digital

THE DOW CHEMICAL COMPANY

WORLDWIDE ACCOUNT BUSINESS PLAN

Stan R. Nunn, Jr.
Corporate Account Manager
The Dow Chemical Company

WORLDWIDE ACCOUNT PLAN

The Dow Chemical Company

Prepared by:

Worldwide Account Team
Stan Nunn - ~~Sales~~ ACCOUNT MANAGER
Rick Perry - ~~SWS~~ EIS
Donna Frank - Customer Services
Voja Ivanovic - Sales Europe ?
QUA

June 1989

WORLDWIDE ACCOUNT PLAN

ACCOUNT: The Dow Chemical Company

ACCOUNT MANAGER: Stan Nunn

DATE OF PREPARATION: June 1989

HOST LINE MANAGEMENT TEAM: Ron Eisenhauer - Sales

Al Pink / Bob Burke - E.I.S.

Bill Cummins - C.S.

Marianne Schrode - Ed. Svcs.

WORLDWIDE APPROVAL:

DIGITAL EQUIPMENT CORPORATION
PROPRIETARY

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ACCOUNT TEAM STRUCTURE:

A. Host Account Team

	NAME	LOCATION	DECMAIL
Account Manager	Stan Nunn	FHO	@FHO
Account Customer Services	Gene McArthur	FHO	@FHO
Account Software Services	Rick Perry	FHO	@FHO
Account Education Services	Rick Perry	FHO	@FHO

B.

Local Acct. Mgr. (SUB ACCOUNTEE)	Location	DECMAIL	DISTRICT/ COUNTRY
Terry Hopper	SWO	@FHO	USA
Mark Kelly	SWO	@FHO	USA
Don Waugh	SWO	@FHO	USA
Ralph Kettling	SWO	@FHO	USA
Jim Seay	GJO	@GJO	USA
Christine Quinn	CLO	@CLO	USA
Kim Leavitt	CSO	@CSO	USA
Sue Schlueter	DYO	@DYO	USA
Dave Hudson	TLO	@TLO	USA
Linda Litman	HSO	@HSO	USA
Janet Lee	HSO	@HSO	USA
Trish Cancellare	HSO	@HSO	USA
Czarena Siebert	HSO	@HSO	USA
David Vandecasteele	DVO	@DVO	USA
Ron Boyd	LRO	@LRO	USA
Doug Greenwood	LRO	@LRO	USA
Patricia Hood	FLO	@FLO	USA
Robert Young	ATO	@ATO	USA
Benson Row	RUO	@RUO	USA
George Lloyd	GNO	@GNO	USA
Peter Tsolinas	SZO	@SZO	USA
John Howard	ECO	@ECO	USA
Mark Stewart	CWO	@CWO	USA
Leslie Gross	SZO	@SZO	USA
Elaine Price	MDO	@MDO	USA
Clint Cuny	NJO	@NJO	USA
Leslie Ware	RLO	@RLO	USA
Louis Dzialowski	TRO	@TRO	CANADA
Rob Castonguay	LOO	@LOO	CANADA
Mark Wittgen	TRO	@TRO	CANADA
Michel Rochon	MQO	@MQO	CANADA
Ted Feddema	EMO	@EMO	CANADA

B. (continued)

Local Acct. Mgr. (SUB ACCOUNTEE)	Location	DECMAIL	DISTRICT COUNTRY
Peter Scott	MEO	@MEO	GIA
Carol Robertson	NZO	@NZO	GIA
Michael Mak	HGO	@HGO	GIA
Tomotoshi Ogisu	NGO	@NGO	GIA
Loo-Kwong Chiu	ZPO	@ZPO	GIA
Reinaldo Castro	DJO	@DJO	GIA
James Felder	TPO	@TPO	GIA
Christophe Rimoud	PAO	@PAO	EUROPE
Thomas Remond	ZTO	@ZTO	EUROPE
Nigel Watchman	EOO	@EOO	EUROPE
Berroeta Felix	BSB	@BSB	EUROPE
Manuel Chunka	XID	@XID	EUROPE
Andre Gohla	HBO	@HBO	EUROPE
Pieter Costerus	UTO	@UTO	EUROPE
Marcel Pfister	BCO	@BCO	EUROPE
Mary McCrorie	ESO	@ESO	EUROPE
Margo Vircenovich	BRO	@BRO	EUROPE
Allain Vlaminck	BRO	@BRO	EUROPE
Michael Hald	SUS	@SUS	EUROPE
Gianni Somaschini	CIN	@CIN	EUROPE

C. OTHER DIGITAL RELATIONSHIP RESOURCES:

FUNCTION	NAME	DECMAIL
Manufacturing	Bob Campbell	@MKO
Sales SAM	Tom Dietsch	@HSO
Sales Europe	Voja Ivanovic	@GVO
SWS Europe	Nadine Purro	@GVO
F.S. SAM	Ron Price	@HSO

D.

