI. The Company has not taken any steps to test the product. SGTI has advised Victory LG, Inc. that they can manufacture 300,000 capsules for Victory LG, Inc. for $13,230. In October 2011, the Company paid SGTI $6,615 as a deposit for 300,000 8-Hour Energy Liquid Gel Caps.

On March 10, 2012, BK Consulting and Associates, P.C. partially funded the remaining balance owed in the amount of $6,615 on the purchase of the Victory LG 8-Hour Energy Liquid Gel Caps from SGTI. This investor has a lien on the inventory, pending the Company paying the investor for this loan.

Packaging:

In 2011 Pauline Carson took empty Liquid Gel's capsules from Soft Gel Technologies in the size, shape and consistence of the 8-Hour Victory LG Liquid Gel Caps to Premier Plastics, Inc., located at 2450 South 3400 West, Salt Lake City, Utah 8419, for packaging development. Premier Plastics advised Victory LG, Inc. that they could package 180,000 8-Hour Energy Liquid Gel Caps into 6 pack blister cards for $9,925. In December 2011 the Company paid Premier Plastics a deposit of $5,038 to package 180,000 8-Hour Energy Liquid Gel Caps into 6 blister pack cards.

On March 10, 2012, BK Consulting and Associates, P.C. partially funded the remaining balance owed in the amount of $4,888 on the packaging of the Victory LG 8-Hour Energy Liquid Gel Caps. This investor has a lien on the inventory, pending the Company paying the investor for this loan.

Sales Strategy:

We have established a sales approach, which utilizes direct sales through Pauline Carson who plans to market our product through retail chain stores.

Direct Sales:

Direct sales will be conducted by Pauline Carson. She is currently marketing the product locally in the Salt Lake City, Utah area to convenience stores and small retail shops. Their current marketing strategy consists of various Point of Sale material including posters and flyers developed by Pauline Carson in the past several months.

Retail chain stores:

Sales to over 44,000 retail stores nationwide major retail chain stores such as Wal-Mart, Target and Walgreens. Retail chain stores would enable the Company to pay slotting fees to gain shelf space in more than 44,000 retail locations. The cost associated with each major retail store carrying the product would be in excess of $1.0M per retail store.

To utilize our sales approach (retail chain stores) the Company will need to seek additional capital to fund the retail chain stores model. Presently the Company does not have the additional capital needed to utilize the retail chain store model.

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We intend to derive income from these sales and our goal is establish brand recognition.

In order to bring the Company's Victory LG 8-Hour Energy Liquid Gel Cap to market, the Company will need to seek additional capital of approximately $75,000. These funds would be used for deposits and marketing materials. If the Company is unable to obtain additional financing at reasonable cost, it would be unable to manufacture, package and sell their Liquid Gel Caps. Presently the Company's working capital (deficit) of ($20,195) is not sufficient to fund the sale of Liquid Gel Caps through Pauline Carson.

Features of Products and Services:

The Company believes that there is a role for companies that can provide quality products and service.

Our form of product may involve assisting a store in the following:

- Delivery of only a small amount of product, when a convenience store does not have adequate storage space;
- Delivery of large amounts of product to stores with large storage space.
- The ability of the Company to speak directly to convenience store managers about the product.

The Energy Liquid Gel Cap Industry

Competition:

There are numerous companies and individuals who are engaged in the Energy Liquid Gel Cap business, and such business is intensely competitive. We believe the highly specialized nature of our corporate focus enables us to be a better long-term partner for our clients than if we were organized as a traditional energy Liquid Gel Cap company.

The Company believes that by offering quality energy Gel Cap and superior service in the energy Liquid Gel Cap industry, then it will have more energy Liquid Gel Cap customers. Nevertheless, many of our competitors have significantly greater financial and other resources as well as greater managerial capabilities than we do and are therefore, in certain respects, in a better position than we are to provide energy Liquid Gel Caps. We believe our ability to compete will depend upon many factors both within and outside our control, including, but not limited to: pricing; the timing and market acceptance of our 8-hour energy gel caps and services. We will face direct competition from several privately-held companies, both online and direct marketing companies.

Many of our existing and potential competitors, which will include online energy Liquid Gel caps businesses are focusing more closely on internet based sales, these companies have longer operating histories, significantly greater financial, technical and marketing resources, greater name recognition and a larger installed customer base than we will. Furthermore, there is the risk that larger financial companies which offer internet and direct sales may decide to use extremely low pricing rates in the energy Liquid Gel cap market to acquire and accumulate customer accounts and additional shelf space at stores. We do not plan to offer extremely low pricing; therefore, such pricing techniques, should they become common in our industry, could have a material, adverse effect on our results of operations, financial condition and business model.

Generally, competitors may be able to respond more quickly to new or emerging changes in customer requirements or to devote greater resources to the development, promotion and sale of their products and services than we will.

There can be no assurance that our potential competitors will not develop products and services comparable or superior to those that will be developed and offered by us or adapt more quickly than us to changing customer requirements, or that we will be able to timely and adequately complete the implementation, and appropriately maintain and enhance the operation, of our business model. Increased competition could result in price reductions, reduced margins, failure to obtain any significant market share, or loss of market share, any of which could materially adversely affect our business, financial condition and results of operations. There can be no assurance that we will be able to compete successfully against current or future competitors, or that competitive pressures faced by us will not have a material adverse effect on our business, financial condition and results of operations.

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There can be no assurance that we will be able to compete against these Energy Liquid Gel Cap businesses such as the following:

VPX sports, produces Redline Gel Caps. The Company on its website claims that this product is a Multi-system rapid fat loss catalyst. “Redline Gel Caps are a fat burner that busts the thermogenic and energy producing envelope. Redline is the only matrix ever developed to shred fat through the shivering response in the body. By shivering the body burns huge amounts of stored body fat for energy in an effort to keep the body warm.” Redline has a soft gel-capsule, liquid formula, that is marketed to weight Loss Supplement with an added benefit of Energy. Victory LG 8-hour Liquid Gel Cap is an energy formula only. Redline’s formula contains eleven ingredients while Victory LG, Inc.’s formula contains fourteen ingredients. The only similar ingredient between the two aforementioned formulas, from Redline and Victory LG, Inc., is the ingredient caffeine.

NVE Pharmaceuticals, produces Stacker 2. The Company states on its web site that Stacker 2 Ephedra-free formula is designed for those who are in search of a dietary supplement in an Ephedra-free formula. Stacker 2 has multiple Energy capsules. The main difference is Victory LG. Inc.’s delivery system. Victory LG, Inc. uses a liquid-gel capsule with a liquid formula. Stacker 2 uses a hard shell capsule with a dry powder formula.

BIO-ENGINEERED SUPPLEMENTS & NUTRITION, INC., (BSN) Bio-Engineered Supplements & Nutrition, Inc. (BSN) web site states that it is a leading developer, marketer, provider and distributor of nutritional supplements designed for health, training, physique, and performance support. Among other innovative products, BSN has assisted in developing many advancements within the sports nutrition industry, one of which is the ultra-premium breakthrough ingredient Creatine Ethyl Ester Malate (CEM3). Christopher Ferguson, is the President and CEO of BSN. BSN is a Delaware corporation operating under the laws of the State of Delaware. The Company has received many awards from * Brand of the Year: BSN – 1st Place (2nd Year in A Row) (Bodybuilding.com1) Muscle Builder of the Year: N.O.-XPLODE– 1st Place (3rd Year in A Row) and CELLMASS 2nd* Place (Also, 2nd Year In A Row) (Bodybuilding.com1)

* Nitric Oxide Product of the Year: N.O.-XPLODE 1st Place (3rd year in a row) and NITRIX. For over 3 consecutive years BSN products have been recognized by consumers as the best in their respective categories.

Bio-Engineered Supplements & Nutrition, Inc. is a leading developer, marketer, provider and distributor of nutritional supplements designed for training, physique, and performance. BSN’s innovative and effective products include NITRIX ®, NO-XPLODETM, CELLMASS ®, LEAN DESSERT PROTEINTM, SYNTHA-6 ®, TRUE-MASS ®, AXIS-HTTM, CHEATERSTM, THERMONEXTM, ATRO-PHEX ® AND ENDORUSHTM. Bsn, Inc. offers over 20 different gel caps that range from Cell Mass, endorush, Altro-Phex as unique bio engineered supplements to help customers attain their physique and performance goals.

Current Business Focus

The Company’s business focus is to provide quality Energy Liquid Gel Caps and superior service to convenience stores in the Salt Lake City, Utah area along with, at a reasonable price, to the largest percentage of the target market population as possible. The Company believes that the ability to deliver a product and consistency of service are main factors in fostering a repeat customer base, greater advisory network and reputation.

Advantages of Competitors over Us

The Company believes the following are advantages of Competitors over us.

Customer Base:

Presently, the Company does not have an established regular customer base.

Financial Resources:

The Company believes that many of its competitors (VPX sports, producer of Redline and NVE Pharmaceuticals, producer of Stacker 2) have at this time a significantly greater financial and other resources than we do and are therefore, in certain respects, in a better position to provide energy Gel Caps as well as promote their services.

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Competitive Advantages

The Company believes that its key competitive advantages are:

Experienced Management:

The Company believes that it has experienced management. Our sole Director and executive officer Pauline Carson has over 10 years of experience in the management and business operations. The Company believes that the knowledge, relationships, reputation and successful track record of its management will help it to build and maintain its client base.

Performance:

The Company believes that its ability to provide quality energy Liquid Gel Caps, service performance and service consistency is one of its key advantages. Through performance, the Company hopes to develop a repeat customer base, and a greater advisory network and reputation.

Niche Industry:

We believe the highly specialized nature of our corporate focus enables us to be a better long-term partner for our clients than if we were organized as a traditional energy company, which we believe has a limited usefulness for the client.

Research and Development

The Company is not currently conducting any research and development activities. However, if research and development is required in the future, we intend to rely on third party service providers.

Employees

Pauline Carson is the sole Director, Chief Executive Officer, President and Principal Executive Officer of Victory LG, Inc.

At this time we only have one employee, Pauline Carson. The Company plans to employ individuals on an as needed basis. The Company anticipates that it will need to hire additional employees as the business grows. In addition, the Company may expand size of our Board of Directors in the future.

Pauline Carson does not receive a salary or benefits in any form. Presently, the Company does not have any plans to begin paying salaries, cash or otherwise, or offering any form of benefits to our Board of Directors, Officer and employees.

Pauline Carson currently devotes approximately 10 hours per week to the affairs of the Company. She will begin to devote 40 hours per week to the Company once sufficient funding is obtained to allow actual full operations to proceed forward.

Additional Products

The Company does not intend to market any other products.

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Item 1A. Risk Factors.

Risks Related to Our Business

ONCE TRANSACTING BUSINESS, THE COMPETITION FOR AND DIFFICULTY IN SELLING ENERGY LIQUID GEL CAPSULES COULD AFFECT OUR ABILITY TO DEVELOP PROFITABLE OPERATIONS.

Many companies that are engaged in the energy liquid gel capsule business include large, established companies with substantial capabilities and long earnings records. We may be at a competitive disadvantage in promoting our Victory LG Liquid Gel capsule, as we must compete with these companies, many of which have greater financial resources and larger technical staffs than we do.

WE HAVE NO OPERATING HISTORY AND FACE MANY OF THE RISKS AND DIFFICULTIES FREQUENTLY ENCOUNTERED BY A YOUNG COMPANY.

We were incorporated in the State of Nevada on January 5, 2011. The Company has had no revenues or expenses prior to this time period.

We have no operating history for investors to evaluate the potential of our business development. We will begin to market our one product in the Salt Lake City, Utah area and develop our brand name. In addition, we also face many of the risks and difficulties inherent in introducing a new product. These risks include, but are not limited to, the ability to:

- Increase awareness of our brand name;
- Develop an effective business plan;
- Meet customer standards;
- Implement an advertising and marketing plan;
- Attain customer loyalty;
- Maintain current strategic relationships and develop new strategic relationships;
- Respond effectively to competitive pressures;
- Continue to develop and upgrade our service; and
- Attract, retain and motivate qualified personnel.

Our future will depend on our ability to raise additional capital and bring our service and products to the marketplace, which requires careful planning to provide a service and products that meets customer standards without incurring unnecessary cost and expense.

THE COMPANY HAS A LIMITED DEVELOPMENT STAGE OPERATING HISTORY UPON WHICH TO BASE AN EVALUATION OF ITS BUSINESS AND PROSPECTS. WE MAY NOT BE SUCCESSFUL IN OUR EFFORTS TO GROW OUR BUSINESS AND TO EARN INCREASED REVENUES. AN INVESTMENT IN OUR SECURITIES REPRESENTS SIGNIFICANT RISK AND YOU MAY LOSE ALL OR PART OF YOUR ENTIRE INVESTMENT.

We have a limited history of development stage operations and we may not be successful in our efforts to grow our business and to earn revenues. Our business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, As a result, management may be unable to adjust its spending in a timely manner to compensate for any unexpected revenue shortfall. This inability could cause net losses in a given period to be greater than expected. An investment in our securities represents significant risk and you may lose all or part of your entire investment.

WE HAVE A HISTORY OF LOSSES. FUTURE LOSSES AND NEGATIVE CASH FLOW MAY LIMIT OR DELAY OUR ABILITY TO BECOME PROFITABLE. IT IS POSSIBLE THAT WE MAY NEVER ACHIEVE PROFITABILITY. AN INVESTMENT IN OUR SECURITIES REPRESENTS SIGNIFICANT RISK AND YOU MAY LOSE ALL OR PART OF YOUR ENTIRE INVESTMENT.

We have yet to establish profitable development stage operations or a history of profitable development stage operations. We anticipate that we will continue to incur substantial development stage operating losses for an indefinite period of time due to the significant costs associated with the development of our business. Management expects to experience development stage operating losses and negative cash flow for the foreseeable future. Management anticipates that losses will continue to increase from current levels because the Company expects to incur additional costs and expenses related to: marketing and promotional activities; the possible addition of new personnel; and the development of relationships with strategic business partners.

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The Company's ability to become profitable depends on its ability to generate and sustain sales while maintaining reasonable expense levels. If the Company does achieve profitability, it cannot be certain that it would be able to sustain or increase profitability on a quarterly and/or annual basis in the future. An investment in our securities represents significant risk and you may lose all or part of your entire investment.

IF WE DO NOT OBTAIN ADDITIONAL FINANCING, OUR BUSINESS WILL FAIL.

We will need to obtain additional financing in order to complete our business plan because we currently do not have any income. We do not have any arrangements for financing and we may not be able to find such financing if required. Obtaining additional financing would be subject to a number of factors, including investor acceptance. These factors may adversely affect the timing, amount, terms, or conditions of any financing that we may obtain or make any additional financing unavailable to us. If we do not obtain additional financing our business will fail.

Management anticipates that losses will continue to increase from current levels because the Company expects to incur additional costs and expenses related to: marketing and promotional activities; the possible addition of new personnel; and the development of relationships with strategic business partners for an estimated amount of approximately $10,000. It is anticipated that said amount will be obtained by a loan from Pauline Carson. In the event that we are unable to secure such a loan from Pauline Carson, or some other source(s), unknown at this time, we will not be able to continue forward and our business will fail.

However, it is estimated that the amount of additional costs and expenses associated with public company reporting requirements will be approximately $10,000. It is also estimated that the amount of additional costs and expenses associated with newly applicable corporate governance requirements will be approximately $5,000.

It is anticipated that we may need to obtain a loan from Pauline Carson to cover these additional costs and expenses. In the event that we are unable to secure such a loan from Pauline Carson, or some other source(s), unknown at this time, we will not be able to continue forward and our business will fail.

FUTURE BUSINESS OPERATIONS VIA THE INTERNET MAY SUBJECT US TO A NUMBER OF LAWS AND REGULATIONS TO BE ADOPTED WITH RESPECT TO THE INTERNET MARKETPLACE, AND THE UNCERTAINTY RELATED TO THE APPLICATION OF MANY EXISITNG LAWS TO THE INTERNET MARKETPLACE CREATES UNCERTAINITY TO OUR BUSINESS DEVELOPMENT.

At present, selling Liquid-Gel Caps is not a governmentally regulated industry, so we do not need to obtain governmental approval to market and sell our products over the Internet, except that we are subject to the laws and regulations generally applicable to businesses, and directly applicable to offline and online commerce. However, because the Internet is interstate in nature, we are able to offer our products across the country.

In addition, our management is not certain how our business may be affected by the application of existing laws governing issues such as property ownership, copyrights, encryption, and other intellectual property issues, taxation, libel and export or import matters, because the vast majority of these laws were adopted prior to the advent of the Internet and, therefore, do not contemplate or address the unique issues of the Internet and related technologies. Changes in laws that are intended to address these issues could create uncertainty in the Internet marketplace, which could, in the future, reduce demand for our products or increase our cost of development stage operations as a result of litigation or arbitration. Presently, we have not yet received any revenues from our development stage operations, nor have we otherwise engaged in any business operations.

OUR FUTURE SUCCESS RELIES UPON A COMBINATION OF PATENTS AND PATENTS PENDING, PROPRIETARY TECHNOLOGY AND KNOW-HOW, TRADEMARKS, CONFIDENTIALITY AGREEMENTS

AND OTHER CONTRACTUAL COVENANTS TO ESTABLISH AND PROTECT OUR INTELLECTUAL PROPERTY RIGHTS. IF OUR PRODUCTS ARE DUPLICATED OUR RESULTS OF OPERATIONS WOULD BE NEGATIVELY IMPACTED.

Presently, we do not have any applications submitted for trademark protection for "Victory LG, Inc.” when funding permits we will apply for trademark protection.

Victory LG, Inc. has not been approved for any type of trademark, service mark and/or trade secret protection as of yet. Because intellectual property protection is critical to our future success, we intend to rely heavily on trademark, trade secret protection and confidentiality or license agreements with our employees, customers, partners and others to protect proprietary rights. However, effective trademark, service mark and trade secret protection may not be available in every country in which we intend to sell our products and services online. Unauthorized parties may attempt to copy aspects of our products or to obtain and use our proprietary information. As a result, litigation may be necessary to enforce our intellectual property rights to protect our trade secrets and to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of recourses which could significantly harm our business and operating results.

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Furthermore, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is unclear. Therefore, we may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of intended trademarks and other proprietary rights.

There can be no assurance that third parties will not assert infringement claims against us. If any such infringement claims are brought against us, there can be no assurance that we will have the financial resources to defend the Company against such claims or prevent an adverse judgment against us. In the event of an unfavorable ruling on any such claim, there can be no assurance that a license or similar agreement to utilize the intellectual property rights in question relied upon by us in the conduct of our business will be available to us on reasonable terms, if at all. The loss of such rights, or the failure by us to obtain similar licenses or agreements, could have a material adverse effect on our business, financial condition and results of operations.

WE HAVE NO OPERATING HISTORY AND EXPECT TO INCUR LOSSES FOR THE FORESEEABLE FUTURE. SHOULD WE CONTINUE TO INCUR LOSSES FOR A SIGNIFICANT AMOUNT OF TIME, THE VALUE OF YOUR INVESTMENT IN THE COMMON SHARES WILL BE AFFECTED, AND YOU COULD EVEN LOSE YOUR ENTIRE INVESTMENT.

We were incorporated in the State of Nevada on January 5, 2011. Presently, we have no revenues and are considered to be in the development stage. We have operating losses from inception on January 5, 2011 to February 29, 2012. We expect to incur further losses for the foreseeable future due to additional costs and expenses related to:

The implementation of our direct sales model through Pauline Carson through the commencement of sales will cost at least $75,000. We need to establish and print all of the marketing material. We have allocated $15,000 toward marketing materials which include flyers, brochures, and website design. The Company intends to allocate these funds as soon as they are available.

The development of strategic relationships with convenience stores in the Salt Lake City, Utah, area will cost the Company at least $10,000. We need to educate convenience stores buyers about our product and work to obtain shelf space. We shall do this through direct sales and direct mail. The Company intends to allocate $5,000 as soon as funds are available and $5,000 six months later when the funds become available.

Software and hardware updates to maintain service and maintain the Company office will cost the Company at least $3,000. As a direct sales Company continued improvements and upgrade to our systems is required. User features and website content updates are vital to continued visitations by online users. This cost signifies the system modifications. The Company intends to allocate these funds with four month of the funds becoming available.

Program administration and working capital expenses until such time as there are sufficient sales to cash-flow operations will cost the Company at least $30,000. This is the necessary working capital to fund operations until such time as revenues exceed expenses. This will cover audit fees, legal and all other management expenses such as those from industry consultants and advisors. The Company intends to pay audit fees and legal and all other management fees as they become due.

OUR DEVELOPMENT STAGE OPERATING RESULTS WILL BE VOLATILE AND DIFFICULT TO PREDICT. IF THE COMPANY FAILS TO MEET THE EXPECTATIONS OF PUBLIC MARKET ANALYSTS AND INVESTORS, THE MARKET PRICE OF OUR COMMON STOCK MAY DECLINE SIGNIFICANTLY.

Management expects both quarterly and annual development stage operating results to fluctuate significantly in the future. Because our development stage operating results will be volatile and difficult to predict, in some future quarter our development stage operating results may fall below the expectations of securities analysts and investors. If this occurs, the trading price of our common stock may decline significantly.

A number of factors will cause gross margins to fluctuate in future periods. Factors that may harm our business or cause our development stage operating results to fluctuate include the following: the inability to obtain new customers at reasonable cost; the ability of competitors to offer new or enhanced services or products; price competition; the failure to develop marketing relationships with key business partners; increases in our marketing and advertising costs; increased labor costs that can affect demand for our internet product; the amount and timing of development stage operating costs and capital expenditures relating to expansion of operations; a change to or changes to government regulations; a general economic slowdown. Any change in one or more of these factors could reduce our ability to earn and grow revenue in future periods.

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WE HAVE RECEIVED AN OPINION OF GOING CONCERN FROM OUR AUDITORS. IF WE DO NOT RECEIVE ADDITIONAL FUNDING, WE WOULD HAVE TO CURTAIL OR CEASE DEVELOPMENT STAGE OPERATIONS. AN INVESTMENT IN OUR SECURITIES REPRESENTS SIGNIFICANT RISK AND YOU MAY LOSE ALL OR PART OF YOUR ENTIRE INVESTMENT.

Our independent auditors noted in their report accompanying our financial statements for the period ended February 29, 2012 that we have not earned a profit. As of February 29, 2012, we had a net loss of $37,505, and they further stated that the uncertainty related to these conditions raised substantial doubt about our ability to continue as a going concern. At February 29, 2012, our cash on hand was $275. We do not currently have sufficient capital resources to fund operations. To stay in business, we will need to raise additional capital through public or private sales of our securities, debt financing or short-term bank loans, or a combination of the foregoing.

We will need additional capital to fully implement our business, operating and development plans. However, additional funding from an alternate source or sources may not be available to us on favorable terms, if at all. To the extent that money is raised through the sale of our securities, the issuance of those securities could result in dilution to our existing security holder. If we raise money through debt financing or bank loans, we may be required to secure the financing with some or all of our business assets, which could be sold or retained by the creditor should we default in our payment obligations. If we fail to raise sufficient funds, we would have to curtail or cease operations.

THE COMPANY IS GOVERNED BY PAULINE CARSON, OUR SOLE DIRECTOR, CHIEF EXECUTIVE OFFICER, PRESIDENT, AND SECRETARY, (PRINCIPAL EXECUTIVE OFFICER), AND, AS SUCH, THERE MAY BE SIGNIFICANT RISK TO THE COMPANY FROM A CORPORATE GOVERNANCE PERSPECTIVE.

Pauline Carson, our Chief Executive Officer, President, and Sole Director (Principal Executive Officer), makes decisions such as the approval of related party transactions, the compensation of Executive Officers, and the oversight of the accounting function. There will be no segregation of executive duties and there may not be effective disclosure and accounting controls to comply with applicable laws and regulations, which could result in fines, penalties and assessments against us. Accordingly, the inherent controls that arise from the segregation of executive duties may not prevail. In addition, Pauline Carson will exercise full control over all matters that typically require the approval of a Board of Directors. Pauline Carson’s actions are not subject to the review and approval of a Board of Directors and, as such, there may be significant risk to the Company.

Our Chief Executive Officer, President, and Sole Director (Principal Executive Officer), Pauline Carson, exercises control over all matters requiring shareholder approval including the election of directors and the approval of significant corporate transactions. We have not voluntarily implemented various corporate governance measures, in the absence of which, shareholders may have more limited protections against the transactions implemented by Pauline Carson, conflicts of interest and similar matters.

THE COMPANY IS HEAVILY RELIANT ON PAULINE CARSON, OUR CHIEF EXECUTIVE OFFICER, PRESIDENT, AND SOLE DIRECTOR (PRINCIPAL EXECUTIVE OFFICER), AND, AS SUCH, THE LOSS OF HER SERVICES COULD HAVE SIGNIFICANT MATERIAL ADVERSE EFFECT ON THE COMPANY.

The Company is heavily dependent on the efforts of Pauline Carson, its Chief Executive Officer, President, and Sole Director (Principal Executive Officer). The loss of her services could have a material adverse effect on the Company. The Company currently does not maintain key man life insurance on this individual. Pauline Carson has experience and past expertise in a business setting. There can be no assurance that a suitable replacement could be found for her upon retirement, resignation, inability to act on our behalf, or death. The Company has no plans of entering into an employment agreement with Pauline Carson.

OUR CURRENT BUSINESS DEVELOPMENT STAGE OPERATIONS RELY HEAVILY UPON OUR KEY EMPLOYEE AND FOUNDER, PAULINE CARSON.

We have been heavily dependent upon the expertise and management of Pauline Carson, our Chief Executive Officer and President, and our future performance will depend upon her continued services. The loss of the services of Pauline Carson's services could seriously interrupt our business operations, and could have a very negative impact on our ability to fulfill our business plan and to carry out our existing development stage operations. The Company currently does not maintain key man life insurance on this individual. There can be no assurance that a suitable replacement could be found for her upon retirement, resignation, inability to act on our behalf, or death.

OUR FUTURE GROWTH MAY REQUIRE RECRUITMENT OF QUALIFIED EMPLOYEES.

In the event of our future growth in administration, marketing, and customer support functions, we may have to increase the depth and experience of our management team by adding new members. Our future success will depend to a large degree upon the active participation of our key officers and employees. There is no assurance that we will be able to employ qualified persons on acceptable terms. Lack of qualified employees may adversely affect our business development.

Risks Related to the Industry

WE MAY NEED ADDITIONAL CAPITAL TO DEVELOP OUR BUSINESS.

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The development of our services will require the commitment of resources to increase the advertising, marketing and future expansion of our business. In addition, expenditures will be required to enable us in 2013 to conduct planned business research, development of new affiliate and associate offices, and marketing of our existing and future products and services. Currently, we have no established bank-financing arrangements. Therefore, it is possible that we would need to seek additional financing through subsequent future private offering of our equity securities, or through strategic partnerships and other arrangements with corporate partners.

We cannot give you any assurance that any additional financing will be available to us, or if available, will be on terms favorable to us. The sale of additional equity securities could result in dilution to our stockholders. The occurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financing covenants that would restrict our operations. If adequate additional financing is not available on acceptable terms, we may not be able to implement our business development plan or continue our business operations.

WE MAY NOT BE ABLE TO BUILD OUR BRAND AWARENESS.

In order to develop an awareness of our brand, Victory LG, Inc. will depend largely upon our success in creating a customer base and potential referral sources. Additionally, to attract and retain customers and to promote and maintain our brand in response to competitive pressures, the Company’s management plans to gradually increase marketing and advertising budgets as funding allows. If we are unable to economically promote or maintain our brand, then our business, results of development stage operations and financial condition could be severely harmed. The Company presently has a working capital (deficit) of ($19,795).

WE MAY INCUR SIGNIFICANT COSTS TO BE A PUBLIC COMPANY TO ENSURE COMPLIANCE WITH U.S. CORPORATE GOVERNANCE AND ACCOUNTING REQUIREMENTS AND WE MAY NOT BE ABLE TO ABSORB SUCH COSTS.

We may incur significant costs associated with our public company reporting requirements, costs associated with newly applicable corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002 and other rules implemented by the SEC. We expect all of these applicable rules and regulations to significantly increase our legal and financial compliance costs and to make some activities more time consuming and costly. We also expect that these applicable rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these newly applicable rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. In addition, we may not be able to absorb these costs of being a public company which will negatively affect our business development stage operations.

Management anticipates that losses will continue to increase from current levels because the Company expects to incur additional costs and expenses related to: marketing and promotional activities; the possible addition of new personnel; and the development of relationships with strategic business partners for an estimated amount of approximately $10,000. It is anticipated that said amount will be obtained by a loan from Pauline Carson. In the event that we are unable to secure such a loan from Pauline Carson, or some other source(s), unknown at this time, we will not be able to continue forward and our business will fail.

However, it is estimated that the amount of additional costs and expenses associated with public company reporting requirements will be approximately $10,000. It is also estimated that the additional costs and expenses associated with newly applicable corporate governance requirements will be approximately $5,000.

It is anticipated that we may need to obtain a loan from Pauline Carson to cover these additional costs and expenses. In the event that we are unable to secure such a loan from Pauline Carson, or some other source(s), unknown at this time, we will not be able to continue forward and our business will fail.

THE LIMITED PUBLIC COMPANY EXPERIENCE OF OUR MANAGEMENT TEAM COULD ADVERSELY IMPACT OUR ABILITY TO COMPLY WITH THE REPORTING REQUIREMENTS OF U.S. SECURITIES LAWS.

Our management team has limited public company experience, which could impair our ability to comply with legal and regulatory requirements such as those imposed by Sarbanes-Oxley Act of 2002. Our senior management has never had sole responsibility for managing a publicly traded company. Such responsibilities include complying with federal securities laws and making required disclosures on a timely basis. Our senior management may not be able to implement programs and policies in an effective and timely manner that adequately respond to such increased legal, regulatory compliance and reporting requirements, including the establishing and maintaining internal controls over financial reporting. Any such deficiencies, weaknesses or lack of compliance could have a materially adverse effect on our ability to comply with the reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which is necessary to maintain our public company status. If we were to fail to fulfill those obligations, our ability to continue as a U.S. public company would be in jeopardy in which event you could lose your entire investment in our Company.

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WE HAVE RECEIVED AN OPINION OF GOING CONCERN FROM OUR AUDITORS. IF WE DO NOT RECEIVE ADDITIONAL FUNDING, WE WOULD HAVE TO CURTAIL OR CEASE DEVELOPMENT STAGE OPERATIONS. AN INVESTMENT IN OUR SECURITIES REPRESENTS SIGNIFICANT RISK AND YOU MAY LOSE ALL OR PART YOUR ENTIRE INVESTMENT.

We do not currently have sufficient capital resources to fund operations. To stay in business, we will need to raise additional capital through public or private sales of our securities, debt financing or short-term bank loans, or a combination of the foregoing.

We will need additional capital to fully implement our business, operating and development plans. However, additional funding from an alternate source or sources may not be available to us on favorable terms, if at all. To the extent that money is raised through the sale of our securities, the issuance of those securities could result in dilution to our existing security holder. If we raise money through debt financing or bank loans, we may be required to secure the financing with some or all of our business assets, which could be sold or retained by the creditor should we default in our payment obligations. If we fail to raise sufficient funds, we would have to curtail or cease operations.

Risks Related to the Ownership of Our Securities

WE MAY NEVER PAY ANY DIVIDENDS TO SHAREHOLDERS.

We have never declared or paid any cash dividends or distributions on our capital stock. We currently intend to retain our future earnings, if any, to support developmental stage operations and to finance expansion and therefore we do not anticipate paying any cash dividends on our common or preferred stock in the foreseeable future.

The declaration, payment and amount of any future dividends will be made at the discretion of the board of directors, and will depend upon, among other things, the results of our developmental stage operations, cash flows and financial condition, developmental stage operating and capital requirements, and other factors as the board of directors considers relevant. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividend.

OUR CONTROLLING SECURITY HOLDER MAY TAKE ACTIONS THAT CONFLICT WITH YOUR INTERESTS.

Pauline Carson beneficially owns 100% of our capital stock with voting rights. In this case, Pauline Carson will be able to exercise control over all matters requiring stockholder approval, including the election of directors, amendment of our certificate of incorporation and approval of significant corporate transactions, and she will have significant control over our management and policies. The directors elected by our controlling security holder will be able to significantly influence decisions affecting our capital structure. This control may have the effect of delaying or preventing changes in control or changes in management, or limiting the ability of our other security holders to approve transactions that they may deem to be in their best interest. For example, our controlling security holder will be able to control the sale or other disposition of our operating businesses and subsidiaries to another entity.

THE OFFERING PRICE OF THE COMMON STOCK WAS ARBITRARILY DETERMINED, AND THEREFORE SHOULD NOT BE USED AS AN INDICATOR OF THE FUTURE MARKET PRICE OF THE SECURITIES. THEREFORE, THE OFFERING PRICE BEARS NO RELATIONSHIP TO OUR ACTUAL VALUE, AND MAY MAKE OUR SHARES DIFFICULT TO SELL.

Since our shares are not listed or quoted on any exchange or quotation system, the offering price of $0.001 per share for the shares of common stock was arbitrarily determined. The facts considered in determining the offering price were our financial condition and prospects, no operating history and the general condition of the securities market. The offering price bears no relationship to the book value, assets or earnings of our Company or any other recognized criteria of value. The offering price should not be regarded as an indicator of the future market price of the securities.

YOU MAY EXPERIENCE DILUTION OF YOUR OWNERSHIP INTEREST BECAUSE OF THE FUTURE ISSUANCE OF ADDITIONAL SHARES OF OUR COMMON STOCK AND OUR PREFERRED STOCK.

In the future, we may issue our authorized but previously unissued equity securities, resulting in the dilution of the ownership interests of our present stockholders. We are currently authorized to issue an aggregate of 100,000,000 shares of capital stock consisting of 90,000,000 shares of common stock, par value $0.001 per share, and 10,000,000 shares of “blank check” preferred stock, par value $0.001 per share.

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We may also issue additional shares of our common stock or other securities that are convertible into or exercisable for common stock in connection with hiring or retaining employees or consultants, future acquisitions, future sales of our securities for capital raising purposes, or for other business purposes. The future issuance of any such additional shares of our common stock or other securities may create downward pressure on the trading price of our common stock. There can be no assurance that we will not be required to issue additional shares, warrants or other convertible securities in the future in conjunction with hiring or retaining employees or consultants, future acquisitions, future sales of our securities for capital raising purposes or for other business purposes.

OUR COMMON STOCK IS CONSIDERED PENNY STOCKS, WHICH MAY BE SUBJECT TO RESTRICTIONS ON MARKETABILITY, SO YOU MAY NOT BE ABLE TO SELL YOUR SHARES.

If our common stock becomes tradable in the secondary market, we will be subject to the penny stock rules adopted by the SEC that require brokers to provide extensive disclosure to their customers prior to executing trades in penny stocks. These disclosure requirements may cause a reduction in the trading activity of our common stock, which in all likelihood would make it difficult for our shareholders to sell their securities.

Penny stocks generally are equity securities with a price of less than $5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system). Penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. The broker-dealer must also make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These requirements may have the effect of reducing the level of trading activity, if any, in the secondary market for a security that becomes subject to the penny stock rules. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in our securities, which could severely limit the market price and liquidity of our securities. These requirements may restrict the ability of broker-dealers to sell our common stock and may affect your ability to resell our common stock.

THERE IS NO ASSURANCE OF A PUBLIC MARKET OR THAT OUR COMMON STOCK WILL EVER TRADE ON A RECOGNIZED EXCHANGE. THEREFORE, YOU MAY BE UNABLE TO LIQUIDATE YOUR INVESTMENT IN OUR STOCK.

There is no established public trading market for our common stock. Our shares have not been listed or quoted on any exchange or quotation system. There can be no assurance that a market maker will agree to file the necessary documents with FINRA, which operates the OTCBB, nor can there be any assurance that such an application for quotation will be approved or that a regular trading market will develop or that if developed, will be sustained. In the absence of a trading market, an investor may be unable to liquidate their investment.

Item 2. Properties.

We use a corporate office located at 6544 Kathrine Ann Court, Salt Lake City, Utah 84118. . There are currently no proposed programs for renovation, improvement or development of the facility currently in use. The Company telephone number is: 1-877-262-5154.

Item 3. Legal Proceedings.

From time to time, we may become involved in various lawsuits and legal proceedings, which arise, in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings and/or claims that we believe will have a material adverse effect on our business, financial condition or operating results.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

(a) Market Information

The Company's common stock is not currently traded. We have obtained the ticker symbol VLGI and we expect the Company’s common stock to commence trading within the coming twelve months, though there can be no assurance that this will be the case.

(b) Holders of Common Stock

We are authorized to issue 90,000,000 shares of common stock, $0.001 par value per share. Currently we have 18,000,000 shares of common stock issued and outstanding. As of February 29, 2012 there were approximately twenty-five (25) shareholder of the Company’s common stock.

Each share of common stock shall have one (1) vote per share for all purposes. The holders of a majority of the shares entitled to vote, present in person or represented by proxy, shall constitute a quorum at all meetings of our shareholders. Our common stock does not provide a preemptive, subscription or conversion rights and there are no redemption or sinking fund provisions or rights. Our common stock holders are not entitled to cumulative voting for election of the board of directors.

Holders of common stock are entitled to receive ratably such dividends as may be declared by the board of directors out of funds legally available therefore as well as any distributions to the security holder. We have never paid cash dividends on our common stock, and do not expect to pay such dividends in the foreseeable future.

In the event of a liquidation, dissolution or winding up of our company, holders of common stock are entitled to share ratably in all of our assets remaining after payment of liabilities. Holders of common stock have no preemptive or other subscription or conversion rights. There are no redemption or sinking fund provisions applicable to the common stock.

(c) Dividends

Victory LG, Inc. has never paid dividends on its Common Stock. Victory LG, Inc. intends to follow a policy of retaining earnings, if any, to finance the growth of the business and does not anticipate paying any cash dividends in the foreseeable future. The declaration and payment of future dividends on the Common Stock will be at sole discretion of the Board of Directors and will depend on Victory LG, Inc. profitability and financial condition, capital requirements, statutory and contractual restrictions, future prospects and other factors deemed relevant.

(d) Securities Authorized for Issuance under Equity Compensation Plans

The Company has not established any compensation plans to which our securities are authorized for issuance to employees or non-employees (such as directors, consultants and advisors) in exchange for consideration in the form of services.

Item 6. Selected Financial Data.

Not required.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview and Outlook

Victory LG, Inc. was formed in the state of Nevada on January 5, 2011 to provide retail sales of an Energy liquid-gel capsule to the general public. The Company expects to generate its corporate revenue from the sale of its energy liquid-gel capsules.

The Company has adopted a fiscal year end of February 28th.

Victory LG Inc. is presently developing an Energy liquid-gel capsule as a dietary supplement. Victory LG, Inc. is a development stage company with a limited history of development stage operations. The Company plans to market Victory LG, Inc. through a combination of direct sales, referrals and networking within the industry. To date the Company has not generated any sales. We expect to establish an internet site in May 2012, where customers can purchase the Energy Liquid-Gel Capsules.

To commence active business operations we will need to engage in a number of planning stage and preliminary activities. We will commence activities include developing the websites for our Energy Liquid-Gel Capsules, preparing marketing materials and direct mail. We will undertake and work to finish these activities upon completion of this registration statement.

We have started some of the activities, such as, developing the formula for our energy liquid-gel capsules and creating the initial marketing material, but the marketing completion cannot occur without the raising of additional funds, of which we anticipate we will need to raise $75,000. From inception (January 5, 2011) to date, we have spent a substantial amount of time in developing the formula and marketing material, strategic planning, budgeting, and preliminary work.

We have determined that the price of our product should be commensurate with the relative cost to have the product manufactured and packaged and shipped by outside vendors with an estimated administrative expense for servicing the product and profit margin to arrive at the selling price. If these projected prices are incorrect, it could result in an operating loss for us.

While budgetary manufacturing, packaging, shipping and marketing costs have been established for our product, no definitive work has commenced in development of these products and activities; therefore, it is possible that these prices could be incorrect. If after development a different price is deemed necessary it could result in an operating loss for us. We have not devoted much time to raising capital other than the investments from the Pauline Carson. Furthermore, Victory LG, Inc. has not commenced production, and anticipates its major production operations will utilize outside vendors to manufacture, package, and ship our one product. Victory LG, Inc. is considered a development stage company because it has not commenced its major operations. In addition, the Company has not achieved any revenue in connection with its business to date.

Over the next twelve months, Victory LG, Inc. plans to build out its reputation and develop a network in the energy liquid-gel capsule business and begin sales to the general public. Presently, the Company has not sold any liquid-gel capsules.

Based on our current operating plan, we do not expect to generate revenue that is sufficient to cover our expenses for the next six months, and we will need to obtain additional financing to operate our business for the next six months. Most of our expenses are anticipated to be legal, accounting, transfer agent, and other costs associated with being a public company. Since we intend to utilize our current and future officers and directors, who currently are part time and whose salaries are being accrued, to sell our services, our marketing costs should be minimal. Additional financing, whether through public or private equity or debt financing, arrangements with the security holder or other sources to fund operations, may not be available, or if available, may be on terms unacceptable to us. Our ability to maintain sufficient liquidity is dependent on our ability to raise additional capital.

If we issue additional equity securities to raise funds, the ownership percentage of our existing security holder would be reduced. New investors may demand rights, preferences or privileges senior to those of existing holders of our common stock. Debt incurred by us would be senior to equity in the ability of debt holders to make claims on our assets. The terms of any debt issued could impose restrictions on our operations. If adequate funds are no available to satisfy either short or long-term capital requirements, our operations and liquidity could be materially adversely affected and we could be forced to cease operations.

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If we are successful in our efforts to raise the $75,000, our twelve month operating plan shall be as follows (we would not move into our operations phase until we have established our internet based services even if we are successful in our efforts to raise the $75,000 of capital):

- The implementation of our direct sales model through Pauline Carson through the commencement of sales will cost at least $75,000. We need to establish and print all of the marketing material. We have allocated $35,000 toward marketing materials which include flyers, brochures, direct marketing DVD's and mailing costs. The Company intends to allocate these funds as soon as they are available.

- The development of a strategic relationships advertiser in the energy liquid-gel capsule industry will cost the Company at least $10,000. We need to educate energy liquid-gel capsule advertisers about our products and work to obtain sales. We shall do this through direct sales and direct mail. The Company intends to allocate $5,000 as soon as funds are available and $5,000 six months later when the funds become available.

- Software and hardware updates to maintain service and maintain the Company office will cost the Company at least $3,000. As a direct sales company continued improvements and upgrade to our systems is required. User features and website content updates are vital to continued visitations by online users. This cost signifies the system modifications. The Company intends to allocate these funds with four month of the funds becoming available.

- Program administration and working capital expenses until such time as there are sufficient sales to cash-flow operations will cost the Company at least $25,000. This is the necessary working capital to fund operations until such time as revenues exceed expenses. This will cover management expenses such as those from industry consultants in the energy liquid-gel capsule business, and advisors. The Company intends to pay its consultants, advisors fees and working capital expenses as they become due.

INITIAL SALES STRATEGY

We have established a sales approach that utilizes direct sales through Pauline Carson. Our direct sales will be conducted by Pauline Carson, who is currently attempting to market the product locally in the Salt Lake City, Utah area to Convenience stores. Her current marketing strategy consists of various Point of Sale material including posters and flyers developed by Pauline Carson in the past several months. We intend to derive income from these sales and our goal is establish brand recognition.

SUBSEQUENT SALES STRATEGY

Victory LG Inc. has commenced the marketing of the one Liquid-Gel capsule (named Victory LG 8-hour Energy Liquid-Gels) for sale to the general public. The Company is presently developing its marketing program to sell liquid-gel capsules to the general public. The Company is not offering the product to anyone at this time. Victory LG, Inc. is considered a development stage company because it has not commenced its major operations. In addition, the Company has not achieved any revenue in connection with its business to date. As a result, we are a startup company. This means that we have no operating history or revenue, and are at a competitive disadvantage.

Results of Operations for the Years Ended February 29, 2012 and the period from inception on January 5, 2011 until February 28, 2011.

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Sales

January 5, 2011 (inception) to February 29, 2012, we generated no revenues. There were no revenues as the Company has not yet commenced operations.

General and Administrative Expenses

Total General and Administrative expenses were $4,602 for the twelve months ended February 29, 2012. This amount consists primarily of filing fees, consulting fees, and bank service charges. This was an increase of $3,922 compared to $680 for the period ended February 28, 2011. The increase is due primarily to the full year results in 2012 compared to the abbreviated operating period from date of inception (January 5, 2011) to February 28, 2011 in the prior year.

Professional Fees

Total Professional Fees were $31,632 for the twelve months ended February 29, 2012. This amount consists primarily of legal and accounting fees, and was an increase of 31,632 compared to $0 for the period ended February 28, 2011. The increase is due primarily to the full year results in 2012 compared to the abbreviated operating period from date of inception (January 5, 2011) to February 28, 2011 in the prior year.

Other (Income) Expenses

Total other (income) expenses for the twelve month ended February 29, 2012 and February 28, 2011 were $1,271 and $10, consisting of interest expense accrued on notes payable. From January 5, 2011 (inception) through February 29, 2012 the Company has accrued $1,281 of interest expense on notes payable.