EXECUTIVE PARTNER: Russ Gullotti

EUROPEAN EXECUTIVE SPONSOR: George Cassir

WORLDWIDE ACCOUNT PLAN

ACCOUNT: The Dow Chemical Company

ACCOUNT MANAGER: Stan Nunn

DATE OF PREPARATION: June 1989

HOST LINE MANAGEMENT TEAM: Chuck Pickle - Sales

Bob Burke - SWS

Bill Cummins - F.S.

Marianne Schrode - Ed. Svcs.

WORLDWIDE APPROVAL: _____

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WORLDWIDE ACCOUNT PLAN

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A. EXECUTIVE OVERVIEW

Dow Chemical, as major force in the chemical industry, continues to represent significant opportunities for Digital with respect to worldwide revenues and process industry entrenchment. Dow is a $16.7 Billion corporation, a $43.6 Million account to Digital (FY89 Worldwide) and has established organizational directions that are closely aligned to Digital strengths. Improved quality of products and services, greater return on assets, higher productivity, lower costs, effective administration, safety in all aspects of business, and protection of the environment are the principle strategic goals of Dow. A commitment to IBM for commercial applications has historically kept Digital's success limited to manufacturing, engineering, and research. Holding approximately 90% market share in these areas and 32% market share overall has laid a foundation to help leverage success into business and commercial departments. Solution selling, niche marketing and non-hardware (services) programs will be the primary means of establishing the inroads necessary to produce higher revenue growth rates for Digital. With a long term vision of a true business partnership with Dow, this account plan is built around the Dow/Digital relationship today, and the strategies and investments have been established to successfully reach the Dow/Digital vision of tomorrow. Also, in the account overview section, a profile of the Dow organization itself is portrayed from a variety of viewpoints.

Dow's automation directions are primarily targeted at productivity enhancements, reduction of headcount and other fixed costs, and pursuing integration of information cross-functional/cross-departmental. Specifically, Dow will work to fully integrate the manufacturing and commercial systems, utilize manufacturing automation for a competitive edge (CIM), and ensure that applications developed by Dow are "common" and can be transportable throughout the corporation. These automation directions offer Digital opportunities to align product strengths to Dow's automation needs, however, a significant "mind-set" shift will be necessary for Dow's management to change the orientation of a computing strategy laid out several years ago. It was then that Dow committed to a long term computing strategy based on a two vendor implementation of IBM and Digital. Digital would be the preferred vendor for all manufacturing, engineering and scientific applications, and IBM, the preferred vendor for all commercial applications. A perception swing must take place that not only recognizes Digital as a viable alternative to IBM in the commercial environment, but also one that sees the match between Dow needs and Digital solutions. Reinforcing our groundswell in end-user computing, coupled with greater high level selling, will be the key focus in pursuit of increased Digital "mind share".

Aggressive and consistent account activities coupled with long term support from Digital senior management will ensure a business partnership that results in higher revenue growth and increase market share within the account. Holding a majority market share at Dow will help insulate Digital from changes in Dow's own financial performance which is impacted by economic swings, regulatory changes, varying world petroleum pricing, and competition internal to the chemical industry itself.

B. ACCOUNT OVERVIEW

The Dow Chemical Company is an $16.7 Billion corporation headquartered in Midland, Michigan. It is the second largest chemical company in the United States (Dupont is largest) and sixth largest world-wide, behind three West German companies, (BASF, Bayer, Hoechst) and the English firm, (Imperial Chemical Industries). This position places Dow 21st in 1988 Fortune 500 list of U.S. companies.

As a diversified manufacturer of Chemicals and Performance Products, Plastic Products, Hydrocarbons, and Consumer Specialites, Dow feels that they have accomplished the organizational restructuring determined as necessary eight years ago by its then Board of Directors. Having grown up primarily as a basic chemical and feedstock supplier, Dow painfully witnessed the impact of its dependence on petroleum during the oil crisis and subsequent price hikes of the 1970's and early 80's. In 1980, Dow launched its diversifying and streamlining efforts which culminated in Company President Paul Oreffice's statement at the 1987 stockholders meeting (May 87), that the company had now reached its original goal of a 50% split between basic and specialty products. This balanced product mix was attained by selling off unprofitable chemical plants and equipment, streamlining basic chemical operations and product menus, and by moving into industrial and consumer speciality markets.