Liquidity and Capital Resources

We believe that our existing sources of liquidity will not be sufficient to fund our operations, anticipated capital expenditures, working capital and other financing requirements for at least the next twelve months. In the event the Company is unable to achieve profitable operations in the near term, it may require additional equity and/or debt financing, or reduce expenses, including officer's compensation, to reduce such losses. However, we cannot assure that such financing will be available to us on favorable terms, or at all. We will continue to monitor our expenditures and cash flow position. We are presently debt free, but at some time in the future we may need to obtain additional financing to complete our business plan. There is no assurance that we will be able to obtain such financing if needed and the failure to do so could negatively impact the viability of our Company to continue with this business and the business may fail.

Since our inception on January 5, 2011, we have incurred an accumulated deficit of ($38,195). Our cash and cash equivalent balances were $275 and $18,100 at February 29, 2012 and February 28, 2011. On February 29, 2012 and February 28, 2011 we had working capital (deficit) of ($20,195) and $17,310 and total current liabilities were $32,123 and $1,790.

During the twelve months ended February 29, 2012 and February 28, 2011, we used $45,838 and $1,680 of cash for operating activities. The majority of the funds were used for operating expenses and deposits on inventory.

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Financing Activities

Cash provided by financing activities relating to the issuance of shares of common stock during the period of January 5, 2011 (date of inception) to February 29, 2012 was $18,000 as a result of the sale of eighteen million (18,000,000) shares of common stock, issued with a value of $0.001 to our founder and CEO, Pauline Carson on February 28, 2011.

We also received proceeds of $680 and $1,000 on January 5, 2011 and February 23, 2011, respectively, from BK Consulting and Associates, in exchange for unsecured promissory notes carrying 8% interest, due on demand.

During the twelve months ended February 29, 2012 and February 28, 2011 we received short term loans of $28,013 and $100 from our founder and CEO, Pauline Carson in exchange for an unsecured promissory note carrying 8% interest, due on demand.

Since inception, our capital needs have entirely been met by these sales of stock and short term debt financings.

Additional Disclosure of Outstanding Share Data

We have 10,000,000 shares of preferred stock authorized, and 90,000,000 shares of common stock authorized.

As of February 29, 2012, we had no shares of preferred stock and 18,000,000 shares of common stock issued and outstanding.

Satisfaction of Our Cash Obligations for the Next Twelve Months

As of February 29, 2012, our cash balance was $275. Our plan for satisfying our cash requirements for the next twelve months is through sales-generated revenue from liquid gels, sale of shares of our common stock, third party financing, and/or traditional bank financing. We anticipate sales-generated income during that same period of time, but do not anticipate generating sufficient amounts of revenues to meet our working capital requirements. Consequently, we intend to make appropriate plans to secure sources of additional capital in the future to fund growth and expansion through additional equity or debt financing or credit facilities.

Expected Purchase or Sale of Significant Equipment

We do not anticipate the purchase or sale of any significant equipment as such items are not required by us at this time or in the next twelve months.

Inflation

The rate of inflation has had little impact on the Company's results of operations and is not expected to have a significant impact on the continuing operations.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Critical Accounting Policies

We have identified the policies outlined below as critical to our business operations and an understanding of our results of operations. The list is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States, with no need for management's judgment in their application. The impact and any associated risks related to these policies on our business operations is discussed throughout management's Discussion and Analysis or Plan of Operation where such policies affect our reported and expected financial results. Note that our preparation of the financial statements requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. There can be no assurance that actual results will not differ from those estimates.

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Revenue Recognition

Sales are recorded when products are shipped to customers and collectability is reasonably assured. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company defers any revenue from sales for which payment has been received, but delivery has not occurred. No sales have yet commenced.

Stock Based Compensation Expense

The Company adopted FASB guidance on stock based compensation upon inception on January 5, 2011. Under FASB ASC 718-10-30-2, all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. The Company did not issue any stock and stock options for services and compensation for the period from January 5, 2011 (Inception) through February 29, 2012.

Plan of Operation

Based on our current operating plan, we do not expect to generate revenue that is sufficient to cover our expenses for the next twelve months. In addition, we do not have sufficient cash and cash equivalents to execute our operations and will need to obtain additional financing to operate our business for the next twelve months. Victory LG Inc. will continue to develop its marketing program for its energy liquid gel caps. The Company will need additional capital of $75,000 for marketing and sales and working capital associated with Victory LG, Inc. over the next year. The Company intends to create a client base within this twelve month time frame. Additional financing, whether through public or private equity or debt financing, arrangements with the security holder or other sources to fund operations, may not be available, or if available, may be on terms unacceptable to us. Our ability to maintain sufficient liquidity is dependent on our ability to raise additional capital.

If we issue additional equity securities to raise funds, the ownership percentage of our existing security holder would be reduced. New investors may demand rights, preferences or privileges senior to those of existing holders of our common stock. Debt incurred by us would be senior to equity in the ability of debt holders to make claims on our assets. The terms of any debt issued would impose restrictions on our operations. If adequate funds are not available to satisfy either short or long-term capital requirements, our operations and liquidity could be materially adversely affected and we could be forced to cease operations.

Going concern.

Our financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. We have incurred continuous losses from operations, have an accumulated deficit of $38,195 and a working capital deficit of $20,195 at February 29, 2012, and have reported negative cash flows from operations since inception. In addition, we do not currently have the cash resources to meet our operating commitments for the next twelve months. The Company's ability to continue as a going concern must be considered in light of the problems, expenses, and complications frequently encountered by entrance into established markets and the competitive nature in which we operate.

Our ability to continue as a going concern is dependent on our ability to generate sufficient cash from operations to meet our cash needs and/or to raise funds to finance ongoing operations and repay debt. There can be no assurance, however, that we will be successful in our efforts to raise additional debt or equity capital and/or that our cash generated by our future operations will be adequate to meet our needs. These factors, among others, indicate that we may be unable to continue as a going concern for a reasonable period of time.

Item 8. Financial Statements.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
VICTORY LG, INC.
(A Development Stage Company)

We have audited the accompanying balance sheet of Victory LG, Inc. (A Development Stage Company) as of February 29, 2012 and February 28, 2011, and the related statements of operations, stockholder's equity (deficit) and cash flows for the year ended December 31, 2012 and the period from inception on January 5, 2011 through February 28, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conduct our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company was not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Victory LG, Inc. (A Development Stage Company) as of February 29, 2012 and February 28, 2011, and the related statements of operations, stockholder's equity (deficit) and cash flows for the year ended February 29, 2012 and the period from inception on January 5, 2011 through February 28, 2011, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has an accumulated deficit of $38,195, which raises substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ M&K CPAS, PLLC
www.mkacpas.com
Houston, Texas
June 12, 2012

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VICTORY LG, INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEETS

	February 29, 2012	February 28, 2011
ASSETS		
Current assets		
Cash	$ 275	$ 18,100
Deposits paid to suppliers, restricted	11,653	-
Prepaid Expenses	-	1,000
Total Current Assets	11,928	19,100
Total Assets	11,928	$ 19,100
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)		
Current liabilities		
Accounts payable	$ 1,049	$ -
Accrued interest	145	10
Accrued interest, related party	1,136	-
Note payable	1,680	1,680
Note payable, related party	28,113	100
Total current liabilities	32,123	1,790
Stockholder's equity (deficit)		
Preferred stock, $0.001 par value, 10,000,000 shares authorized, no shares issued and outstanding as of February 29, 2012 and February 28, 2011, respectively	-	-
Common stock, $0.001 par value, 90,000,000 shares authorized, 18,000,000 shares issued and outstanding as of February 29, 2012 and February 28, 2011, respectively	18,000	18,000
Deficit accumulated during the development stage	(38,195)	(690)
Total stockholder's equity (deficit)	(20,195)	17,310
Total liabilities and stockholder's equity (deficit)	$ 11,928	$ 19,100

See notes to consolidated financial statements.

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VICTORY LG, INC.

(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF OPERATIONS

	For the Year Ended February 29, 2012	January 5, 2011 (inception) to February 28, 2011	January 5, 2011 (inception) to February 29, 2012
Revenue	$ -	$ -	$ -
Operating expenses:			
General and administrative	4,602	680	5,282
Professional Fees	31,632	-	31,632
Total operating expenses	36,234	680	36,914
Net Operating Loss	(36,234)	(680)	(36,914)
Other income (expense):			
Interest expense	(1,271)	(10)	(1,281)
Loss before provision for income taxes	(37,505)	(690)	(38,195)
Provision for income taxes	-	-	-
Net income (loss)	$ (37,505)	$ (690)	(38,195)
Net income (loss) per share - basic	$ (0.00)	$ (0.00)	
Net income (loss) per share - diluted	$ (0.00)	$ (0.00)	
Weighted average shares outstanding - basic	18,000,000	18,000,000	
Weighted average shares outstanding - diluted	18,000,000	18,000,000	

See notes to consolidated financial statements.

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VICTORY LG, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF STOCKHOLDER'S EQUITY (DEFICIT)

	Preferred Stock		Common Stock		Additional Paid-In Capital	(Deficit) Accumulated During Development Stage	Total Stockholder's Equity (Deficit)
	Shares	Amount	Shares	Amount			
Common stock issued to founder at $0.001 per share	-	$ -	18,000,000	$ 18,000	$ -	$ -	$ 18,000
Net loss from January 5, 2011 (inception) to February 28, 2011	-	-	-	-	-	(690)	(690)
Balance, February 28, 2011	-	$ -	18,000,000	$ 18,000	$ -	$ (690)	$ 17,310
Net loss for the twelve months ended February 29, 2012	-	-	-	-	-	(37,505)	(37,505)
Balance, February 29, 2012	-	-	18,000,000	18,000	-	(38,195)	(20,195)

See notes to consolidated financial statements.

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VICTORY LG, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS

	For the Year Ended February 29, 2012	January 5, 2011 (inception) to February 28, 2011	January 5, 2011 (inception) to February 29, 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss	$ (37,505)	$ (690)	$ (38,195)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Changes in assets and liabilities:			
Prepaid expenses	(10,653)	(1,000)	(11,653)
Accounts Payable	1,049	-	1,049
Accrued interest	135	10	145
Accrued Interest, related party	1,136	-	1,136
Net cash provided by (used in) operating activities	(45,838)	(1,680)	(47,518)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash provided by (used in) investing activities	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds note payable	-	1,680	1,680
Proceeds note payable, related party	28,013	100	28,113
Proceeds from sale of common stock	-	18,000	18,000
Net cash provided by (used in) financing activities	28,013	19,780	47,793
Net Increase (Decrease) in cash and cash equivalents	(17,825)	18,100	275
Cash and cash equivalents at beginning of period	18,100	-	-
Cash and cash equivalents at end of period	$ 275	$ 18,100	$ 275

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:
The reserves reducing inventories from the first-in, first-out (“FIFO”) basis to the last-in, first-out (“LIFO”) basis amounted to $875 million at September 30, 2012 and $1,105 million at December 31, 2011.

NOTE F – GOODWILL AND OTHER INTANGIBLE ASSETS
The following table shows the carrying amount of goodwill by operating segment:

Goodwill In millions	Electronic and Functional Materials	Coatings and Infra-structure Solutions	Ag Sciences	Perf Materials	Perf Plastics	Feedstocks and Energy	Total
Net goodwill at Dec 31, 2011	$4,934	$4,041	$1,558	$959	$1,375	$63	$12,930
Goodwill related to 2012 acquisition of:							
Lightscape Materials, Inc.	3	—	—	—	—	—	3
Foreign currency impact	—	—	—	—	—	—	—
Net goodwill at Sep 30, 2012	$4,937	$4,041	$1,558	$959	$1,375	$63	$12,933

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

Other Intangible Assets	At September 30, 2012			At December 31, 2011		
In millions	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Intangible assets with finite lives:						
Licenses and intellectual property	$1,703	$(709)	$994	$1,693	$(594)	$1,099
Patents	130	(99)	31	119	(97)	22
Software	1,059	(566)	493	1,049	(596)	453
Trademarks	691	(269)	422	695	(224)	471
Customer related	3,714	(920)	2,794	3,652	(730)	2,922
Other	157	(121)	36	150	(108)	42
Total other intangible assets, finite lives	$7,454	$(2,684)	$4,770	$7,358	$(2,349)	$5,009
IPR&D (1), indefinite lives	79	—	79	52	—	52
Total other intangible assets	$7,533	$(2,684)	$4,849	$7,410	$(2,349)	$5,061

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

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

Amortization Expense	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
Other intangible assets, excluding software	$117	$125	$361	$373
Software, included in "Cost of sales"	$15	$23	$46	$68

Total estimated amortization expense for 2012 and the five succeeding fiscal years is as follows:

Estimated Amortization Expense	
In millions	
2012	$552
2013	$533
2014	$511
2015	$494
2016	$482
2017	$448

NOTE G – FINANCIAL INSTRUMENTS

Investments

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

Investing Results	Nine Months Ended	
In millions	Sep 30, 2012	Sep 30, 2011
Proceeds from sales of available-for-sale securities	$401	$631
Gross realized gains	$30	$39
Gross realized losses	$(10)	$(13)

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

Contractual Maturities of Debt Securities
at September 30, 2012

In millions	Amortized Cost	Fair Value
Within one year	$27	$28
One to five years	471	522
Six to ten years	498	553
After ten years	207	250
Total	$1,203	$1,353

At September 30, 2012, the Company had $1,050 million held-to-maturity securities (primarily Treasury Bills) classified as cash equivalents, as these securities had original maturities of three months or less ($1,836 million at December 31, 2011). The Company's investments in held-to-maturity securities are held at amortized cost, which approximates fair value. At September 30, 2012, the Company had investments in money market funds of $455 million classified as cash equivalents ($1,090 million at December 31, 2011).

The net unrealized gain from mark-to-market adjustments recognized in earnings during the three-month period ended September 30, 2012 on trading securities held at September 30, 2012 was $1 million ($11 million during the three-month period ended September 30, 2011). The net unrealized gain from mark-to-market adjustments recognized in earnings during the nine-month period ended September 30, 2012 on trading securities held at September 30, 2012 was $29 million ($25 million during the nine-month period ended September 30, 2011).

The following table provides the fair value and gross unrealized losses of the Company's investments that were deemed to be temporarily impaired at September 30, 2012 and December 31, 2011, aggregated by investment category:

Temporarily Impaired Securities Less than 12 Months (1)

In millions	At September 30, 2012 Fair Value	At September 30, 2012 Unrealized Losses	At December 31, 2011 Fair Value	At December 31, 2011 Unrealized Losses
Debt securities:				
Corporate bonds	$22	$(1)	$44	$(2)
Total debt securities	$22	$(1)	$44	$(2)
Equity securities	157	(10)	190	(36)
Total temporarily impaired securities	$179	$(11)	$234	$(38)

(1) Unrealized losses of 12 months or more were approximately $1 million.

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.

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 nine-month periods ended September 30, 2012 or September 30, 2011.

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 nine-month period ended September 30, 2012, other-than-temporary impairment write-downs on investments still held by the Company were $5 million ($6 million in the nine-month period ended September 30, 2011).

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The aggregate cost of the Company’s cost method investments totaled $171 million at September 30, 2012 and $179 million at December 31, 2011. Due to the nature of these investments, the fair market value is not readily determinable. These investments are reviewed quarterly for impairment indicators. In the nine-month period ended September 30, 2012, the Company's impairment analysis resulted in a $3 million reduction in the cost basis of these investments (no reduction in the nine-month period ended September 30, 2011).

The following table summarizes the fair value of financial instruments at September 30, 2012 and December 31, 2011:

Fair Value of Financial Instruments

	At September 30, 2012				At December 31, 2011			
In millions	Cost	Gain	Loss	Fair Value	Cost	Gain	Loss	Fair Value
Marketable securities: (1)								
Debt securities:								
Government debt (2)	$520	$64	$—	$584	$556	$62	$—	$618
Corporate bonds	683	87	(1)	769	652	73	(2)	723
Total debt securities	$1,203	$151	$(1)	$1,353	$1,208	$135	$(2)	$1,341
Equity securities	623	103	(11)	715	646	57	(36)	667
Total marketable securities	$1,826	$254	$(12)	$2,068	$1,854	$192	$(38)	$2,008
Long-term debt incl. debt due within one year (3)	$(19,963)	$29	$(3,285)	$(23,219)	$(21,059)	$6	$(2,736)	$(23,789)
Derivatives relating to:								
Interest rates	$—	$—	$(7)	$(7)	$—	$—	$—	$—
Commodities (4)	$—	$34	$(2)	$32	$—	$16	$(1)	$15
Foreign currency	$—	$23	$(49)	$(26)	$—	$31	$(17)	$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 September 30, 2012 and $23 million at December 31, 2011.
(4) Presented net of cash collateral, as disclosed in Note H.

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 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 September 30, 2012. 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 2012.

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,

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at specified intervals, the difference between fixed and floating interest amounts calculated on an agreed-upon notional principal amount. At September 30, 2012, the Company had open interest rate swaps with maturity dates that extend to 2019.

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 September 30, 2012, 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 fourth quarter of 2012.

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 September 30, 2012, the Company had futures contracts, options and swaps to buy, sell or exchange commodities. These agreements had various expiration dates through 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.

There was a net loss of less than $1 million after tax from previously terminated interest rate cash flow hedges included in AOCI at September 30, 2012 ($1 million after tax at December 31, 2011). The Company had open interest rate derivatives designated as cash flow hedges at September 30, 2012 with a net loss of $3 million after tax and a notional U.S. dollar equivalent of $328 million (no open interest rate derivatives designated as cash flow hedges at December 31, 2011).

Current open foreign currency forward contracts hedge the currency risk of forecasted feedstock purchase transactions until April 2013. 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 loss from the foreign currency hedges included in AOCI at September 30, 2012 was $11 million after tax (net gain of $2 million after tax at December 31, 2011). At September 30, 2012, 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 $512 million ($432 million at December 31, 2011).

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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 June 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 September 30, 2012 was $14 million after tax (net loss of $7 million after tax at December 31, 2011). At September 30, 2012 and December 31, 2011, the Company had the following aggregate notionals of outstanding commodity forward and futures contracts to hedge forecasted purchases:

Commodity	Sep 30, 2012	Dec 31, 2011	Notional Volume Unit
Corn	1.8	0.6	million bushels
Crude Oil	0.1	0.2	million barrels
Ethane	2.6	1.6	million barrels
Naphtha	30.0	90.0	kilotons
Natural Gas	111.9	7.4	million million British thermal units
Ethane / Propane Mix	0.1	0.2	million barrels
Soybeans	1.3	0.3	million bushels

The net after-tax amounts to be reclassified from AOCI to income within the next 12 months are an $8 million gain for commodity contracts and an $11 million loss 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 September 30, 2012 or December 31, 2011.

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 September 30, 2012 and December 31, 2011, the Company had no open forward contracts or outstanding options to buy, sell or exchange foreign currencies designated as net foreign investment hedges. At September 30, 2012, the Company had outstanding foreign-currency denominated debt designated as a hedge of net foreign investment of $258 million ($585 million at December 31, 2011). 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 $7 million after tax at September 30, 2012 (net loss of $48 million after tax at December 31, 2011). See Note P 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 September 30, 2012 and December 31, 2011, the Company had the following aggregate notionals of outstanding commodity contracts:

Commodity	Sep 30, 2012	Dec 31, 2011	Notional Volume Unit
Ethane	1.2	2.1	million barrels
Naphtha	15.0	82.5	kilotons
Natural Gas	0.7	4.6	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 notional U.S. dollar equivalent of $13,890 million at September 30, 2012 ($14,002 million at December 31, 2011) and open interest rate swaps with a notional U.S. dollar equivalent of $538 million at September 30, 2012 (no open interest rate swaps at December 31, 2011).

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The following table provides the fair value and gross balance sheet classification of derivative instruments at September 30, 2012 and December 31, 2011:

Fair Value of Derivative Instruments In millions	Balance Sheet Classification	Sep 30, 2012	Dec 31, 2011
Asset Derivatives			
Derivatives designated as hedges:			
Interest rates	Other current assets	$—	$—
Commodities	Other current assets	29	5
Foreign currency	Accounts and notes receivable – Other	1	9
Total derivatives designated as hedges		$30	$14
Derivatives not designated as hedges:			
Interest rates	Other current assets	$—	$—
Commodities	Other current assets	10	19
Foreign currency	Accounts and notes receivable – Other	45	66
Total derivatives not designated as hedges		$55	$85
Total asset derivatives		$85	$99
Liability Derivatives			
Derivatives designated as hedges:			
Interest rates	Accounts payable – Other	$5	$—
Commodities	Accounts payable – Other	13	11
Foreign currency	Accounts payable – Other	13	8
Total derivatives designated as hedges		$31	$19
Derivatives not designated as hedges:			
Interest rates	Accounts payable – Other	$2	$—
Commodities	Accounts payable – Other	6	9
Foreign currency	Accounts payable – Other	59	53
Total derivatives not designated as hedges		$67	$62
Total liability derivatives		$98	$81

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NOTE H – 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 September 30, 2012 In millions	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
Assets at fair value:					
Interests in trade accounts receivable conduits (2)	$—	$—	$1,343	$—	$1,343
Equity securities (3)	679	36	—	—	715
Debt securities: (3)					
Government debt (4)	—	584	—	—	584
Corporate bonds	—	769	—	—	769
Derivatives relating to: (5)					
Commodities	13	26	—	(5)	34
Foreign currency	—	46	—	(23)	23
Total assets at fair value	$692	$1,461	$1,343	$(28)	$3,468
Liabilities at fair value:					
Long-term debt (6)	$—	$23,219	$—	$—	$23,219
Derivatives relating to: (5)					
Interest rates	—	7	—	—	7
Commodities	14	5	—	(17)	2
Foreign currency	—	72	—	(23)	49
Total liabilities at fair value	$14	$23,303	$—	$(40)	$23,277

Basis of Fair Value Measurements on a Recurring Basis at December 31, 2011 In millions	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
Assets at fair value:					
Interests in trade accounts receivable conduits (2)	$—	$—	$1,141	$—	$1,141
Equity securities (3)	634	33	—	—	667
Debt securities: (3)					
Government debt (4)	—	618	—	—	618
Corporate bonds	—	723	—	—	723
Derivatives relating to: (5)					
Commodities	10	14	—	(8)	16
Foreign currency	—	75	—	(44)	31
Total assets at fair value	$644	$1,463	$1,141	$(52)	$3,196
Liabilities at fair value:					
Long-term debt (6)	$—	$23,789	$—	$—	$23,789
Derivatives relating to: (5)					
Commodities	13	7	—	(19)	1
Foreign currency	—	61	—	(44)	17

Total liabilities at fair value	$13	$23,857	$—	$(63)	$23,807

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

(3) 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.

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

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

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

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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 $12 million at September 30, 2012 ($11 million at December 31, 2011).

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.

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 G for further information on the types of instruments used by the Company for risk management.