Dow operates five areas which are structured as subsidiary units, each having it's own president and business/operational staffs; Dow USA, Dow Europe, Dow Canada, Dow Pacific, and Dow Latin America. In addition, Merrell Dow Pharmaceuticals, C.D. Medical, Lamaur Inc., Essex Chemical and Dow Texize/Dowbrands are wholly owned subsidiaries of Dow Chemical. Dow Corning, a joint venture between Dow Chemical and Corning Glassworks is another major business component and member of the Dow family. Dow Corning is the world's leader in silicone manufacturing and technology. The partnership was formed as a wartime effort in 1943 and today is rated 252nd in the Fortune 500 listing with annual revenues of $1.5 Billion. Dow Corning is ranked as 28th in the Fortune 500 ranking of 50 companies in the chemical industry. At the forefront of Dow's management strategy is the goal to be perceived as a truly international organization. They want customers world-wide to feel that they are doing business with a domestic supplier and not an American firm with international divisions. Subsequently, Dow management is extremely community, politically and socially active in their respective local geographies. Also, to this end, Dow has invested and positioned itself as an international enterprise with 55% of sales and 58% of operating income contributed by foreign operations. There are 455 process plants distributed across 158 locations in 33 countries coupled with 166 world-wide sales offices. This wide geographic and economic distribution affords Dow economies and efficiencies in the areas of raw material access, transportation, international money valuations and bureaucratic/political influence. Digital derives approximately 35% of overall revenues from non-USA Dow entities.

Do geog. subs manage business subs?

Financials in brief are as follows:
(in millions unless stated otherwise)

	1988	1987	1986	1985
Revenue	$16682	$13377	$11113	$11537
Net Income	2410	1245	741	58*
Capital Expenditures	1267	995	890	806
T & D Expenditures	772	667	605	547
Employees (in thousands)	55.5	53.1	51.3	53.2

*Net Income was reduced by a $592 Million pretax special charge against 1985 earnings.

Contribution by geographic area:
(1988 Financials)

	Sales	Profits
United States	45%	42%
Europe	31%	31%
Pacific	9%	10%
Canada	8%	10%
Latin America	7%	7%

Contributions by product line:
(1988 Financials)

	Sales	Profits
Chemicals & Performance Products	31%	37%
Plastics	42%	45%
Hydrocarbons	9%	5%
Consumer Specialties	18%	13%

ACCOUNT GOALS

SIGNIFICANT ACCOUNT GOALS (SUMMARY): SECTION 2

MISSION STATEMENT

Build and sustain an overall business relationship which aligns to the Dow Companies worldwide needs resulting in a consistently higher level of Customer Satisfaction with increased revenues and market share for Digital.

GOAL NO. 1: Extend Digital's current leadership position in Process Information Systems to a full business partnership in Process Control/Process Information integrated solutions.

GOAL NO. 2: Expand our vertical focus in Engineering, Research and Manufacturing to an integrated and common Digital platform across all three areas.

GOAL NO. 3: Together with Dow, develop & begin implementation of a long term networking and E-mail strategy.

GOAL NO. 4: Leverage success of CIM Enterprise Integration project at Dow Corning into new application areas.

GOAL NO. 5: Win global Plant Information Management systems (PIM) and win the integration of these systems into the Customer Liason and Service System project (CLASS).

GOAL NO. 6: Protect our current installed base of product maintenance services and increase our overall marketshare by pursuing Dow's self-maintenance activites and non-traditional service opportunities.

GOAL NO. 1

OPPORTUNITY STATEMENT:

Extend Digital's current leadership position as a supplier of Process Information Systems to a full business partnership for Process Control / Process Information integrated solutions. Digital in the past has been a hardware supplier only. The real revenue lies in selling Dow integrated solutions.

OPPORTUNITY SIZING:

	K $			
	FY'90	FY'91	FY'92	TOTAL
A) HARDWARE BUSINESS	4000	5000	6000	15000
B) SOFTWARE SERVICES	1500	1000	1000	3500
C) FIELD SERVICE	240	300	360	900
D) EDUCATION	20	25	30	75

STRATEGY:

The program strategy is to focus the Integration Consultant with the Dow Global Process team. The consultant will meet regularly with Dow and serve as a member on key Dow committees. This will allow the consultant to schedule resources for technology sharing and concept reviews, develop proposals both solicited and unsolicited, and schedule solution consulting. The integration consultant will be responsible for coordinating Digital resources.

CRITICAL SUCCESS FACTORS:

Dow must continue to move toward Digital becoming an integration vendor.

Digital's pricing structure needs to be flexible for unique program offerings.