There were no transfers between Levels 1 and 2 in the nine-month period ended September 30, 2012 or the year ended December 31, 2011.

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 J 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 nine-month periods ended September 30, 2012 and 2011:

Fair Value Measurements Using Level 3 Inputs	Three Months Ended		Nine Months Ended	
Interests Held in Trade Receivable Conduits (1)	Sep 30,	Sep 30,	Sep 30,	Sep 30,
In millions	2012	2011	2012	2011
Balance at beginning of period	$1,220	$1,389	$1,141	$1,267
Loss included in earnings (2)	(2)	(1)	(4)	(6)
Purchases	343	149	2,396	1,500
Settlements	(218)	(292)	(2,190)	(1,516)
Balance at September 30	$1,343	$1,245	$1,343	$1,245

(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.

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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:

Basis of Fair Value Measurements on a Nonrecurring Basis at September 30, 2012	Significant Other Unobservable Inputs	Total Losses
In millions	(Level 3)	2012
Assets at fair value:		
Long-lived assets and other assets	$ 10	$ (123)

As part of the 1Q12 Restructuring plan that was approved on March 27, 2012, the Company will shut down a number of manufacturing facilities by December 31, 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 C for additional information. In addition, a $29 million asset impairment charge was recognized in the Performance Materials segment in the third quarter of 2012. The assets, classified as Level 3 measurements, are valued using unobservable inputs, including assumptions a market participant would use to measure the fair value of the group of assets.

NOTE I – COMMITMENTS AND CONTINGENT LIABILITIES

Credit Facility for Dow Corning Corporation

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 $100 million effective June 1, 2012, of which the Company's share is $50 million. At September 30, 2012, no draws had been taken against the credit facility.

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 September 30, 2012, the Company had accrued obligations of $759 million for probable environmental remediation and restoration costs, including $69 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 twice 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, 2011, the Company had accrued obligations of $733 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

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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.

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 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 2013. On April 7, 2008, the natural resource damage trustees released their "Natural Resource Damage Assessment Plan for the Tittabawassee River System Assessment Area."

At September 30, 2012, the accrual for these off-site matters was $39 million (included in the total accrued obligation of $759 million at September 30, 2012). At December 31, 2011, the Company had an accrual for these off-site matters of $40 million (included in the total accrued obligation of $733 million at December 31, 2011).

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.

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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.

Influenced by the bankruptcy filings of numerous defendants in asbestos-related litigation and the prospects of various forms of state and national legislative reform, the rate at which plaintiffs filed asbestos-related suits against various companies, including Union Carbide and Amchem, increased in 2001, 2002 and the first half of 2003. Since then, the rate of filing has significantly abated. 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 November since 2004 to determine the appropriateness of updating the most recent ARPC study.

In November 2010, Union Carbide requested ARPC to review Union Carbide's historical asbestos claim and resolution activity and determine the appropriateness of updating its then most recent study completed in December 2008. In response to that request, ARPC reviewed and analyzed data through October 31, 2010. The resulting study, completed by ARPC in December 2010, stated that the undiscounted cost of resolving pending and future asbestos-related claims against Union Carbide and Amchem, excluding future defense and processing costs, through 2025 was estimated to be between $744 million and $835 million. As in its earlier studies, ARPC provided estimates for a longer period of time in its December 2010 study, but also reaffirmed its prior advice that forecasts for shorter periods of time are more accurate than those for longer periods of time.

In December 2010, based on ARPC's December 2010 study and Union Carbide's own review of the asbestos claim and resolution activity, Union Carbide decreased its asbestos-related liability for pending and future claims to $744 million, which covered the 15-year period ending 2025, excluding future defense and processing costs. The reduction was $54 million and was shown as "Asbestos-related credit" in the consolidated statements of income and reflected in Corporate. At December 31, 2010, the asbestos-related liability for pending and future claims was $728 million.

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 December 2010 study. 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. At December 31, 2011, 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 2012 activity, Union Carbide determined that no adjustment to the accrual was required at September 30, 2012. Union Carbide's asbestos-related liability for pending and future claims was $617 million at September 30, 2012. Approximately 21 percent of the recorded liability related to pending claims and approximately 79 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.

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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 September 30, 2012 and $40 million at December 31, 2011. At September 30, 2012 and December 31, 2011, 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 In millions	Sep 30, 2012	Dec 31, 2011
Receivables for defense costs – carriers with settlement agreements	$19	$20
Receivables for resolution costs – carriers with settlement agreements	158	158
Receivables for insurance recoveries – carriers without settlement agreements	25	40
Total	$202	$218

Union Carbide expenses defense costs as incurred. The pretax impact for defense and resolution costs, net of insurance, was $25 million in the third quarter of 2012 ($30 million in the third quarter of 2011) and $73 million in the first nine months of 2012 ($58 million in the first nine months of 2011), and was reflected 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.

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.

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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 have filed an appeal of this decision to the Court of Justice of the European Union. 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 $63 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. 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.

Rohm and Haas Pension Plan Matters

In December 2005, a federal judge in the U.S. District Court for the Southern District of Indiana (the “District Court”) issued a decision granting a class of participants in the Rohm and Haas Pension Plan (the “Rohm and Haas Plan”) who had retired from Rohm and Haas Company ("Rohm and Haas"), now a wholly owned subsidiary of the Company, and who elected to receive a lump sum benefit from the Rohm and Haas Plan, the right to a cost-of-living adjustment (“COLA”) as part of their retirement benefit. In August 2007, the Seventh Circuit Court of Appeals (the "Seventh Circuit") affirmed the District Court’s decision, and in March 2008, the U.S. Supreme Court denied the Rohm and Haas Plan’s petition to review the Seventh Circuit’s decision. The case was returned to the District Court for further proceedings. In October 2008 and February 2009, the District Court issued rulings that have the effect of including in the class all Rohm and Haas retirees who received a lump sum distribution without a COLA from the Rohm and Haas Plan since January 1976. These rulings are subject to appeal, and the District Court has not yet determined the amount of the COLA benefits that may be due to the class participants. The Rohm and Haas Plan and the plaintiffs entered into a settlement agreement that, in addition to settling the litigation with respect to the Rohm and Haas retirees, provides for the amendment of the complaint and amendment of the Rohm and Haas Plan to include active employees in the settlement benefits. The District Court preliminarily approved the settlement on November 24, 2009 and, following a hearing on March 12, 2010, issued a final order approving the settlement on April 12, 2010. A group of objectors to the settlement filed an appeal from the final order. In November 2010, the District Court issued an order approving class counsel’s fee award petition in an amount consistent with the terms of the settlement. The same objectors also appealed this order. On September 2, 2011, the Seventh Circuit affirmed the approval of the settlement and award of attorneys' fees. A lone objector filed a petition for rehearing, which was denied on October 17, 2011. The objector continued the appeal process by timely filing a petition for a writ of certiorari to the U.S. Supreme Court, which was denied on April 16, 2012, rendering the settlement and award of attorneys' fees final.

A pension liability associated with this matter of $185 million was recognized as part of the acquisition of Rohm and Haas on April 1, 2009. The liability, which was determined in accordance with the accounting guidance for contingencies, recognized the estimated impact of the above described judicial decisions on the long-term Rohm and Haas Plan obligations owed to the applicable Rohm and Haas retirees and active employees. The Company had a liability associated with this matter of $189 million at December 31, 2011. The Rohm and Haas Plan made settlement payments totaling $133 million as of September 30, 2012. The Company's remaining liability for this matter was $56 million at September 30, 2012. A portion of the remaining liability is expected to be settled by the end of 2012; the remaining liability will be resolved over time through the administration of the Rohm and Haas Plan.

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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 liability 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 $552 million in 2011, $714 million in 2010 and $784 million in 2009. The Company's take-or-pay commitments associated with these agreements at December 31, 2011 are included in the table below. There have been no material changes to purchase commitments since December 31, 2011.

The Company also has various commitments for take-or-pay and throughput agreements. Such commitments are at prices not in excess of current market prices. The terms of all but two of these agreements extend from one to 25 years. One agreement has terms extending to 35 years and another has terms extending to 80 years. The determinable future commitments for these two specific agreements 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, 2011:

Fixed and Determinable Portion of Take-or-Pay and Throughput Obligations at December 31, 2011	
In millions	
2012	$2,968
2013	2,964
2014	2,371
2015	1,693
2016	1,426
2017 and beyond	9,074
Total	$20,496

In addition to the take-or-pay obligations at December 31, 2011, the Company had outstanding commitments which ranged from one to ten years for materials, services and other items used in the normal course of business of approximately $171 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 ten 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.

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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 September 30, 2012 In millions	Final Expiration	Maximum Future Payments (1)	Recorded Liability
Guarantees	2020	$1,231	$27
Residual value guarantees (2)	2021	609	31
Total guarantees		$1,840	$58

(1) The Company was indemnified by a third party for $49 million if required to perform under a $97 million guarantee.

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

Guarantees at December 31, 2011 In millions	Final Expiration	Maximum Future Payments (1)	Recorded Liability
Guarantees	2020	$587	$21
Residual value guarantees (2)	2021	526	24
Total guarantees		$1,113	$45

(1) The Company was indemnified by a third party for $50 million if required to perform under a $100 million guarantee.

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

The increase in the value of the outstanding guarantees during 2012 is primarily related to debt obligations of Sadara Chemical Company, a nonconsolidated affiliate, which are guaranteed by the Company, in proportion to the Company's ownership interest.

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 $91 million at September 30, 2012 and $88 million at December 31, 2011. The discount rate used to calculate the Company’s asset retirement obligations was 1.96 percent at September 30, 2012 and 1.96 percent at December 31, 2011. 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.

Gain Contingency

Matters Involving the Formation of K-Dow Petrochemicals

Introduction

On December 13, 2007, the Company and Petrochemical Industries Company (K.S.C.) ("PIC") of Kuwait, a wholly owned subsidiary of Kuwait Petroleum Corporation, announced plans to form a 50:50 global petrochemicals joint venture. The proposed joint venture, K-Dow Petrochemicals ("K-Dow"), was expected to have revenues of more than $11 billion and employ more than 5,000 people worldwide.

On November 28, 2008, the Company entered into a Joint Venture Formation Agreement (the "JVFA") with PIC that provided for the establishment of K-Dow. To form the joint venture, the Company would transfer by way of contribution and sale to K-Dow, assets used in the research, development, manufacture, distribution, marketing and sale of polyethylene, polypropylene, polycarbonate, polycarbonate compounds and blends, ethyleneamines, ethanolamines, and related licensing and catalyst technologies; and K-Dow would assume certain related liabilities. PIC would receive a 50-percent equity interest in

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K-Dow in exchange for the payment by PIC of the initial purchase price, estimated to be $7.5 billion. The purchase price was subject to certain post-closing adjustments.

Failure to Close
On December 31, 2008, the Company received a written notice from PIC with respect to the JVFA advising the Company of PIC's position that certain conditions to closing were not satisfied and, therefore, PIC was not obligated to close the transaction. On January 2, 2009, PIC refused to close the K-Dow transaction in accordance with the JVFA. The Company disagreed with the characterizations and conclusions expressed by PIC in the written notice and the Company informed PIC that it breached the JVFA. On January 6, 2009, the Company announced that it would seek to fully enforce its rights under the terms of the JVFA and various related agreements.

Arbitration
The Company's claims against PIC were subject to an agreement between the parties to arbitrate under the Rules of Arbitration of the International Court of Arbitration of the International Chamber of Commerce (“ICC”). On February 18, 2009, the Company initiated arbitration proceedings against PIC alleging that PIC breached the JVFA by failing to close the transaction on January 2, 2009, and as a result, Dow suffered substantial damages.

On May 24, 2012, the ICC released to the parties a unanimous Partial Award in favor of the Company on both liability and damages. A three-member arbitration Tribunal found that PIC breached the JVFA by not closing K-Dow on January 2, 2009, and awarded the Company $2.16 billion in damages, not including pre- and post-award interest and arbitration costs.

On June 15, 2012, PIC filed an application for remand under the English Arbitration Act of 1996 (“Remand Application”) in the High Court of Justice in London (“High Court”). In its Remand Application, PIC did not challenge the Tribunal's finding of liability but it requested that the High Court remand the case back to the Tribunal for further consideration of the Company's claim for consequential damages. On October 11, 2012, the High Court ruled in favor of the Company and dismissed PIC's Remand Application; and on October 19, 2012, the High Court denied PIC's request for leave to appeal its ruling, bringing an end to PIC's Remand Application.

The ICC is expected to issue a Final Award covering the Company's substantial claim for pre- and post-award interest and arbitration costs in the fourth quarter of 2012.

The Company expects to record a gain related to this matter when the uncertainty regarding the timing of collection and the amount to be realized has been resolved.

NOTE J – 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.
During the three months ended September 30, 2012, the Company recognized a loss of $5 million on the sale of these receivables ($12 million during the three months ended September 30, 2011), which is included in “Interest expense and amortization of debt discount” in the consolidated statements of income. During the nine months ended September 30, 2012, the Company recognized a loss of $14 million on the sale of receivables ($18 million during the

nine months ended September 30, 2011).

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.

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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 In millions	Sep 30, 2012	Dec 31, 2011
Carrying value of interests held	$1,343	$1,141
Percentage of anticipated credit losses	1.10 %	1.22 %
Impact to carrying value - 10% adverse change	$2	$2
Impact to carrying value - 20% adverse change	$5	$4

Credit losses, net of any recoveries, on receivables sold during the three and nine months ended September 30, 2012 and September 30, 2011 were insignificant.

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

Cash Proceeds	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
Sale of receivables	$—	$13	$57	$16
Collections reinvested in revolving receivables	$6,432	$7,724	$19,489	$21,501
Interests in conduits (1)	$218	$220	$2,190	$1,444

(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 In millions	Sep 30, 2012	Dec 31, 2011
Delinquencies on sold receivables still outstanding	$154	$155
Trade accounts receivable outstanding and derecognized	$2,621	$2,385

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 nine-month periods ended September 30, 2012 and 2011, 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.

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

Cash Proceeds	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
Sale of participating interests	$16	$42	$48	$129
Collections reinvested in revolving receivables	$13	$27	$42	$106

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

Trade Accounts Receivable In millions	Sep 30, 2012	Dec 31, 2011
Derecognized from the consolidated balance sheets	$15	$13
Outstanding in the consolidated balance sheets	293	303
Total accounts receivable in select Asia Pacific entities	$308	$316

There were no credit losses on receivables relating to the participating interests sold during the three and nine-month periods ended September 30, 2012 and 2011. There were no delinquencies on the outstanding receivables related to the participating interests sold at September 30, 2012 or December 31, 2011.

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

Notes Payable In millions	Sep 30, 2012	Dec 31, 2011
Notes payable to banks	$325	$421
Notes payable to related companies	102	92
Notes payable trade	12	28
Total notes payable	$439	$541
Period-end average interest rates	3.42 %	3.06 %

Long-Term Debt In millions	2012 Average Rate	Sep 30, 2012	2011 Average Rate	Dec 31, 2011
Promissory notes and debentures:				
Final maturity 2012	6.01 %	$904	5.35 %	$2,158
Final maturity 2013	6.02 %	403	6.10 %	395
Final maturity 2014	7.22 %	2,134	7.28 %	2,103
Final maturity 2015	5.83 %	1,286	5.92 %	1,257
Final maturity 2016	2.54 %	785	2.57 %	757
Final maturity 2017	5.90 %	886	6.03 %	857
Final maturity 2018 and thereafter	6.51 %	10,444	6.55 %	10,305
Other facilities:				
U.S. dollar loans, various rates and maturities	2.47 %	303	2.37 %	232
Foreign currency loans, various rates and maturities	3.61 %	1,335	3.52 %	1,609
Medium-term notes, varying maturities through 2022	4.43 %	1,111	4.76 %	902
Pollution control/industrial revenue bonds, varying maturities through 2038	5.67 %	718	5.70 %	860
Capital lease obligations	—	16	—	17
Unamortized debt discount	—	(362)	—	(393)
Long-term debt due within one year	—	(1,747)	—	(2,749)
Long-term debt	—	$18,216	—	$18,310

Annual Installments on Long-Term Debt For Next Five Years at September 30, 2012 In millions	
2012	$1,120
2013	$695

2014	$2,420
2015	$1,518
2016	$1,037
2017	$1,186

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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.

In the first nine months of 2012, the Company issued $210 million aggregate principal amount of InterNotes and approximately $307 million of long-term debt was entered into by consolidated variable interest entities.

During the first nine months of 2012, the Company redeemed $37 million of pollution control/industrial revenue bonds that matured on January 1, 2012, repurchased $105 million of pollution control/industrial revenue tax-exempt bonds that were subject to re-marketing and redeemed Euro 253 million ($317 million equivalent at June 30, 2012) of notes that matured on September 19, 2012.

On March 22, 2011, the Company concluded cash tender offers for $1.5 billion aggregate principal amount of certain notes issued by the Company. As a result of the tender offers, the Company redeemed $1.5 billion of the notes and recognized a $472 million pretax loss on early extinguishment of debt, included in “Sundry income (expense) – net” in the consolidated statements of income and reflected in Corporate.

During the first nine months of 2011, the Company redeemed: $800 million of notes that matured on February 1, 2011; Euro 500 million of notes that matured on May 27, 2011 ($707 million equivalent at March 31, 2011); and $250 million of floating rate notes that matured on August 8, 2011. The Company also redeemed $1,538 million of InterNotes and recognized a $10 million pretax loss on early extinguishment of debt, included in "Sundry income (expense) - net" in the consolidated statements of income and reflected in Corporate.

In the first nine months of 2011, the Company issued $341 million of InterNotes; and approximately $895 million of long-term debt was entered into by consolidated variable interest entities, including the refinancing of short-term notes payable.

The Company’s outstanding long-term debt of $20.0 billion has been issued under indentures which contain, among other provisions, 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 subject notes.

The Company’s primary credit agreements contain covenant and default provisions in addition to the covenants set forth above with respect to the Company’s debt. Significant other covenants and default provisions related to these agreements include:

(a) the obligation to maintain the ratio of the Company’s consolidated indebtedness to consolidated capitalization at no 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,

(b) a default if the Company or an applicable subsidiary fails to make any payment on indebtedness of $50 million or more when due, or any other default under the applicable agreement permits or results in the acceleration of $200 million or more of principal, and

(c) a default if the Company or any applicable subsidiary fails to discharge or stay within 30 days after the entry of a final judgment of more than $200 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 loans.

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NOTE L – 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 in mid-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.

The seventh joint venture is a development-stage enterprise located in Brazil that will produce ethanol from sugarcane and expand into downstream derivative products. 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 and contractual arrangements limiting the partner's initial participation in the economics of certain assets and liabilities. Terms of the equity option require the Company to purchase the partner's equity investment at a fixed price if the partner elects to terminate a specific contract within 24 months of initial equity investment. Therefore, the Company has classified the partner's equity investment as "Redeemable Noncontrolling Interest" in the consolidated balance sheets. The joint venture is expected to begin operations by 2015.

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. The Company's variable interest in the owner trust relates to a residual value guarantee provided to the owner trust. Upon expiration of the lease, which matures in 2014, the Company may purchase the facility for an amount based on a fair market value determination. At September 30, 2012, the Company had provided to the owner trust a residual value guarantee of $363 million, which represents the Company's maximum exposure to loss under the lease.

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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 September 30, 2012 and December 31, 2011:

Assets and Liabilities of Consolidated VIEs In millions	Sep 30, 2012	Dec 31, 2011 (1)
Cash and cash equivalents (2)	$197	$170
Other current assets	164	104
Property	2,452	2,169
Other noncurrent assets	153	151
Total assets (3)	$2,966	$2,594
Current liabilities (nonrecourse 2012: $246; 2011: $226)	$246	$226
Long-term debt (nonrecourse 2012: $1,409; 2011: $1,138)	1,755	1,484
Other noncurrent liabilities (nonrecourse 2012: $101; 2011: $86)	101	86
Total liabilities	$2,102	$1,796

(1) December 31, 2011 values do not include assets and liabilities attributable to a seed production joint venture located in the United States that became a VIE in the first quarter of 2012.

(2) Includes $4 million at September 30, 2012 ($3 million at December 31, 2011) specifically restricted for the construction of a manufacturing facility.

(3) All assets were restricted at September 30, 2012 and December 31, 2011.

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 $176 million (zero restricted) at September 30, 2012 ($233 million, zero restricted, at December 31, 2011) and current liabilities of less than $1 million (less than $1 million nonrecourse) at September 30, 2012 (less than $1 million, less than $1 million nonrecourse, at December 31, 2011).

Amounts presented in the consolidated balance sheets and the table above as restricted assets or nonrecourse obligations relating to consolidated VIEs at September 30, 2012 and December 31, 2011 are adjusted for intercompany eliminations, parental guarantees and residual value guarantees.

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 September 30, 2012, the Company's investment in the joint venture was $143 million ($144 million at December 31, 2011), classified as "Investment in nonconsolidated affiliates" in the consolidated balance sheets, representing the Company's maximum exposure to loss.

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NOTE M – PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

Net Periodic Benefit Cost for All Significant Plans	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
Defined Benefit Pension Plans:				
Service cost	$95	$88	$285	$260
Interest cost	274	282	822	842
Expected return on plan assets	(316)	(329)	(948)	(978)
Amortization of prior service cost	6	7	19	21
Amortization of net loss	130	94	390	280
Net periodic benefit cost	$189	$142	$568	$425
Other Postretirement Benefits:				
Service cost	$4	$4	$12	$10
Interest cost	23	25	69	75
Expected return on plan assets	—	(1)	—	(3)
Amortization of prior service credit	(1)	—	(3)	—
Net periodic benefit cost	$26	$28	$78	$82

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NOTE N – STOCK-BASED COMPENSATION

The Company grants stock-based compensation to employees under the Employees' Stock Purchase Plan (“ESPP”) and the 1988 Award and Option Plan (the “1988 Plan”) and to non-employee directors under the 2003 Non-Employee Directors' Stock Incentive Plan. Most of the Company's stock-based compensation awards are granted in the first quarter of each year. Details for awards granted in the first quarter of 2012 are included in the following paragraphs. There was minimal grant activity in the second and third quarters of 2012.

During the first quarter of 2012, employees subscribed to the right to purchase 9.5 million shares with a weighted-average exercise price of $25.42 per share and a weighted-average fair value of $8.32 per share under the ESPP.

During the first quarter of 2012, the Company granted the following stock-based compensation awards to employees under the 1988 Plan:

- 12.8 million stock options with a weighted-average exercise price of $34.00 per share and a weighted-average fair value of $9.38 per share;
- 3.5 million shares of deferred stock with a weighted-average fair value of $34.02 per share; and
- 1.2 million shares of performance deferred stock with a weighted-average fair value of $43.52 per share.

During the first quarter of 2012, the Company granted the following stock-based compensation awards to non-employee directors under the 2003 Non-Employee Directors' Stock Incentive Plan:

- 34,650 shares of restricted stock with a weighted-average fair value of $33.69 per share.

Total unrecognized compensation cost at September 30, 2012 is provided in the following table:

Total Unrecognized Compensation Cost at September 30, 2012

In millions	Unrecognized Compensation Cost	Weighted-average Recognition Period (Years)
ESPP purchase rights	$7	0.13
Unvested stock options	$81	0.76
Deferred stock awards	$106	0.79
Performance deferred stock awards	$22	0.57

On February 9, 2012, the Company's Board of Directors unanimously approved and adopted The Dow Chemical Company 2012 Stock Incentive Plan ("2012 Plan") and the 2012 Employee Stock Purchase Plan, which was approved by the Company's stockholders at the 2012 Annual Meeting of Stockholders held on May 10, 2012. The Company granted 159,935 deferred shares to employees from the May 2012 approval of the 2012 Plan through September 30, 2012.

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NOTE O – EARNINGS PER SHARE CALCULATIONS

The following tables provide the earnings per share calculations for the three and nine-month periods ended September 30, 2012 and 2011:

Net Income	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
Net income	$591	$903	$1,851	$2,701
Net income attributable to noncontrolling interests	(9)	(3)	(38)	(24)
Net income attributable to The Dow Chemical Company	$582	$900	$1,813	$2,677
Preferred stock dividends	(85)	(85)	(255)	(255)
Net income attributable to participating securities (1)	(5)	(11)	(15)	(31)
Net income attributable to common stockholders	$492	$804	$1,543	$2,391

Earnings Per Share Calculations - Basic	Three Months Ended		Nine Months Ended	
Dollars per share	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
Net income	$0.50	$0.78	$1.58	$2.35
Net income attributable to noncontrolling interests	(0.01)	—	(0.03)	(0.02)
Net income attributable to The Dow Chemical Company	$0.49	$0.78	$1.55	$2.33
Preferred stock dividends	(0.07)	(0.07)	(0.22)	(0.22)
Net income attributable to participating securities (1)	—	(0.01)	(0.01)	(0.03)
Net income attributable to common stockholders	$0.42	$0.70	$1.32	$2.08

Earnings Per Share Calculations - Diluted	Three Months Ended		Nine Months Ended	
Dollars per share	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
Net income	$0.50	$0.77	$1.57	$2.33
Net income attributable to noncontrolling interests	(0.01)	—	(0.03)	(0.02)
Net income attributable to The Dow Chemical Company	$0.49	$0.77	$1.54	$2.31
Preferred stock dividends (2)	(0.07)	(0.07)	(0.22)	(0.22)
Net income attributable to participating securities (1)	—	(0.01)	(0.01)	(0.02)
Net income attributable to common stockholders	$0.42	$0.69	$1.31	$2.07

Shares in millions				
Weighted-average common shares - basic	1,172.7	1,152.3	1,167.8	1,147.2
Plus dilutive effect of stock options and awards	6.8	8.6	7.1	10.6
Weighted-average common shares - diluted	1,179.5	1,160.9	1,174.9	1,157.8
Stock options and deferred stock awards excluded from EPS calculations (3)	54.0	42.5	52.2	41.1
Conversion of preferred stock excluded from EPS calculations (4)	96.8	96.8	96.8	96.8

(1) 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.

(2) Preferred stock dividends were not added back in the calculation of diluted earnings per share because the effect of adding them back would have been antidilutive.

(3) 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.

(4) Conversion of the Cumulative Convertible Perpetual Preferred Stock, Series A into shares of the Company’s common stock was excluded from the calculation of diluted earnings per share because the effect of including them would have been antidilutive.

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NOTE P – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
The following table provides an analysis of the changes in accumulated other comprehensive income (loss) for the nine months ended September 30, 2012 and 2011:

Accumulated Other Comprehensive Income (Loss)	Nine Months Ended	
In millions	Sep 30, 2012	Sep 30, 2011
Unrealized Gains on Investments at beginning of year	$78	$111
Net change in unrealized gains	63	(78)
Balance at end of period	$141	$33
Cumulative Translation Adjustments at beginning of year	72	367
Translation adjustments	165	(31)
Balance at end of period	$237	$336
Pension and Other Postretirement Benefit Plans at beginning of year	(6,134)	(4,871)
Adjustments to pension and other postretirement benefit plans	279	209
Balance at end of period	$(5,855)	$(4,662)
Accumulated Derivative Loss at beginning of year	(12)	(6)
Net hedging results	(9)	6
Reclassification to earnings	17	3
Balance at end of period	$(4)	$3
Total accumulated other comprehensive loss	$(5,481)	$(4,290)

NOTE Q – OPERATING SEGMENTS AND GEOGRAPHIC AREAS
On January 1, 2012, the Company's Performance Plastics segment reorganized and created new, market-facing businesses to better align with the markets and customers served by this segment. The new businesses, which are reflected in the following updated profile for the segment, are as follows:

- Dow Elastomers
- Dow Electrical and Telecommunications
- Dow Performance Packaging
- Dow Hygiene and Medical

There were no other changes to the Corporate Profile included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

During September 2012, the Company announced it was eliminating its business division structure and moving to a global business president structure. This organizational change did not result in a modification to the Company's operating segments. However, the grouping of global businesses within individual operating segments may change. Such changes, if any, will be reflected in the Corporate Profile included in the Company's 2012 Annual Report on Form 10-K for the year ending December 31, 2012.

PERFORMANCE PLASTICS
Applications: adhesives agricultural films appliances and appliance housings automotive parts and trim beverage bottles bins, crates, pails and pallets building and construction coatings consumer and durable goods consumer electronics disposable diaper liners fibers and nonwovens food and specialty packaging footwear hoses and tubing household and industrial bottles housewares hygiene and medical films industrial and consumer films and foams information technology infrastructure leather, textile, graphic arts and paper oil tanks and road equipment plastic pipe processing aids for plastic production tapes and labels toys, playground equipment and recreational products

wire and cable insulation and jacketing materials for power utility and telecommunications

Dow Elastomers offers a unique portfolio of elastomer and plastomers for customers worldwide, and has established a leadership position in polyolefin and ethylene propylene diene monomer elastomers through its innovative technology, deep market expertise, broad product line and global footprint.

With one of the broadest product portfolios in the industry, strong foundational capabilities (global reach, low cost asset configuration, leading manufacturing and catalysis technology, global application and marketing alignment, and

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formulation science) and a proven innovation track record, Dow Elastomers is well positioned to meet the needs of the transportation and infrastructure markets. And with the introduction of new and differentiated products, Dow Elastomers has diversified its participation into new market segments, such as hot melt adhesives and consumer durables (i.e., housewares, toys, infant products, sporting goods and leisure products) where the performance benefits of the business' technologies can also be leveraged. Key markets and applications where Dow Elastomers participates align with the global megatrends of consumerism, and infrastructure and transportation. These trends drive the need for innovative solutions that deliver valued benefits to customers in the areas of improved durability, haptics, sustainability and lower overall solution cost.

- Products: AFFINITY™ polyolefin elastomers; AFFINITY™ GA polyolefin plastomers; ENGAGE™ polyolefin elastomers; ENGAGE™ XLT polyolefin elastomers; INFUSE™ olefin block copolymers; NORDEL™ hydrocarbon rubber; VERSIFY™ plastomers and elastomers

Dow Electrical and Telecommunications is a leading global provider of products, technology, solutions and expertise that set standards for reliability, longevity, efficiency, ease of installation and protection used by the power and telecommunications industries in the transmission, distribution and consumption of power, video, voice and data. Dow Electrical and Telecommunications collaborates with cable manufacturers, original equipment manufacturers, operators, utilities, municipalities, testing institutes and other organizations around the world to develop solutions that create value and will sustain these industries for years to come.

- Products: ECOLIBRIUM™ bio-based plasticizers; ENDURANCE™ family of semiconductive and insulation material for power cable insulation; SI-LINK™ moisture crosslinkable polyethylene-based wire and cable insulation compounds; UNIGARD™ flame retardant compound for specialty wire and cable applications

Dow Performance Packaging is an innovator for the world's packaging needs. Global megatrends continue to drive demand for innovative and sustainable packaging solutions that enhance food preservation and food safety, deliver lower costs, improve consumer convenience and appeal, and reduce environmental impact. With one of the largest portfolios of industry-leading materials and technologies, Dow Performance Packaging engages with brand owners, retailers and other stakeholders along the packaging value chain to drive innovation and deliver faster, more profitable growth.
Dow Performance Packaging materials and technology offerings include polyethylene ("PE") resins (low density PE, high density PE, linear low density PE), barrier resins, tie layers, laminating adhesives, high performance sealants, and specialty films.

- Products: ADCOTE™ solvent-based laminating adhesives and heat seal coatings; AFFINITY™ polyolefin elastomers; AMPLIFY™ and AMPLIFY™ TY functional polymers; AQUA-LAM™ water-based polyurethane dispersions; ATTANE™ ultra low density polyethylene (ULDPE) copolymers; ATTANE™ ULDPE resins; CONTINUUM™ bimodal polyethylene resins; COSEAL™ cold-seal adhesives; DOW™ adhesive film; DOW™ low density polyethylene; DOW™ medical packaging film; DOW™ very low density polyethylene; DOWLEX™ polyethylene resins; DOWLEX™ NG polyethylene resins; ELITE™ enhanced polyethylene; ELITE™ AT enhanced polyethylene; ENGAGE™ polyolefin elastomers; ENLIGHT™ polyolefin encapsulant films;

HEALTH+™ polymers; INFUSE™ olefin block copolymers; INTEGRAL™ adhesive films; LAMAL™ alcohol-based laminating adhesives; MOR-AD™ solvent-based laminating adhesives; MOR-FREE™ solventless adhesives; MORPRIME™ solvent-based polypropylene dispersions; MORSTIK™ solvent-based pressure sensitive adhesives; NYLOPAK™ nylon barrier films; OPTICITE™ films; PRIMACOR™ copolymers; PROCITE™ window envelope films; ROBOND™ acrylic water-based laminating and pressure sensitive adhesives; SARAN™ barrier resins; SARANEX™ barrier films; SEALUTION™ peel polymers; SERFENE™ barrier coatings; Solvent-based polyurethanes and polyesters; TRENCHCOAT™ protective films; TRYCITE™ polystyrene film; TUFLIN™ linear low density polyethylene resins; TYBRITE™ clear packaging film; VERSIFY™ elastomers and plastomers

Dow Hygiene and Medical is a recognized global leader in the hygiene, medical and adjacent fiber markets delivering innovative solutions in personal hygiene, medical end-use products and fiber related markets. Key materials and technology segments include back sheets, nonwoven fibers, elastic components, sealants, binders, additives and dispersants. As a solutions provider across the polyethylene, elastomers, binders, polyolefin emulsions and acrylic product families, Dow Hygiene and Medical delivers a broad and deep product portfolio as well as the expertise and resources to serve the entire value chain, meeting the needs of hygiene and medical markets in both emerging and developed geographies.

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- Products: ACRYSOL™ additives; AFFINITY™ polyolefin elastomers; ASPUN™ fiber grade resins; ATTANE™ ultra low density polyethylene resins; DOW™ HEALTH+™ resins; DOWLEX™ polyethylene resins; DOW™ low density polyethylene resins; ELITE™ enhanced polyethylene resins; ENGAGE™ polyolefin elastomers; HYPOD™ polyolefin dispersions; INFUSE™ olefin block copolymers; PRIMAL™ acrylic binders; RHOPLEX™ acrylic binders; ROVACE™ acrylic binders; SARANEX™ barrier films; TAMOL™ dispersants; VERSIFY™ plastomers and elastomers

The Performance Plastics business also includes the results of Polypropylene Licensing and Catalyst, which sets the standard for polypropylene process technologies and works closely with customers to elevate their manufacturing capability, enabling them to produce differentiated polypropylene resins. The Performance Plastics segment also includes the results of Univation Technologies, LLC and a portion of the results of EQUATE Petrochemical Company K.S.C., The Kuwait Olefins Company K.S.C. and SCG-Dow Group, all joint ventures of the Company.

Divestiture
On September 30, 2011, the Company sold its global Polypropylene business to Braskem SA. The transaction did not include Dow's Polypropylene Licensing and Catalyst business. The Polypropylene business was reported in the Performance Plastics segment through the date of the divestiture.

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 nine months of 2012 and 2011 were immaterial and eliminated in consolidation.

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Operating Segments	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
Sales by operating segment				
Electronic and Functional Materials	$1,111	$1,205	$3,383	$3,536
Coatings and Infrastructure Solutions	1,730	1,905	5,321	5,639
Agricultural Sciences	1,302	1,205	4,816	4,311
Performance Materials	3,411	3,698	10,253	11,097
Performance Plastics	3,500	4,114	10,802	12,598
Feedstocks and Energy	2,521	2,905	8,113	8,456
Corporate	62	77	181	251
Total	$13,637	$15,109	$42,869	$45,888
EBITDA (1) by operating segment				
Electronic and Functional Materials	$273	$306	$803	$850
Coatings and Infrastructure Solutions	246	372	787	990
Agricultural Sciences	63	75	821	768
Performance Materials	491	478	1,173	1,523
Performance Plastics	737	834	2,215	2,773
Feedstocks and Energy	200	263	532	765
Corporate	(212)	(229)	(865)	(1,296)
Total	$1,798	$2,099	$5,466	$6,373
Equity in earnings (losses) of nonconsolidated affiliates by operating segment (included in EBITDA)				
Electronic and Functional Materials	$27	$23	$81	$72
Coatings and Infrastructure Solutions	29	72	96	219
Agricultural Sciences	3	—	3	3
Performance Materials	(30)	(11)	(67)	(20)
Performance Plastics	28	150	101	271
Feedstocks and Energy	123	153	300	446
Corporate	(5)	(12)	(22)	(27)
Total	$175	$375	$492	$964

(1) 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 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		Nine Months Ended	
In millions	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
EBITDA	$1,798	$2,099	$5,466	$6,373
- Depreciation and amortization	665	714	2,018	2,142
+ Interest income	10	9	26	26
- Interest expense and amortization of debt discount	318	305	959	1,010
Income Before Income Taxes	$825	$1,089	$2,515	$3,247

Geographic Areas	Three Months Ended	Nine Months Ended
In millions		

	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
Sales by geographic area				
United States	$4,394	$4,930	$14,029	$14,950
Europe, Middle East and Africa	4,446	5,125	14,680	16,196
Rest of World	4,797	5,054	14,160	14,742
Total	$13,637	$15,109	$42,869	$45,888

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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.

DISCLOSURE REGARDING FORWARD-LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements made by or on behalf of The Dow Chemical Company and its subsidiaries ("Dow" or the "Company"). This section covers the current performance and outlook of the Company and each of its operating segments. The forward-looking statements contained in this section and in other parts of this document involve risks and uncertainties that may affect the Company's operations, markets, products, services, prices and other factors as more fully discussed elsewhere and in filings with the U.S. Securities and Exchange Commission ("SEC"). These risks and uncertainties include, but are not limited to, economic, competitive, legal, governmental and technological factors. Accordingly, there is no assurance that the Company's expectations will be realized. The Company assumes no obligation to provide revisions to any forward-looking statements should circumstances change, except as otherwise required by securities and other applicable laws.

OVERVIEW

- The Company reported sales in the third quarter of 2012 of $13.6 billion, down 10 percent from $15.1 billion in the third quarter of 2011. The sales decline was led by Europe, Middle East, and Africa ("EMEA"), which decreased 13 percent driven by adverse currency conditions.

- Price was down 9 percent compared with the same period last year, impacted by unfavorable currency conditions which contributed to more than 40 percent of the price decrease. Price declined in all geographic areas and all operating segments, except Agricultural Sciences (up 1 percent).

- Volume declined 1 percent due to the impact of recent divestitures.[(1)] Excluding this impact, volume improved 2 percent and increased in all geographic areas and in all operating segments, except Electronic and Functional Materials and Feedstocks and Energy.

- Purchased feedstock and energy costs, which account for more than one-third of Dow's total costs, decreased 20 percent or $1.2 billion compared with the third quarter of 2011. The decrease in these costs was primarily due to lower feedstock and energy prices in the United States due to increased supply of shale gas and natural gas liquids, as well as lower naphtha and condensate prices in Europe.

- Research and development expenses and selling, general and administrative expenses increased in the third quarter of 2012 compared with the same period last year, primarily due to increased accruals for performance-based compensation.

- Equity earnings were $175 million in the third quarter of 2012, down $200 million from $375 million in the third quarter of 2011. The decline was primarily due to ongoing silicon value chain weakness impacting Dow Corning Corporation ("Dow Corning"). Equity earnings reported in the third quarter of 2011 reflected an $86 million gain related to cash collected on a previously impaired note receivable.

In addition to the financial highlights listed above, the Company also made the following announcements during the third quarter of 2012:

- During September 2012, the Company announced it was eliminating its business division structure and moving to a global business president structure. This organizational change did not result in a modification to the Company's operating segments. However, the grouping of global businesses within individual operating segments may change. Such changes, if any, will be reflected in the Corporate Profile included in the Company's 2012 Annual Report on Form 10-K for the year ending December 31, 2012.

(1) The Polypropylene business was divested on September 30, 2011 and Dow Haltermann was divested during 2011.

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- On September 4, 2012, the Company also announced it was replacing the Executive Leadership Committee with a newly formed Executive Committee of the Company ("Executive Committee"). The Executive Committee is responsible for setting the direction and strategy for Dow. It also monitors the delivery of results and ensures optimized resource deployment across the businesses.

- On October 23, 2012, the Board of Directors of the Company 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 3,000 positions. The 4Q12 Restructuring plan also includes asset impairments related to the shutdown of approximately 20 manufacturing facilities, the write-off of certain capital project spending and an impairment charge related to the write-down of Dow Kokam LLC's long-lived assets. As a result of these activities, the Company will record a pre-tax charge in the fourth quarter of 2012 ranging from $900 million to $1.1 billion. These actions are expected to be completed primarily over the next two years.

Selected Financial Data	Three Months Ended		Nine Months Ended	
In millions, except per share amounts	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
Net sales	$13,637	$15,109	$42,869	$45,888
Cost of sales	$11,368	$12,928	$35,853	$38,596
Percent of net sales	83.4 %	85.6 %	83.6 %	84.1 %
Research and development expenses	$434	$402	$1,245	$1,213
Percent of net sales	3.2 %	2.7 %	2.9 %	2.6 %
Selling, general and administrative expenses	$739	$691	$2,120	$2,086
Percent of net sales	5.4 %	4.6 %	4.9 %	4.5 %
Effective tax rate	28.4 %	17.1 %	26.4 %	16.8 %
Net income available for common stockholders	$497	$815	$1,558	$2,422
Earnings per common share – basic	$0.42	$0.70	$1.32	$2.08
Earnings per common share – diluted	$0.42	$0.69	$1.31	$2.07
Operating rate percentage	83 %	83 %	81 %	83 %

RESULTS OF OPERATIONS

Net sales in the third quarter of 2012 were $13.6 billion, down 10 percent from $15.1 billion in the third quarter of last year, with price down 9 percent and volume down 1 percent. Price was unfavorably impacted by currency, which contributed to approximately 40 percent of the price decrease. Price declined in all geographic areas, with double-digit decreases in EMEA (down 11 percent, primarily due to currency) and Asia Pacific (down 10 percent). Price decreased in all operating segments except Agricultural Sciences (up 1 percent), with the most pronounced decreases in Feedstocks and Energy (down 12 percent), Performance Materials (down 11 percent), and Coatings and Infrastructure Solutions (down 10 percent). The decline in volume reflects the impact of recent divestitures. Excluding these divestitures, volume increased 2 percent, with volume increases in Agricultural Sciences (up 7 percent), Performance Plastics (up 5 percent), Performance Materials (up 4 percent) and Coatings and Infrastructure Solutions (up 1 percent) more than offsetting volume declines in Electronics and Functional Materials (down 3 percent) and Feedstocks and Energy (down 1 percent). Volume increased in all geographic areas.

Net sales for the first nine months of 2012 were $42.9 billion, down 7 percent from $45.9 billion in the same period last year. Compared with the first nine months of 2011, price decreased 5 percent and volume decreased 2 percent. The price decrease was unfavorably impacted by currency, which accounted for nearly 60 percent of the price decline. Price decreases were reported in all operating segments, except Agricultural Sciences (up 2 percent), and all geographic areas. The decline in volume reflects the impact of recent divestitures. Excluding these divestitures, volume increased 2 percent driven by growth in Agricultural Sciences (up 10 percent), Performance Plastics (up 3 percent) and Coatings and Infrastructure Solutions and

Performance Materials (each up 1 percent), which more than offset declines in Electronic and Functional Materials (down 3 percent) and Feedstocks and Energy (down 1 percent). Volume increased in all geographic areas, except Latin America (down 1 percent). For additional details regarding the change in net sales, see the Sales Volume and Price tables at the end of the section entitled “Segment Results.”

Gross margin was $2,269 million in the third quarter of 2012, up from $2,181 million in the third quarter of last year. Gross margin increased due to lower purchased feedstock and energy costs, lower other raw materials costs and the favorable impact of currency on costs, which more than offset lower selling prices, decreased sales volume and increased accruals for performance-based compensation. Gross margin was also favorably impacted by the recovery of previously expensed product liability claims, with a corresponding reduction in a liability to Dow Corning, pursuant to an Insurance Allocation Agreement. Year to date, gross margin was $7,016 million, down from $7,292 million in the first nine months of 2011. The decline was due to lower selling prices, decreased sales volume and lower operating rates, which more than offset the benefit of lower purchased feedstock and energy costs and the favorable impact of currency on costs.

The Company’s global plant operating rate was 83 percent of capacity in the third quarter of 2012, unchanged from the third quarter of 2011. For the first nine months of 2012, the Company's global plant operating rate was 81 percent, down from 83 percent in the first nine months of 2011.

Personnel count was 52,611 at September 30, 2012, up from 51,705 at December 31, 2011 and up from 51,732 at September 30, 2011. Headcount increased from September 30, 2011 and from year-end 2011 primarily due to the hiring of seasonal employees as well as employees aligned with the Company’s growth initiatives within the Agricultural Sciences operating segment.

Research and development (“R&D”) expenses totaled $434 million in the third quarter of 2012, up from $402 million in the third quarter of last year, primarily due to increased accruals for performance-based compensation. For the first nine months of 2012, R&D expenses totaled $1,245 million, up from $1,213 million in the first nine months of 2011.

Selling, general and administrative (“SG&A”) expenses totaled $739 million in the third quarter of 2012, up $48 million (7 percent) from $691 million in the third quarter of last year, primarily due to increased accruals for performance-based compensation, which were partially offset by cost reduction initiatives. For the first nine months of 2012, SG&A expenses totaled $2,120 million, up $34 million (2 percent) from $2,086 million in the first nine months of 2011.

Amortization of intangibles was $117 million in the third quarter of 2012, down slightly from $125 million in the third quarter of last year. In the first nine months of 2012, amortization of intangibles was $361 million, down from $373 million in the same period last year. See Note F 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, which was initiated by the Company in the second quarter of 2011. The 1Q12 Restructuring plan includes the elimination of approximately 900 positions. In addition, the Company will shut down a number of manufacturing facilities. 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 and 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 is shown as "Restructuring charges" in the consolidated statements of income and reflected in the Company's segment results as follows: $17 million in Electronic and Functional Materials, $41 million in Coatings and Infrastructure Solutions, $186 million in Performance Materials and $113 million in Corporate. See Note C to the Consolidated Financial Statements for details on the Company's restructuring activities.

In the first quarter of 2011, pretax charges totaling $31 million were recorded for integration costs related to the April 1, 2009 acquisition of Rohm and Haas Company. These charges were reflected in Corporate.

Dow’s share of the earnings of nonconsolidated affiliates was $175 million in the third quarter of 2012, down $200 million from $375 million in the third quarter of last year, primarily due to lower earnings at Dow Corning and EQUATE Petrochemical Company K.S.C. ("EQUATE"), as well as equity losses from Sadara Chemical Company equal to the Company's share of development expenses. In addition, the third quarter of 2011 included an $86 million gain related to cash collected on a previously impaired note receivable related to Equipolymers (reflected in Performance Plastics). For the first nine months of 2012, Dow's share of the earnings of nonconsolidated affiliates was $492 million, down $472 million from

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$964 million in the same period last year, primarily due to lower earnings at MEGlobal, Dow Corning and the SCG-Dow Group, as well as equity losses from Sadara Chemical Company.

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 third quarter of 2012 was net expense of $21 million, a decrease of $68 million compared with net income of $47 million in the same quarter of 2011. The third quarter of 2012 included foreign currency exchange losses and non-income tax related expenses. The third quarter of 2011 included a small gain on the divestiture of the Polypropylene business (reflected in Performance Plastics) and gains from the mark-to-market of trading securities that more than offset foreign currency exchange losses. Year to date, sundry income (expense) - net was net income of $23 million, reflecting 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), non-income tax related expenses and foreign currency exchange losses. This compared with net expense of $322 million in the first nine months of 2011, which included a $482 million loss on the early extinguishment of debt (reflected in Corporate) (see Note K to the Consolidated Financial Statements), gains on the divestiture of the Polypropylene business and other small divestitures, $25 million of dividend income received from the Company's ownership interest in the divested Styron business unit (reflected in Corporate), gains from the mark-to-market of trading securities, working capital adjustments from prior divestitures, a gain from the consolidation of a joint venture, as well as foreign currency exchange losses.

Net interest expense (interest expense less capitalized interest and interest income) was $308 million in the third quarter of 2012, compared with $296 million in the third quarter of last year. Year to date, net interest expense was $933 million, compared with $984 million in the first nine months of 2011. The year-to-date decrease in net interest expense reflects the Company's efforts to reduce financing costs and debt in 2011 and in the first quarter of 2012 (see Note K to the Consolidated Financial Statements). Interest income was $10 million in the third quarter of 2012, compared with $9 million in the third quarter of 2011, and $26 million for the first nine months of 2012, unchanged from the first nine months of 2011.

The effective tax rate for the third quarter of 2012 was 28.4 percent compared with 17.1 percent for the third quarter of 2011. For the first nine months of 2012 the effective tax rate was 26.4 percent compared with 16.8 percent for the first nine months of 2011. The Company's effective tax rate fluctuates based on, among other factors, where income is earned, reinvestment assertions regarding earned income, the level of income relative to tax credits available and the level of equity earnings taxed at the joint venture level. The increase in the third quarter of 2012 tax rate compared with the third quarter of 2011 tax rate was primarily due to a change in the geographic mix of earnings, notably a decrease in earnings in Europe and an increase in earnings in the United States, and continued reductions in equity earnings. The tax rate was favorably impacted by a change in the reinvestment assertions of certain affiliates; however, this was partially offset by unfavorable adjustments to uncertain tax positions. The tax rate in the third quarter of 2011 was favorably impacted by continued earnings growth outside of the United States, primarily in Europe, and strong equity earnings. The increase in the tax rate for the first nine months of 2012 compared with the first nine months of 2011 reflects the same factors noted in the third quarter of 2012 as well as an impact from the 1Q12 Restructuring plan. The tax rate for the first nine months of 2011 was favorably impacted by tax benefits from the early extinguishment of debt in the United States, the reorganization of a joint venture and accrual-to-return adjustments related to filing of tax returns during 2011.

Net income attributable to noncontrolling interests was $9 million in the third quarter of 2012, up from $3 million in the third quarter of 2011. Net income attributable to noncontrolling interests was $38 million in the first nine months of 2012, compared with $24 million in the first nine months of 2011, reflecting improved results in certain affiliates, primarily in the Performance Materials segment.

Preferred stock dividends of $85 million were recognized in the third quarters of 2012 and 2011 ($255 million in the first nine months of 2012 and 2011), related to the Company’s Cumulative Convertible Perpetual Preferred Stock, Series A.

Net income available for common stockholders was $497 million, or $0.42 per share, in the third quarter of 2012, compared with $815 million, or $0.69 per share, in the third quarter of 2011. Net income available for common stockholders for the first nine months of 2012 was $1,558 million, or $1.31 per share, compared with $2,422 million, or $2.07 per share, for the same period of 2011.

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The following tables summarize the impact of certain items recorded in the three and nine-month periods ended September 30, 2012 and September 30, 2011, and previously described in this section:

Certain Items Impacting Results	Pretax Impact (1)		Impact on Net Income (2)		Impact on EPS (3)	
	Three Months Ended		Three Months Ended		Three Months Ended	
In millions, except per share amounts	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
Gain on collection of impaired note receivable	$—	$86	$—	$86	$—	$0.07
Total	$—	$86	$—	$86	$—	$0.07

Certain Items Impacting Results	Pretax Impact (1)		Impact on Net Income (2)		Impact on EPS (3)	
	Nine Months Ended		Nine Months Ended		Nine Months Ended	
In millions, except per share amounts	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
Restructuring charges	$(357)	$—	$(287)	$—	$(0.25)	$—
Acquisition-related integration expenses	—	(31)	—	(20)	—	(0.02)
Gain on collection of impaired note receivable	—	86	—	86	—	0.07
Loss on early extinguishment of debt	(24)	(482)	(15)	(314)	(0.01)	(0.27)
Total	$(381)	$(427)	$(302)	$(248)	$(0.26)	$(0.22)

(1) Impact on “Income Before Income Taxes.”
(2) Impact on “Net Income Attributable to The Dow Chemical Company.”
(3) Impact on “Earnings per common share – diluted.”

OUTLOOK

Global growth remained slow throughout the third quarter, consistent with the Company's previous outlook, driven by ongoing recessionary conditions in Europe and continued deceleration in China.

In the United States, Dow is seeing demand growth in the agriculture and automotive industries. The Company also continues to benefit from strong, favorable feedstock conditions due to shale gas dynamics in the United States. However, continued softness in the consumer and institutional goods markets is expected to curb overall momentum. Recessionary conditions are expected to continue in Europe, with no growth expected in the construction and automotive industries.

Growth is moderating in the emerging geographies. The Company expects slower growth rates in China, specifically in the construction and manufacturing sectors. Latin America shows signs of improvement in agriculture, driven by higher crop prices, and in the consumer and institutional goods markets.

Overall, Dow expects global economic growth to be slow for the remainder of 2012, with incremental improvements expected in 2013. The Company has employed measures to reduce costs and manage capital expenditures in response to the difficult macroeconomic environment. Dow will continue to prioritize shareholder returns by focusing on improving return on capital, increasing cash flow and growing earnings. With a new management structure in place, the Company is well positioned to execute against these objectives.

SEGMENT RESULTS

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 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. Additional information regarding the Company’s operating segments and a reconciliation of EBITDA to “Income Before Income Taxes” can be found in Note Q to the Consolidated Financial Statements.

Due to the completion of recent divestitures, the change in sales volume from 2011 excluding divestitures is provided by operating segment, where applicable. Sales excluding divestitures exclude the sales of the Polypropylene business that was divested on September 30, 2011 and sales of Dow Haltermann that was divested during 2011.

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During September 2012, the Company announced it was eliminating its business division structure and moving to a global business president structure. This organizational change did not result in a modification to the Company's operating segments. However, the grouping of global businesses within individual operating segments may change. Such changes, if any, will be reflected in the Corporate Profile as well as in the Segment Results discussion included in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's 2012 Annual Report on Form 10-K for the year ending December 31, 2012.

ELECTRONIC AND FUNCTIONAL MATERIALS

The Electronic and Functional Materials segment consists of two businesses – Dow Electronic Materials and Functional Materials – and includes a portion of the Company's share of the results of Dow Corning Corporation, a joint venture of the Company. Dow Electronic Materials is a leading global supplier of materials for chemical mechanical planarization; materials used in the production of electronic displays, including brightness films, diffusers, metalorganic light emitting diode precursors and organic light emitting diode materials; products and technologies that drive leading edge semiconductor design; materials used in the fabrication of printed circuit boards; and integrated metallization processes critical for interconnection, corrosion resistance, metal finishing and decorative applications. These enabling materials are found in applications such as consumer electronics, flat panel displays and telecommunications. Dow Electronic Materials includes Display Technologies, Growth Technologies, Interconnect Technologies and Semiconductor Technologies. Functional Materials is a portfolio of businesses characterized by a vast global footprint, a broad array of unique chemistries, multi-functional ingredients and technology capabilities, combined with key positions in the pharmaceuticals; food, home and personal care; and industrial specialties. These technology capabilities and market platforms enable the businesses to develop innovative solutions that address modern societal needs for clean water and air; material preservation; and improved health care, disease prevention, nutrition and wellness. Functional Materials includes Personal Home and Industrial Care, Dow Microbial Control and Dow Wolff Cellulosics.

Electronic and Functional Materials	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
Sales	$1,111	$1,205	$3,383	$3,536
Price change from comparative period	(5)%	N/A	(1)%	N/A
Volume change from comparative period	(3)%	N/A	(3)%	N/A
Equity earnings	$27	$23	$81	$72
EBITDA	$273	$306	$803	$850
Certain items impacting EBITDA	$—	$—	$(17)	$—

Electronic and Functional Materials sales were $1,111 million in the third quarter of 2012, down 8 percent from $1,205 million in the third quarter of 2011. Compared with the same quarter last year, price decreased 5 percent (with more than 40 percent of the decrease due to currency) and volume decreased 3 percent. Price decreased in all geographic areas and across all major business units in response to decreasing raw material costs. Volume decreased in all geographic areas, except Asia Pacific, driven by weaker demand for consumer electronics, specialty polymers used in home and personal care applications and specialty cellulosics used in food and pharmaceutical applications. EBITDA in the third quarter of 2012 was $273 million, down from $306 million in the third quarter of 2011, as lower raw material costs, the favorable impact of currency on costs and lower SG&A and R&D expenses were more than offset by lower selling prices and decreased sales volume.

Dow Electronic Materials sales in the third quarter of 2012 decreased 6 percent from the same quarter last year as price and volume both declined 3 percent. The decrease in price was driven by continued competitive pricing pressure and the unfavorable impact of currency. While growth in sales of smartphones and media tablets remained strong, volume decreased across most geographic areas driven by weaker macroeconomic conditions in other sectors of the electronics industry. Volume decreased in Interconnect Technologies due to lower demand for printed circuit boards. Volume declined in Display Technologies due to lower demand for organic light emitting diode materials, backlight film and glass filter products used in televisions and personal computers. Higher demand for chemical mechanical planarization pads and slurries drove volume growth in the Semiconductor Technology business unit.

Functional Materials sales in the third quarter of 2012 decreased 9 percent from the third quarter of 2011, as price declined 6 percent (with more than one-half of the decrease due to currency) and volume decreased 3 percent. The decrease in price was broad-based, with decreasing raw material costs driving price declines in all geographic areas and most business units. Volume decreased in most geographic areas, most notably in North America, driven by lower acrolein sales, lower demand for specialty amines and polymers and lower demand for cellulosics used in food and pharmaceutical applications. Despite lower demand in North America, Dow Microbal Control volume increased due to growth in energy applications, especially in Asia Pacific.

Electronic and Functional Materials sales were $3,383 million for the first nine months of 2012, down 4 percent from $3,536 million in the first nine months of 2011. Compared with the first nine months of 2011, volume decreased 3 percent and price decreased 1 percent (primarily due to currency). EBITDA for the first nine months of 2012 was $803 million, down from $850 million in the first nine months of 2011. EBITDA decreased from last year as lower selling prices, decreased sales volume and higher operating costs associated with planned maintenance turnarounds more than offset lower raw material costs and lower SG&A expenses. In addition, EBITDA for the first nine months of 2012 was negatively impacted by a $17 million 1Q12 Restructuring charge related to the write-off of a canceled capital project. See Note C to the Consolidated Financial Statements for additional information on the 1Q12 Restructuring plan.

On July 20, 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. Dow Corning is complying with MOFCOM in the investigations and is contesting the allegations. The outcome of this matter is uncertain but could potentially have an impact on equity earnings from Dow Corning.

COATINGS AND INFRASTRUCTURE SOLUTIONS

The Coatings and Infrastructure Solutions segment includes the following businesses: Dow Building and Construction, Dow Coating Materials, Dow Water and Process Solutions, and Performance Monomers; and includes a portion of the Company's share of the results of Dow Corning Corporation, a joint venture of the Company. These businesses produce a wide variety of products with a broad range of applications – adhesives and sealants, construction materials (insulation, weatherization and vinyl applications), cellulosic-based construction additives, raw materials for architectural paints and industrial coatings, and technologies used for water purification.

Coatings and Infrastructure Solutions	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
Sales	$1,730	$1,905	$5,321	$5,639
Price change from comparative period	(10)%	N/A	(7)%	N/A
Volume change from comparative period	1%	N/A	1%	N/A
Equity earnings	$29	$72	$96	$219
EBITDA	$246	$372	$787	$990
Certain items impacting EBITDA	$—	$—	$(41)	$—

Coatings and Infrastructure Solutions sales were $1,730 million in the third quarter of 2012, down from $1,905 million in the third quarter of 2011. Sales decreased 9 percent, with price down 10 percent (with approximately one-third of the price decrease due to currency) and volume up 1 percent. The price decrease was across all geographic areas and all businesses, driven primarily by lower feedstock and energy and other raw material costs. Dow Coating Materials volume increased across all geographic areas, except Latin America, due to higher demand for industrial coatings. In North America and EMEA, industrial coatings volume increased due to higher demand for traffic paint and paper coatings. Despite market share gains achieved through technology innovations, volume for architectural coatings was flat driven by continued weaker end-use market conditions. Performance Monomers volume increased due to market share gains in EMEA. Dow Building and Construction volume declined due to price/volume optimization in North America and slower construction activity in EMEA, which more than offset

volume gains in Asia Pacific. Dow Water and Process Solutions volume decreased in Asia Pacific due to decreased demand for reverse osmosis membranes used in water desalination projects, lower demand for ion exchange resins used in power plant operations and ultrapure water applications used in the production of consumer electronics.
EBITDA in the third quarter of 2012 was $246 million, down from $372 million in the third quarter of 2011. EBITDA decreased from the same quarter last year as lower selling prices and decreased equity earnings from Dow Corning more than offset lower feedstock and energy costs, lower SG&A expenses and the favorable impact of currency on costs.
Coatings and Infrastructure Solutions sales were $5,321 million for the first nine months of 2012, down 6 percent from $5,639 million in the same period last year. Compared with the first nine months of 2011, price declined 7 percent (with approximately 40 percent of the price decrease due to currency) and volume increased 1 percent. Price declined in all geographic areas primarily driven by lower feedstock and energy and other raw material costs. Volume was slightly higher as

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increased demand for industrial coatings and reverse osmosis membranes was partially offset by lower demand for insulation products and ion exchange resins.

EBITDA for the first nine months of 2012 was $787 million, compared with $990 million in the first nine months of 2011. EBITDA declined from last year as lower selling prices and decreased equity earnings from Dow Corning more than offset lower feedstock and energy and other raw material costs and lower SG&A expenses. EBITDA in the first nine months of 2012 was negatively impacted by $41 million of 1Q12 Restructuring charges, consisting of asset write-downs and write-offs of $37 million and costs associated with exit or disposal activities of $4 million. See Note C to the Consolidated Financial Statements for additional information on the 1Q12 Restructuring plan.

On July 20, 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. Dow Corning is complying with MOFCOM in the investigations and is contesting the allegations. The outcome of this matter is uncertain but could potentially have an impact on equity earnings from Dow Corning.

AGRICULTURAL SCIENCES

Dow AgroSciences is a global leader in providing agricultural crop protection and plant biotechnology products, pest management solutions and healthy oils. The business invents, develops, manufactures and markets products for use in agriculture, industrial and commercial pest management, and food service.

Agricultural Sciences	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
Sales	$1,302	$1,205	$4,816	$4,311
Price change from comparative period	1 %	N/A	2 %	N/A
Volume change from comparative period	7 %	N/A	10 %	N/A
Equity earnings	$3	$—	$3	$3
EBITDA	$63	$75	$821	$768

Agricultural Sciences sales were $1,302 million in the third quarter of 2012, up 8 percent from $1,205 million in the third quarter of 2011, a third quarter sales record for the segment. Compared with the third quarter of 2011, volume increased 7 percent and price increased 1 percent, despite an unfavorable currency impact. Double-digit sales growth was reported in North America and Latin America as customers continued to adopt new products and technologies. New crop protection product sales increased 17 percent, led by sales of spinetoram insecticide. Seeds, Traits and Oils reported significant third quarter sales growth of more than 20 percent compared with the same period last year with the healthy oils portfolio the key driver of growth. EBITDA for the third quarter of 2012 was $63 million, down $12 million from $75 million in the third quarter of 2011. EBITDA decreased as higher SG&A and other expenses due to growth initiatives more than offset higher selling prices, volume growth and the favorable impact from the recovery of previously expensed product liability claims.

For the first nine months of 2012, sales for Agricultural Sciences were $4,816 million, up 12 percent from $4,311 million in 2011, and representing a new year-to-date sales record for the segment. Compared with the same period last year, volume increased 10 percent and price increased 2 percent. New products and technologies drove double-digit sales growth in North America and Latin America. Globally, new crop protection product sales increased more than 20 percent in the first nine months of 2012, compared with the same period last year, led by strong volume gains for new products and line extensions. Seeds, Traits and Oils reported significant sales growth of more than 20 percent compared with the first nine months of 2011, with gains in key crops including corn, oilseeds, cotton and soybeans.

Increased corn sales in North America and Latin America were a key driver of growth, with increased penetration of SmartStax® hybrids and Refuge Advanced™ in North America and further adoption of Herculex™ technology in Latin America.

For the first nine months of 2012, EBITDA was $821 million, up $53 million from $768 million the first nine months of 2011. EBITDA increased as favorable global agricultural conditions and new product sales and seed technologies drove volume growth, which more than offset increased R&D and SG&A expenses related to ongoing growth initiatives.

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PERFORMANCE MATERIALS

The Performance Materials segment includes the following businesses: Amines; Chlorinated Organics; Dow Automotive Systems; Dow Formulated Systems; Dow Oil and Gas; Dow Plastic Additives; Epoxy; Oxygenated Solvents; Polyglycols, Surfactants and Fluids; and Polyurethanes. These businesses produce a wide variety of products with a broad range of applications – adhesives, aircraft and runway deicing fluids, automotive interiors and exteriors, carpeting, footwear, home furnishings, mattresses, personal care products, transportation, waterproofing membranes and wind turbines. The segment also includes a portion of the results of the SCG-Dow Group, joint ventures of the Company.

The segment included Dow Haltermann until it was fully divested at December 31, 2011.

Performance Materials	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
Sales	$3,411	$3,698	$10,253	$11,097
Price change from comparative period	(11)%	N/A	(7)%	N/A
Volume change from comparative period	3%	N/A	(1)%	N/A
Volume change, excluding divestitures	4%	N/A	1%	N/A
Equity losses	$(30)	$(11)	$(67)	$(20)
EBITDA	$491	$478	$1,173	$1,523
Certain items impacting EBITDA	$—	$—	$(186)	$—

Performance Materials sales were $3,411 million in the third quarter of 2012, down 8 percent from $3,698 million in the third quarter of 2011. Compared with the third quarter of last year, price declined 11 percent, with nearly 40 percent of the decline due to the unfavorable impact of currency. Competitive pricing pressure combined with lower feedstock and energy and other raw material costs drove price decreases across all geographic areas and most businesses. Volume increased 3 percent, including the impact of the 2011 divestiture of the Dow Haltermann business. Excluding the impact of this divestiture, volume was up 4 percent. Volume increases were broad-based across all geographic areas, except Latin America which was impacted by the shutdown of the Company's toluene diisocyanate manufacturing facility in Brazil. Polyurethanes reported strong volume growth, particularly in Asia Pacific where additional propylene oxide capacity was added in Thailand. Dow Oil and Gas reported double-digit volume growth across all geographic areas, driven by strong fundamentals in both exploration and production and refining and processing industries. Epoxy volume increased, driven by especially strong volume in Europe as a result of increased demand for Phenol used in polycarbonate-based applications. Volume for Dow Formulated Systems was up as increased demand in the energy efficiency and infrastructure sectors more than offset weak demand in the wind energy sector in Asia Pacific.

EBITDA for the third quarter of 2012 was $491 million, up from $478 million in the third quarter of 2011. Compared with the same period last year, increased sales volume, lower feedstock and energy and other raw material costs and lower SG&A expenses more than offset lower selling prices and the impact of an asset impairment charge. EBITDA for the third quarter of 2012 was also favorably impacted by the recovery of previously expensed product liability claims.

For the first nine months of 2012, Performance Materials sales were $10,253 million, a decrease of 8 percent from $11,097 million in the same period last year. Compared with last year, price declined 7 percent, with more than 40 percent of the decline due to the unfavorable impact of currency, and volume declined 1 percent. The decrease in price was broad-based, with lower prices across most businesses and geographic areas and largely driven by lower feedstock and energy and other raw material costs. The volume decline reflects the impact of the 2011 divestiture of the Dow Haltermann business. Excluding the impact of this divestiture, volume improved 1 percent compared with the first nine months of the 2011, with volume gains in Amines, Dow Oil and Gas, Dow Formulated Systems, Dow Plastic Additives, Oxygenated Solvents and Polyurethanes more than offsetting declines in Chlorinated Organics, Dow Automotive Systems, Epoxy and Polyglycols, Surfactants and Fluids.

EBITDA for the first nine months of 2012 was $1,173 million, down from $1,523 million in the first nine months of 2011. Compared with the same period last year, EBITDA declined as lower selling prices, increased spending for planned maintenance turnarounds, lower equity earnings from Map Ta Phut Olefins Company Limited and equity losses from Sadara Chemical Company more than offset lower feedstock and energy and other raw material costs. EBITDA in the first nine months of 2012 was negatively impacted by $186 million of 1Q12 Restructuring charges related to the shutdown/consolidation of assets in the Polyurethanes and Epoxy businesses in Brazil, Texas and Germany, and the cancellation of a capital project. See Note C to the Consolidated Financial Statements for additional information on the 1Q12 Restructuring plan.

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PERFORMANCE PLASTICS

The Performance Plastics segment is a solutions-oriented portfolio comprised of Dow Performance Packaging, Dow Elastomers, Dow Electrical and Telecommunications, Dow Hygiene and Medical, and Dow Licensing and Catalyst. These businesses serve high-growth, strategic sectors where Dow's world-class technology and rich innovation pipeline create new competitive advantages for customers and the entire value chain. These businesses also have complementary market reach, asset capabilities and technology platforms that provide immediate and long-term growth synergies. Product applications include high performance flexible and rigid packaging; packaging adhesives; disposable diaper components; elastomeric materials for transportation, toys, sporting goods and housewares; plastic pipe; and wire and cable insulation and jacketing materials for power utility and telecommunications. The Performance Plastics segment also includes the results of Univation Technologies, LLC, as well as a portion of the results of EQUATE Petrochemical Company K.S.C., The Kuwait Olefins Company K.S.C. and the SCG-Dow Group, all joint ventures of the Company.

On September 30, 2011, the Company sold its global Polypropylene business to Braskem SA. The transaction did not include Dow's Polypropylene Licensing and Catalyst business. The Polypropylene business was reported in the Performance Plastics segment through the date of the divestiture.

Performance Plastics	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
Sales	$3,500	$4,114	$10,802	$12,598
Price change from comparative period	(9)%	N/A	(6)%	N/A
Volume change from comparative period	(6)%	N/A	(8)%	N/A
Volume change, excluding divestitures	5 %	N/A	3 %	N/A
Equity earnings	$28	$150	$101	$271
EBITDA	$737	$834	$2,215	$2,773
Certain items impacting EBITDA	$—	$86	$—	$86

Performance Plastics sales in the third quarter of 2012 were $3,500 million, down 15 percent from $4,114 million in the third quarter of 2011 with price down 9 percent (with more than one-third of the decrease due to currency) and volume down 6 percent. Feedstock and energy costs fell during the quarter resulting in lower selling prices across most geographic areas and businesses. A double-digit price decline was reported in EMEA, where modest price increases were more than offset by the unfavorable impact of currency. Volume decreased due to the divestiture of the Polypropylene business. Excluding the impact of this divestiture, volume increased 5 percent. Volume was higher in all geographic areas with a double-digit increase in Asia Pacific. Dow Elastomers reported strong, double-digit volume growth in all geographic areas, except EMEA, due to strong demand in the transportation and adhesive industries. Volume improvement in EMEA was modest despite a demand decline in the transportation industry and continued weak economic conditions. Dow Electrical and Telecommunications reported strong volume growth in Asia Pacific, notably in China, due to continued strong demand for fiber optic cable. This was partially offset by volume declines in North America and EMEA due to lower demand in the power industry. Dow Performance Packaging reported modest volume growth with improvement in all geographic areas as demand improved in the rigid packaging, food and specialty packaging industries. Sales in the third quarter of 2011 were negatively impacted by various planned maintenance turnarounds in Latin America and North America. Dow Hygiene and Medical volume was up in EMEA, Latin America and Asia Pacific due to strong demand for diapers and other hygiene products. Volume decreased in North America due to changing population demographics and a focus on more environmentally conscious products.

EBITDA in the third quarter of 2012 was $737 million, down from $834 million in the third quarter of 2011. EBITDA declined as lower selling prices, the absence of earnings from divested businesses, reduced equity earnings from the

SCG-Dow Group and equity losses from Sadara Chemical Company more than offset the favorable impact of lower feedstock and energy costs and other raw material costs and lower spending on planned maintenance turnarounds. EBITDA in the third quarter of 2011 included an $86 million gain related to cash collected on a previously impaired note receivable related to Equipolymers.

Performance Plastics sales for the first nine months of 2012 were $10,802 million, down 14 percent from $12,598 million in the first nine months of 2011. Compared with the first nine months of 2011, price decreased 6 percent (with more than one-third of the decrease due to currency) while volume decreased 8 percent, reflecting the divestiture of the Polypropylene business. Excluding the impact of this divestiture, volume was up 3 percent. EBITDA for the first nine months of 2012 was $2,215 million, down from $2,773 million in the first nine months of 2011. EBITDA declined as lower selling prices, higher freight and other raw material costs, the absence of earnings from divested businesses, decreased equity earnings from The Kuwait Styrene Company K.S.C. and the SCG-Dow Group and equity losses from Sadara Chemical Company more than offset

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lower feedstock and energy costs and decreased costs related to planned maintenance turnarounds. EBITDA for the first nine months of 2011 included an $86 million gain related to cash collected on a previously impaired note receivable related to Equipolymers.

FEEDSTOCKS AND ENERGY

The Feedstocks and Energy segment includes the following businesses: Chlor-Alkali/Chlor-Vinyl; Energy; Ethylene Oxide/Ethylene Glycol; and Hydrocarbons. The Chlor-Alkali/Chlor-Vinyl business focuses on the production of chlorine for consumption by downstream Dow derivatives, as well as production, marketing and supply of ethylene dichloride, vinyl chloride monomer and caustic soda. These products are used for applications such as alumina production, pulp and paper manufacturing, soaps and detergents, and building and construction. The Energy business supplies power, steam and other utilities, principally for use in Dow's global operations. The Ethylene Oxide/Ethylene Glycol ("EO/EG") business is the world's largest producer of purified ethylene oxide, principally used in Dow's downstream performance derivatives. Dow is also a key supplier of ethylene glycol to MEGlobal, a 50:50 joint venture and world leader in the manufacture and marketing of merchant monoethylene glycol and diethylene glycol. Ethylene glycol is used in polyester fiber, polyethylene terephthalate (PET) for food and beverage container applications, polyester film, and aircraft and runway deicers. The Hydrocarbons business encompasses the procurement of natural gas liquids and crude oil-based raw materials, as well as the supply of monomers, principally for use in Dow's global operations. The business regularly sells its by-products and buys and sells products in order to balance regional production capabilities and derivative requirements. The business also sells products to certain Dow joint ventures. Also included in the Feedstocks and Energy segment are the results of Compañia Mega S.A. and MEGlobal, and a portion of the results of EQUATE Petrochemical Company K.S.C. ("EQUATE"), The Kuwait Olefins Company K.S.C., and the SGC-Dow Group, all joint ventures of the Company.

Feedstocks and Energy	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
Sales	$2,521	$2,905	$8,113	$8,456
Price change from comparative period	(12)%	N/A	(3)%	N/A
Volume change from comparative period	(1)%	N/A	(1)%	N/A
Equity earnings	$123	$153	$300	$446
EBITDA	$200	$263	$532	$765

Feedstocks and Energy sales were $2,521 million in the third quarter of 2012, down 13 percent from $2,905 million in third quarter of 2011, driven by a 12 percent decrease in price and a 1 percent decrease in volume.

Sales of the Hydrocarbons business decreased 12 percent in the third quarter of 2012, primarily due to an 11 percent decrease in price. Price declined due to lower feedstock costs, primarily in North America and EMEA, and the unfavorable impact of currency, representing nearly 60 percent of the price decrease. For the first nine months of 2012, sales were up 1 percent from the same period last year.

Energy sales decreased 27 percent in the third quarter of 2012, driven by a 24 percent decrease in volume. The decline in volume was primarily the result of decreased sales of industrial gas in all geographic areas. Sales for the Energy business are primarily opportunistic merchant sales driven by market conditions and sales to customers located on Dow manufacturing sites. For the first nine months of 2012, Energy sales were down 29 percent from the same period last year.

The Company uses derivatives of crude oil and natural gas as a feedstock in its ethylene facilities. The Company's cost of purchased feedstocks and energy in the third quarter of 2012 decreased $1.2 billion compared with the same quarter last year, a decrease of 20 percent. The cost of purchased feedstocks decreased primarily due to lower feedstocks and energy prices in the United States due to increased supply of shale gas and natural gas liquids as well as lower naptha and condensate prices in Europe. Year to date, the cost of purchased feedstocks and energy was down $2.1 billion from the same period last year, a decrease of 12 percent.

The Chlor-Alkali/Chlor-Vinyl business reported a 16 percent decrease in sales in the third quarter of 2012 compared with the same period last year, with price down 15 percent and volume down 1 percent. Caustic soda sales were down, with price declines in all geographic areas more than offsetting volume growth in North America and Latin America. Vinyl chloride monomer ("VCM") sales decreased primarily due to price declines, as well as lower volumes, which declined primarily due to a reduction in production capacity in North America and weaker demand in Europe. For the first nine months of 2012, sales for

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Chlor-Alkali/Chlor-Vinyl were down 16 percent from the same period last year, driven by a 10 percent decrease in volume and a 6 percent decrease in price.

Ethylene Oxide/Ethylene Glycol ("EO/EG") sales were down 7 percent in the third quarter of 2012, driven by a 22 percent decrease in price that more than offset a 15 percent increase in volume. Price decreases were primarily due to lower monoethylene glycol ("MEG") prices, driven by a weaker global economy. In addition, during the third quarter of 2011, MEG prices spiked due to very tight supply and demand conditions, especially in Asia Pacific, as the industry experienced uncertainties due to unplanned shutdowns. Double-digit volume growth was reported in EMEA and North America, driven by higher merchant sales of ethylene oxide. For the first nine months of 2012, EO/EG sales were flat compared with the same period last year.

Feedstocks and Energy EBITDA in the third quarter of 2012 was $200 million, down from $263 million in the third quarter of 2011 as lower feedstock and energy costs were more than offset by a decrease in selling price and lower equity earnings from EQUATE and Compañia Mega S.A. An unplanned production outage at EQUATE during the third quarter of 2012 negatively impacted equity earnings. EBITDA for the first nine months of 2012 was $532 million, down significantly from $765 million in the same period last year primarily due to reduced equity earnings from MEGlobal, The Kuwait Olefins Company K.S.C., EQUATE and Compañia Mega S.A. The Hydrocarbons business transfers materials to Dow's derivative businesses and the Energy business supplies utilities to Dow's businesses at net cost, resulting in EBITDA that is at or near break-even for these businesses.

The Company recently announced a number of investments in the U.S. Gulf Coast to take advantage of increasing supplies of low-cost natural gas and natural gas liquids from shale gas. As a result of these investments, the Company's exposure to purchased ethylene and propylene is expected to decline, offset by increased exposure to ethane and propane feedstocks. The first project to come online will be the re-start of an ethylene cracker in St. Charles, Louisiana, which is expected to be completed by the end of 2012. The Company also announced investments in a new on-purpose propylene production unit (expected start-up in 2015) and a new ethylene production unit (expected start-up in 2017), both located in Freeport, Texas. As a result of these investments, Dow's ethylene production capabilities are expected to increase by as much as 20 percent.

CORPORATE

Included in the results for Corporate are:

- results of insurance company operations;
- results of Ventures (which includes new business incubation platforms focused on identifying and pursuing new commercial opportunities);
- Venture Capital;
- gains and losses on sales of financial assets;
- stock-based compensation expense and severance costs;
- changes in the allowance for doubtful receivables;
- asbestos-related defense and resolution costs;
- foreign exchange hedging results;
- non-business aligned technology licensing and catalyst activities;
- environmental operations;
- enterprise level mega project activities; and
- certain corporate overhead costs and cost recovery variances not allocated to the operating segments.

Corporate In millions	Three Months Ended	Nine Months Ended

	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012	Sep 30, 2011
Sales	$62	$77	$181	$251
Equity losses	$(5)	$(12)	$(22)	$(27)
EBITDA	$(212)	$(229)	$(865)	$(1,296)
Certain items impacting EBITDA	$—	$—	$(137)	$(513)

Sales for Corporate, which primarily relate to the Company's insurance operations, were $62 million in the third quarter of 2012, down from $77 million the third quarter of 2011. For the first nine months of 2012, sales were $181 million, down from $251 million in the same period of 2011.

EBITDA in the third quarter of 2012 was a loss of $212 million, compared with a loss of $229 million in the third quarter of 2011. Compared with the same period last year, EBITDA was favorably impacted by lower Corporate overhead costs and foreign currency exchange losses which more than offset an increase in performance-based compensation costs (including expenses related to stock-based compensation).

EBITDA for the first nine months of 2012 was a loss of $865 million, compared with a loss of $1,296 million in the same period last year. EBITDA was favorably impacted by lower Corporate overhead costs which were partially offset by
$113 million of severance costs related to the workforce reduction component of the Company's 1Q12 Restructuring plan, as well as a $24 million loss related to the early extinguishment of debt. EBITDA for the first nine months of 2011 was impacted by a $482 million loss related to the early extinguishment of debt, $31 million of integration costs related to the April 1, 2009 acquisition of Rohm and Haas Company and $25 million in dividend income related to the Company's ownership interest in the divested Styron businesses. See Note C to the Consolidated Financial Statements for additional information on the 1Q12 Restructuring plan.

Sales Volume and Price by Operating Segment and Geographic Area	Three Months Ended Sep 30, 2012			Nine Months Ended Sep 30, 2012		
Percentage change from prior year	Volume	Price	Total	Volume	Price	Total
Operating segments						
Electronic and Functional Materials	(3)%	(5)%	(8)%	(3)%	(1)%	(4)%
Coatings and Infrastructure Solutions	1	(10)	(9)	1	(7)	(6)
Agricultural Sciences	7	1	8	10	2	12
Performance Materials	3	(11)	(8)	(1)	(7)	(8)
Performance Plastics	(6)	(9)	(15)	(8)	(6)	(14)
Feedstocks and Energy	(1)	(12)	(13)	(1)	(3)	(4)
Total	(1)%	(9)%	(10)%	(2)%	(5)%	(7)%
Geographic areas						
United States	(3)%	(8)%	(11)%	(3)%	(3)%	(6)%
Europe, Middle East and Africa	(2)	(11)	(13)	(3)	(6)	(9)
Rest of World	3	(8)	(5)	—	(4)	(4)
Total	(1)%	(9)%	(10)%	(2)%	(5)%	(7)%

Sales Volume and Price by Operating Segment and Geographic Area Excluding Divestitures (1)	Three Months Ended Sep 30, 2012			Nine Months Ended Sep 30, 2012		
Percentage change from prior year	Volume	Price	Total	Volume	Price	Total
Operating segments						
Electronic and Functional Materials	(3)%	(5)%	(8)%	(3)%	(1)%	(4)%
Coatings and Infrastructure Solutions	1	(10)	(9)	1	(7)	(6)
Agricultural Sciences	7	1	8	10	2	12
Performance Materials	4	(11)	(7)	1	(7)	(6)
Performance Plastics	5	(10)	(5)	3	(6)	(3)
Feedstocks and Energy	(1)	(12)	(13)	(1)	(3)	(4)
Total	2 %	(9)%	(7)%	2 %	(5)%	(3)%
Geographic areas						
United States	1 %	(8)%	(7)%	1 %	(3)%	(2)%
Europe, Middle East and Africa	3	(12)	(9)	3	(7)	(4)
Rest of World	4	(8)	(4)	—	(3)	(3)

Total	2 %	(9)%	(7)%	2 %	(5)%	(3)%

(1) Excludes sales of the Polypropylene business that was divested on September 30, 2011 and sales of Dow Haltermann that was divested during 2011.

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CHANGES IN FINANCIAL CONDITION

The Company's cash flows from operating, investing and financing activities, as reflected in the consolidated statements of cash flows, are summarized in the following table:

Cash Flow Summary	Nine Months Ended	
In millions	Sep 30, 2012	Sep 30, 2011
Cash provided by (used in):		
Operating activities	$2,524	$1,858
Investing activities	(1,744)	(1,463)
Financing activities	(2,357)	(5,181)
Effect of exchange rate changes on cash	18	(50)
Cash assumed in initial consolidation of variable interest entities	—	3
Net change in cash and cash equivalents	$(1,559)	$(4,833)

In the first nine months of 2012, cash provided by operating activities increased compared with the same period last year primarily due to a decrease in working capital requirements.

In the first nine months of 2012, cash used in investing activities increased compared with the same period last year primarily due to increased investments in and loans to nonconsolidated affiliates as well as decreased distributions from nonconsolidated affliliates. In the first nine months of 2011, cash used in investing activities included $93 million of proceeds received on the sale of the Company's ownership interest in a nonconsolidated affiliate.

In the first nine months of 2012 and 2011, cash was used in financing activities primarily for payments on long- and short-term debt, including the early redemption of $1.25 billion of debt in the first quarter of 2012 and the retirement of $4.8 billion of debt during the first nine months of 2011, as well as dividends paid to stockholders.

The Company had cash and cash equivalents of $3,885 million at September 30, 2012 and $5,444 million at December 31, 2011, of which $1,659 million at September 30, 2012 and $2,047 million at December 31, 2011 was held by subsidiaries in foreign countries, including United States territories. For each of its foreign subsidiaries, the Company makes an assertion regarding the amount of earnings intended for permanent reinvestment, with the balance available to be repatriated to the United States. The cash held by foreign subsidiaries for permanent reinvestment is generally used to finance the subsidiaries' operational activities and future foreign investments. A deferred tax liability has been accrued for the funds that are available to be repatriated to the United States. During the second quarter of 2012, the Company changed the permanent reinvestment assertion of certain subsidiaries located in Europe, resulting in a tax benefit in that period. During the third quarter of 2012, the Company changed the permanent reinvestment assertion of certain subsidiaries located in Asia Pacific, resulting in a tax benefit in the quarter. At September 30, 2012, management believed that sufficient liquidity was available in the United States. However, in the unusual event that additional foreign funds are needed in the United States, the Company has the ability to repatriate additional funds. The repatriation could result in an adjustment to the tax liability after considering available foreign tax credits and other tax attributes.

On March 27, 2012, the 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, which was initiated by the Company in the second quarter of 2011. The 1Q12 Restructuring plan includes the elimination of approximately 900 positions and the shutdown of a number of manufacturing facilities. These actions are expected to be completed primarily by December 31, 2013. In addition, the 1Q12 Restructuring activities are expected to result in cash expenditures for contract termination fees and severance costs, the majority of which will be settled by December 31, 2013. At September 30, 2012, the remaining liability for the 1Q12 Restructuring plan was $119 million (see Note C to the Consolidated Financial Statements for information on cash payments made at September 30, 2012).

On October 23, 2012, the Board of Directors of the Company 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 3,000 positions. The 4Q12 Restructuring plan also includes asset impairments related to the shutdown of approximately 20 manufacturing facilities, the write-off of certain capital project spending and an impairment charge related to the write-down of Dow Kokam LLC's long-lived assets. As a result of these activities, the Company will record a pre-tax charge in the fourth quarter of 2012 ranging from $900 million to $1.1 billion. These actions are expected to be completed primarily over the next two years and will result in

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cash expenditures related to severance costs, environmental remediation costs, contract termination fees and other associated costs of ranging from $400 million to $500 million.
The Company 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 geographic areas. Future costs are expected to include demolition costs related to closed facilities; these 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.

Management expects that the Company will continue to have sufficient liquidity and financial flexibility to meet all of its business obligations.

The following table presents working capital and certain balance sheet ratios:

Working Capital In millions	Sep 30, 2012		Dec 31, 2011	
Current assets	$23,465		$23,422	
Current liabilities	12,795		13,634	
Working capital	$10,670		$9,788	
Current ratio	1.83	:1	1.72	:1
Days-sales-outstanding-in-receivables	45		44	
Days-sales-in-inventory	76		64	

Days sales-in-inventory increased in the first nine months of 2012 from lows at December 31, 2011, which were the result of reduced production levels due to customer de-stocking in the fourth quarter of 2011. Days sales-in-inventory increased primarily due to an intentional buildup of inventory to address planned maintenance turnarounds in the fourth quarter of 2012.

As shown in the following table, net debt is equal to total gross debt minus "Cash and cash equivalents" and "Marketable securities and interest bearing deposits." As Dow continues to strengthen its balance sheet and increase financial flexibility, management is principally focused on net debt, as Dow believes this is the best measure of the Company’s financial leverage.

Total Debt In millions	Sep 30, 2012		Dec 31, 2011	
Notes payable	$439		$541	
Long-term debt due within one year	1,747		2,749	
Long-term debt	18,216		18,310	
Gross debt	$20,402		$21,600	
Cash and cash equivalents	$3,885		$5,444	
Marketable securities and interest-bearing deposits	—		2	
Net debt	$16,517		$16,154	
Gross debt as a percent of total capitalization	44.8	%	48.0	%
Net debt as a percent of total capitalization	39.7	%	40.8	%

As part of its ongoing financing activities, Dow has the ability to issue promissory notes under its U.S. and Euromarket commercial paper programs. The Company had no commercial paper outstanding at September 30, 2012 or December 31, 2011. Through October 2012, the Company maintained access to the commercial paper market at competitive rates.

In the event Dow has short-term liquidity needs and is unable to issue commercial paper under these programs for any reason, Dow has the ability to access liquidity through its committed and available $5 billion Five Year Competitive Advance and Revolving Credit Facility Agreement dated October 18, 2011 (the “Revolving Credit Facility”) with various U.S. and foreign banks. The Revolving Credit Facility has a maturity date in October 2016 and provides for interest at a LIBOR-plus rate or Base Rate as defined in the Agreement. At September 30, 2012, the full $5 billion Revolving Credit Facility was available to the Company. On October 10, 2012, the Company entered into a $170 million Bilateral Revolving Credit Facility Agreement ("2012 Credit Facility"). The 2012 Credit Facility, which is in addition to the existing Revolving Credit Facility, has a maturity date in October 2016 and provides for interest at a LIBOR-plus rate or Base Rate as defined in the Agreement.

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As a well-known seasoned issuer, the Company filed an automatic shelf registration for an unspecified amount of mixed securities with the SEC on February 19, 2010. Under this shelf registration, the Company may offer common stock, preferred stock, depositary shares, debt securities, warrants, stock purchase contracts and stock purchase units with pricing and availability dependent on market conditions; and, on February 19, 2010, registered an unlimited amount of securities for issuance under the Company's U.S. retail medium-term note program (InterNotes). At September 30, 2012, the Company had Euro 5 billion (approximately $6.5 billion) available for issuance under the Company's Euro Medium Term Note Program, as well as Japanese yen 50 billion (approximately $645 million) of securities available for issuance under a shelf registration renewed with the Kanto Local Finance Bureau of the Ministry of Finance of Japan effective September 8, 2012.

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.

In the first nine months of 2012, the Company issued $210 million aggregate principal amount of InterNotes and approximately $307 million of long-term debt was entered into by consolidated variable interest entities.

During the first quarter of 2012, the Company redeemed $37 million of pollution control/industrial revenue bonds that matured on January 1, 2012, repurchased $105 million of pollution control/industrial revenue tax-exempt bonds that were subject to re-marketing and redeemed Euro 253 million ($317 million equivalent at September 30, 2012) of notes that matured on September 19, 2012.

On March 22, 2011, the Company concluded cash tender offers for $1.5 billion aggregate principal amount of certain notes issued by the Company. As a result of the tender offers, the Company redeemed $1.5 billion of the notes and recognized a $472 million pretax loss on early extinguishment of debt, included in "Sundry income (expense) – net" in the consolidated statements of income and reflected in Corporate.
During the first nine months of 2011, the Company redeemed: $800 million of notes that matured on February 1, 2011; Euro 500 million of notes that matured on May 27, 2011 ($707 million equivalent at March 31, 2011); and $250 million of floating rate notes that matured on August 8, 2011. The Company also redeemed $1,538 million of InterNotes and recognized a $10 million pretax loss on early extinguishment of debt, included in "Sundry income (expense) - net" in the consolidated statements of income and reflected in Corporate.
In the first nine months of 2011, the Company issued $341 million of InterNotes; and approximately $895 million of long-term debt was entered into by consolidated variable interest entities, including the refinancing of short-term notes payable.

Dow's public debt instruments and documents for its private funding transactions contain, among other provisions, certain covenants and default provisions. The Company's most significant debt covenant with regard to its financial position is the obligation to maintain the ratio of the Company's consolidated indebtedness to consolidated capitalization at no greater than 0.65 to 1.00 at any time the aggregate outstanding amount of loans under the Revolving Credit Facility equals or exceeds $500 million. The ratio of the Company's consolidated indebtedness to consolidated capitalization as defined in the Revolving Credit Facility was 0.43 to 1.00 at September 30, 2012. At September 30, 2012, management believes the Company was in compliance with all of its covenants and default provisions.

The Company's credit rating is investment grade. The Company's long-term credit ratings are BBB with a stable outlook (Standard & Poor's), Baa3 with a positive outlook (Moody's) and BBB with a stable outlook (Fitch). The Company's short-term credit ratings are A-2 (Standard & Poor's), P-3 (Moody's) and F2 (Fitch). If the Company's credit ratings are downgraded, borrowing costs will increase on certain indentures, and it could have a negative impact on the Company's ability to access credit markets.

Capital Expenditures

Capital spending was $622 million in the third quarter of 2012, compared with capital spending of $651 million in the third quarter of 2011. Year to date, capital spending was $1,605 million compared with $1,620 million in 2011. The Company expects capital spending in 2012 to be approximately $2.6 billion.

Contractual Obligations

Information related to the Company’s contractual obligations, commercial commitments and expected cash requirements for interest at December 31, 2011 can be found in Notes N, P, Q, R and X to the Consolidated Financial Statements in the

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Company’s Annual Report on Form 10-K for the year ended December 31, 2011. With the exception of the items noted below, there have been no material changes in the Company’s contractual obligations since December 31, 2011.

The following table represents long-term debt obligations and expected cash requirements for interest at September 30, 2012, reflecting the early redemptions of debt, the redemption of pollution control/industrial revenue bonds, the redemption of Euro 253 million of notes, the issuance of new InterNotes and new debt entered into by consolidated variable interest entities during the first nine months of 2012 (see Note K to the Consolidated Financial Statements).

Contractual Obligations at September 30, 2012	Payments Due by Year						
In millions	2012	2013	2014	2015	2016	2017 and beyond	Total
Long-term debt – current and noncurrent (1)	$1,120	$695	$2,420	$1,518	$1,037	$13,535	$20,325
Expected cash requirements for interest (2)	$445	$1,132	$1,018	$902	$847	$7,662	$12,006

(1) Excludes unamortized debt discount of $362 million.

(2) Cash requirements for interest was calculated using current interest rates at September 30, 2012, and includes interest on approximately $1.74 billion of various floating rate notes.

Contractual Obligations at December 31, 2011	Payments Due by Year						
In millions	2012	2013	2014	2015	2016	2017 and beyond	Total
Long-term debt – current and noncurrent (1)	$2,749	$662	$2,361	$1,453	$995	$13,232	$21,452
Expected cash requirements for interest (2)	$1,269	$1,124	$1,011	$897	$845	$7,773	$12,919

(1) Excludes unamortized debt discount of $393 million.

(2) Cash requirements for interest was calculated using interest rates at December 31, 2011, and includes interest on approximately $1.1 billion of various floating rate notes.

Off-Balance Sheet Arrangements

The Company holds a variable interest in a joint venture accounted for under the equity method of accounting. The Company is not the primary beneficiary of the joint venture and therefore is not required to consolidate the entity (see Note L to the Consolidated Financial Statements). In addition, see Note J to the Consolidated Financial Statements for information regarding the transfer of financial assets.

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 if specific triggering events occur. The Company had outstanding guarantees at September 30, 2012 of $1,840 million, up from $1,113 million at December 31, 2011. The increase in the value of the outstanding guarantees during 2012 is primarily related to debt obligations of Sadara Chemical Company, a nonconsolidated affiliate, which are guaranteed by the Company, in proportion to the Company's ownership interest. Additional information related to guarantees can be found in the “Guarantees” section of Note I to the Consolidated Financial Statements.

Fair Value Measurements

The Company’s assets and liabilities measured at fair value are classified in the fair value hierarchy (Level 1, 2 or 3) based on the inputs used for valuation. Assets and liabilities that are traded on an exchange with a quoted price are classified as Level 1. Assets and liabilities are classified as Level 2 if they are valued based on a bid, bid evaluation, or by using observable market data points of similar, more liquid securities to imply the price. The custodian of the Company’s debt and equity securities uses multiple industry-recognized vendors for pricing information and established processes for validation and verification to assist the Company in its process for determining and validating fair values for these assets. For the Company's interests held in trade receivable conduits, classified as Level

3, the fair value 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. For pension or other post retirement benefit plan assets classified as Level 3, the total fair value is based on significant unobservable inputs including assumptions where there is little, if any, market activity for the investment. The sensitivity of fair value estimates is immaterial relative to the assets and liabilities measured at fair value, as well as to the total equity of the Company. See Notes H and J to the Consolidated Financial Statements for the Company's disclosures about fair value measurements.

Portfolio managers and external investment managers regularly review all of the Company's holdings to determine if any investments are other-than-temporarily impaired. The analysis includes reviewing the amount of the temporary impairment, as

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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. For debt securities, the credit rating of the issuer, current credit rating trends and the trends of the issuer's overall sector are considered in determining whether unrealized losses represent an other-than-temporary impairment. For equity securities, the Company's investments are primarily in Standard & Poor's ("S&P") 500 companies; however, the Company also allows 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. Other-than-temporary impairment write-downs on investments still held by the Company were $8 million in the first nine months of 2012 ($6 million in the first nine months of 2011).

Dividends
On September 13, 2012, the Board of Directors declared a quarterly dividend of $0.32 per common share, payable October 30, 2012 to stockholders of record on September 28, 2012. Since 1912, the Company has paid a cash dividend every quarter and, in each instance prior to and since February 12, 2009, has maintained or increased the amount of the dividend, adjusted for stock splits. During this 101-year period, Dow has increased the amount of the quarterly dividend 49 times (approximately 12 percent of the time), reduced the dividend once, and maintained the amount of the quarterly dividend approximately 88 percent of the time. The dividend was reduced in February 2009, for the first time since 1912, due to uncertainty in the credit markets, unprecedented lower demand for chemical products and the ongoing global recession.

On September 13, 2012, the Board of Directors declared a quarterly dividend of $85 million to Cumulative Convertible Perpetual Preferred Stock, Series A shareholders of record on September 15, 2012, which was paid on October 1, 2012. Ongoing dividends related to Cumulative Convertible Perpetual Preferred Stock, Series A will accrue at the rate of $85 million per quarter, and are payable quarterly subject to Board of Directors' approval.

OTHER MATTERS
Recent Accounting Guidance
See Note B to the Consolidated Financial Statements for a summary of recent accounting guidance.

Critical Accounting Policies
The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make judgments, assumptions and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. Note A to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2011 ("2011 10-K") describes the significant accounting policies and methods used in the preparation of the consolidated financial statements. Dow's critical accounting policies that are impacted by judgments, assumptions and estimates are described in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's 2011 10-K. Since December 31, 2011, there have been no material changes in the Company's critical accounting policies.

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.

Influenced by the bankruptcy filings of numerous defendants in asbestos-related litigation and the prospects of various forms of state and national legislative reform, the rate at which plaintiffs filed asbestos-related suits against various companies, including Union Carbide and Amchem, increased in 2001, 2002 and the first half of 2003. Since then, the rate of filing has significantly abated. 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.

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The table below provides information regarding asbestos-related claims pending against Union Carbide and Amchem, based on criteria developed by Union Carbide and its external consultants:

	2012	2011
Claims unresolved at January 1	53,225	62,582
Claims filed	6,932	6,050
Claims settled, dismissed or otherwise resolved	(25,734)	(14,321)
Claims unresolved at September 30	34,423	54,311
Claimants with claims against both UCC and Amchem	(9,838)	(16,761)
Individual claimants at September 30	24,585	37,550

Plaintiffs' lawyers often sue numerous defendants in individual lawsuits or on behalf of numerous claimants. As a result, the damages alleged are not expressly identified as to Union Carbide, Amchem or any other particular defendant, even when specific damages are alleged with respect to a specific disease or injury. In fact, there are no personal injury cases in which only Union Carbide and/or Amchem are the sole named defendants. For these reasons and based upon Union Carbide's litigation and settlement experience, Union Carbide does not consider the damages alleged against Union Carbide and Amchem to be a meaningful factor in its determination of any potential asbestos-related liability.

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 November since 2004 to determine the appropriateness of updating the most recent ARPC study.

In November 2010, Union Carbide requested ARPC to review Union Carbide's historical asbestos claim and resolution activity and determine the appropriateness of updating its then most recent study completed in December 2008. In response to that request, ARPC reviewed and analyzed data through October 31, 2010. The resulting study, completed by ARPC in December 2010, stated that the undiscounted cost of resolving pending and future asbestos-related claims against Union Carbide and Amchem, excluding future defense and processing costs, through 2025 was estimated to be between $744 million and $835 million. As in its earlier studies, ARPC provided estimates for a longer period of time in its December 2010 study, but also reaffirmed its prior advice that forecasts for shorter periods of time are more accurate than those for longer periods of time.

In December 2010, based on ARPC's December 2010 study and Union Carbide's own review of the asbestos claim and resolution activity, Union Carbide decreased its asbestos-related liability for pending and future claims to $744 million, which covered the 15-year period ending 2025, excluding future defense and processing costs. The reduction was $54 million and was shown as "Asbestos-related credit" in the consolidated statements of income. At December 31, 2010, the asbestos-related liability for pending and future claims was $728 million.

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 December 2010 study. 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. At December 31, 2011, 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 2012 activity, Union Carbide determined that no adjustment to the accrual was required at September 30, 2012. Union Carbide’s asbestos-related liability for pending and future claims was $617 million at September 30, 2012. Approximately 21 percent of the recorded liability related to pending claims and approximately 79 percent related to future claims.

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Defense and Resolution Costs
The following table provides information regarding defense and resolution costs related to asbestos-related claims filed against Union Carbide and Amchem:

Defense and Resolution Costs	Nine Months Ended		Aggregate Costs to Date as of
In millions	Sep 30, 2012	Sep 30, 2011	Sep 30, 2012
Defense costs	$73	$58	$935
Resolution costs	$51	$38	$1,634

The average resolution payment per asbestos claimant and the rate of new claim filings has fluctuated both up and down since the beginning of 2001. Union Carbide's management expects such fluctuations to continue in the future based upon a number of factors, including the number and type of claims settled in a particular period, the jurisdictions in which such claims arose and the extent to which any proposed legislative reform related to asbestos litigation is being considered.

Union Carbide expenses defense costs as incurred. The pretax impact for defense and resolution costs, net of insurance, was $25 million in the third quarter of 2012 ($30 million in the third quarter of 2011) and $73 million in the first nine months of 2012 ($58 million in the first nine months of 2011), and was reflected in "Cost of sales" in the consolidated statements of income.

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 September 30, 2012 and $40 million at December 31, 2011. At September 30, 2012 and December 31, 2011, 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	Sep 30,	Dec 31,
In millions	2012	2011
Receivables for defense costs – carriers with settlement agreements	$19	$20
Receivables for resolution costs – carriers with settlement agreements	158	158
Receivables for insurance recoveries – carriers without settlement agreements	25	40
Total	$202	$218

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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.

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.

Matters Involving the Formation of K-Dow Petrochemicals

Introduction

On December 13, 2007, the Company and Petrochemical Industries Company (K.S.C.) ("PIC") of Kuwait, a wholly owned subsidiary of Kuwait Petroleum Corporation, announced plans to form a 50:50 global petrochemicals joint venture. The proposed joint venture, K-Dow Petrochemicals ("K-Dow"), was expected to have revenues of more than $11 billion and employ more than 5,000 people worldwide.

On November 28, 2008, the Company entered into a Joint Venture Formation Agreement (the "JVFA") with PIC that provided for the establishment of K-Dow. To form the joint venture, the Company would transfer by way of contribution and sale to K-Dow, assets used in the research, development, manufacture, distribution, marketing and sale of polyethylene, polypropylene, polycarbonate, polycarbonate compounds and blends, ethyleneamines, ethanolamines, and related licensing and catalyst technologies; and K-Dow would assume certain related liabilities. PIC would receive a 50-percent equity interest in K-Dow in exchange for the payment by PIC of the initial purchase price, estimated to be $7.5 billion. The purchase price was subject to certain post-closing adjustments.

Failure to Close

On December 31, 2008, the Company received a written notice from PIC with respect to the JVFA advising the Company of PIC's position that certain conditions to closing were not satisfied and, therefore, PIC was not obligated to close the transaction. On January 2, 2009, PIC refused to close the K-Dow transaction in accordance with the JVFA. The Company disagreed with the characterizations and conclusions expressed by PIC in the written notice and the Company informed PIC that it breached the JVFA. On January 6, 2009, the Company announced that it would seek to fully enforce its rights under the terms of the JVFA and various related agreements.

Arbitration

The Company's claims against PIC were subject to an agreement between the parties to arbitrate under the Rules of Arbitration of the International Court of Arbitration of the International Chamber of Commerce (“ICC”). On February 18, 2009, the Company initiated arbitration proceedings against PIC alleging that PIC breached the JVFA by failing to close the transaction on January 2, 2009, and as a result, Dow suffered substantial damages.

On May 24, 2012, the ICC released to the parties a unanimous Partial Award in favor of the Company on both liability and damages. A three-member arbitration Tribunal found that PIC breached the JVFA by not closing K-Dow on January 2, 2009, and awarded the Company $2.16 billion in damages, not including pre- and post-award interest and arbitration costs.

On June 15, 2012, PIC filed an application for remand under the English Arbitration Act of 1996 (“Remand Application”) in the High Court of Justice in London (“High Court”). In its Remand Application, PIC did not challenge the Tribunal's finding of liability but it requested that the High Court remand the case back to the Tribunal for further consideration of the Company's

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claim for consequential damages. On October 11, 2012, the High Court ruled in favor of the Company and dismissed PIC's Remand Application; and on October 19, 2012, the High Court denied PIC's request for leave to appeal its ruling, bringing an end to PIC's Remand Application.

The ICC is expected to issue a Final Award covering the Company's substantial claim for pre- and post-award interest and arbitration costs in the fourth quarter of 2012.

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The Dow Chemical Company and Subsidiaries
PART I – FINANCIAL INFORMATION
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.
Dow's business operations give rise to market risk exposure due to changes in foreign exchange rates, interest 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 hedges per the accounting guidance related to derivatives and hedging activities, where appropriate. A secondary objective is to add value by creating additional non-specific exposure 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 global nature of Dow's business requires active participation in the foreign exchange markets. As a result of investments, production facilities and other operations on a global basis, the Company has assets, liabilities and cash flows in currencies other than the U.S. dollar. The primary objective of the Company's foreign exchange risk management is to optimize the U.S. dollar value of net assets and cash flows, keeping the adverse impact of currency movements to a minimum. To achieve this objective, the Company hedges on a net exposure basis using foreign currency forward contracts, over-the-counter option contracts, cross-currency swaps, and nonderivative instruments in foreign currencies. 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 largest exposures are denominated in European currencies, the Japanese yen and the Canadian dollar, although exposures also exist in other currencies of Asia Pacific, Latin America, and India, Middle East and Africa.

The main objective of interest rate risk management is to reduce the total funding cost to the Company and to alter the interest rate exposure to the desired risk profile. Dow uses interest rate swaps, "swaptions," and exchange-traded instruments to accomplish this objective. The Company's primary exposure is to the U.S. dollar yield curve.

Dow has a portfolio of equity securities derived primarily from the investment activities of its insurance subsidiaries. This exposure is managed in a manner consistent with the Company's market risk policies and procedures.

Inherent in Dow's business is exposure to price changes for several commodities. Some exposures can be hedged effectively through liquid tradable financial instruments. Feedstocks for ethylene production and natural gas constitute the main commodity exposures. Over-the-counter and exchange traded instruments are used to hedge these risks when feasible.

Dow uses value at risk ("VAR"), stress testing and scenario analysis for risk measurement and control purposes. VAR estimates the maximum potential loss in fair market values, given a certain move in prices over a certain period of time, using specified confidence levels. The VAR methodology used by the Company is a historical simulation model which captures co-movements in market rates across different instruments and market risk exposure categories. The historical simulation model uses a 97.5 percent confidence level and the historical scenario period includes at least six months of historical data. The September 30, 2012, 2011 year-end and 2011 average daily VAR for the aggregate of all positions are shown below. These amounts are immaterial relative to the total equity of the Company:

Total Daily VAR by Exposure Type		2011	
In millions	At Sep 30, 2012	Year-end	Average
Foreign exchange	$3	$2	$2
Interest rate	$169	$286	$199

Equities	$ 13	$ 29	$ 20
Commodities	$ 8	$ 4	$ 4
Composite	$ 168	$ 300	$ 220

The Company's daily VAR for the aggregate of all positions decreased from a composite VAR of $300 million at December 31, 2011 to a composite VAR of $168 million at September 30, 2012. The decrease in composite VAR is primarily due to reductions in debt outstanding and lower interest rate volatility. The equities VAR declined due to a decrease in equity volatility despite an increase in the size of the exposure. Despite a decrease in volatility, the foreign exchange VAR increased due to an increase in hedge activity. The commodities VAR is higher due to an increase in volatility and an increase in hedging activity. See Note G to the Consolidated Financial Statements for further disclosure regarding market risk.

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The Dow Chemical Company and Subsidiaries
PART I – FINANCIAL INFORMATION
ITEM 4. CONTROLS AND PROCEDURES.
Evaluation of Disclosure Controls and Procedures
As of the end of the period covered by this Quarterly Report on Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of the Company's Disclosure Committee and the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to paragraph (b) of Exchange Act Rules 13a-15 or 15d-15. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting
There were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that was conducted during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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The Dow Chemical Company and Subsidiaries
PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.
Asbestos-Related Matters of Union Carbide Corporation
No material developments regarding this matter occurred during the third quarter of 2012. For a summary of the history and current status of this matter, see Note I to the Consolidated Financial Statements; and Management's Discussion and Analysis of Financial Condition and Results of Operations, Asbestos-Related Matters of Union Carbide Corporation.

Environmental Matters
Dow Benelux B.V., a Netherlands-based wholly owned subsidiary of the Company, received a summons dated July 20, 2012 from the Public Prosecutor in The Netherlands to appear before the criminal section of the District Court in Breda, The Netherlands on January 23, 2013. The allegations contained in the summons relate to seven process safety incidents and environmental spills that occurred between 2005 and 2008 at Dow Benelux B.V.'s Terneuzen manufacturing facility. The Public Prosecutor alleges that each of the incidents constitutes a violation of certain Netherlands safety procedures and environmental regulations, notably Section 5 of the Major Accidents Decree 1999 and/or Section 18.18 of the Environmental Act. In addition, five of the incidents allegedly also constitute a violation of Section 173a of the Dutch Criminal Code. If convicted, Dow Benelux B.V. may face sanctions including fines in excess of $100,000.

ITEM 1A. RISK FACTORS.
There were no material changes in the Company's risk factors in the third quarter of 2012.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.
Issuer Purchases of Equity Securities
The Company does not currently have a share repurchase program, and there were no purchases of the Company's common stock by the Company during the three months ended September 30, 2012.

ITEM 4. MINE SAFETY DISCLOSURES.
Not applicable.

ITEM 6. EXHIBITS.
See the Exhibit Index of this Quarterly Report on Form 10-Q for exhibits filed with this report.

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The Dow Chemical Company and Subsidiaries
Trademark Listing

The following trademarks or service marks of The Dow Chemical Company and certain affiliated companies of Dow appear in this report: ACRYSOL, ADCOTE, AFFINITY, AMPLIFY, AQUA-LAM, ASPUN, ATTANE, CONTINUUM, COSEAL, DOW, DOWLEX, ECOLIBRIUM, ELITE, ENDURANCE, ENGAGE, ENLIGHT, HEALTH+, HYPOD, INFUSE, INTEGRAL, LAMAL, MOR-AD, MOR-FREE, MORPRIME, MORSTIK, NORDEL, NYLOPAK, OPTICITE, PRIMACOR, PRIMAL, PROCITE, RHOPLEX, ROBOND, ROVACE, SARAN, SARANEX, SEALUTION, SERFENE, SI-LINK, STYROFOAM, TAMOL, TRENCHCOAT, TRYCITE, TUFLIN, TYBRITE, UNIGARD, VERSIFY

The following trademarks or service marks of Dow AgroSciences LLC and certain affiliated companies of Dow AgroSciences LLC appear in this report: HERCULEX, REFUGE ADVANCED

The following trademark of Monsanto Technology LLC appears in this report: SmartStax. SmartStax multi-event technology developed by Dow AgroSciences LLC and Monsanto

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The Dow Chemical Company and Subsidiaries
Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE DOW CHEMICAL COMPANY
Registrant
Date: October 30, 2012

/s/ RONALD C. EDMONDS
Ronald C. Edmonds
Vice President and Controller

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The Dow Chemical Company and Subsidiaries
Exhibit Index

EXHIBIT NO.	DESCRIPTION
12.1	Computation of Ratio of Earnings to Fixed Charges.
23	Analysis, Research & Planning Corporation's Consent.
31(a)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(a)	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(b)	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.