MILESTONES:

		completion date
1.	Visit Digital CSS manufacturing plant.	July 1989
2.	Develop a global proposal to migrate all PDP's to VAX's for PI for Q3,Q4 FY'90 rollout.	Aug. 1989
3.	Develop and deliver to Dow a proposal to develop the Modserver.	Aug. 1989
4.	Start work with Dow on the definition of an Operator Workstation.	Oct. 1989
5.	Win the Modserver project.	Sept. 1989
6.	Win approval and start the Operator Workstation project.	Nov. 1989
7.	Deliver to Dow a prototype of the Modserver.	Q3
8.	Get approval from Dow to build Modservers.	Q4
9.	Implement the PDP to VAX migration plan.	Q3/Q4 FY'90

ACTION PLAN:	OWNER:	TEST FOR FINISH:	DATE FOR FINISH:	CURRENT STATUS:
develop proposal MODserver	CSS/SWS	proposal pres.	9/31/89	meetings sched.
CSS visit	IC	visit	7/31/89	planning
develop proposal Operator Workstation	SWS	proposal pres.	10/15/89	
develop migration PDP to VAX	SALES	completed	8/31/89	

GOAL 2

OPPORTUNITY STATEMENT:

Dow considers the integration of engineering, research, and manufacturing a key ingrediant to maintaining competitive advantage.

OPPORTUNITY SIZING:

	K $			
	FY'90	FY'91	FY'92	TOTAL
A) HARDWARE BUSINESS	300	600	750	1650
B) SOFTWARE SERVICES	--	100	100	200
C) FIELD SERVICE	18	36	42	96
D) EDUCATION	25	10	10	45

STRATEGY:

The program strategy is to create a foundation of products and services to link common information across engineering, manufacturing, and research.

CRITICAL SUCCESS FACTORS:

Digital announces a set of products and services, ie EMIS.

Dow organizatons establish a common strategy.

MILESTONES:

		completion date
1.	Dow functional buy in	Sept. 89
2.	Prototype developed at ACT	Dec. 89
3.	Pilot in place at Dow	March 90
4.	Dow management acceptance	May 90

ACTION PLAN:	OWNER:	TEST FOR FINISH:	DATE FOR FINISH:	CURRENT STATUS:
Communicate plan to Dow management	Corporate Acct. Team	acknow-ledgement	Sept 89	In process
Work with Industry marketing to explore and establish a common data base platform	Ind. Mkt. ACT Sales Support	written definition of platform	Oct 89	
Develop prototype at ACT	IC / ACT	Successful Operation	Dec 89	
Demonstrate in key locations to multiple functions	ACT	Demonstrate at Texas, MI, Canada & Holland	Feb 90	
Pilot at Dow	Sales Support	Pilot in place	March 90	

GOAL NO. 3

OPPORTUNITY STATEMENT:

With Dow develop a long term Networking / E-mail strategy to increase Digital's revenue in networking products and services. Dow's network is now over 2000 nodes and growing. Dow will require planning and support to effectively meet user demands and managment their network.

OPPORTUNITY SIZING:

	K $			
	FY'90	FY'91	FY'92	TOTAL
A) HARDWARE BUSINESS	280	250	250	780
B) SOFTWARE SERVICES	200	50	50	300
C) FIELD SERVICE	11	10	10	31
D) EDUCATION	10	10	5	25

STRATEGY:

The strategy is for Dow and Digital to utilize its long term business relationship and as a team develop Dow's Phase 5 Network strategy and develop a global mail system. Upon completion Dow and Digital resources will be available to implement the plan worldwide.

CRITICAL SUCCESS FACTORS:

X.400 mail pricing is within Dow's budget.

Corporate account consulting is available to develop migration strategy.

Dow supplies appropriate manpower to effectively run their network.

MILESTONES:

		completion date
1.	Dow with the assistance of a Digital software engineer will complete the testing of MBROUTER (This is a custom piece of software to do addressing resolution for IBM mail.)	June 1989
2.	Digital presents to DOW pricing for the resolver nodes.	June 1989
3.	Pilot/field test X.400 mail client/server for VT terminals, MS/DOS, and DECwindows.	June-Sept 1989
4.	Rollout resolver nodes at DOW sites worldwide	1990
5.	Digital present proposal for X.400 mail based on a corporate strategy	Aug. 1989
6.	DOW decision on X.400 mail	late 1989
7.	DOW purchases X.400 mail	1990
8.	Complete the migration plan for OSI phase 5.	1990

ACTION PLAN:	OWNER:	TEST FOR FINISH:	DATE FOR FINISH:	CURRENT STATUS:
complete field test	SWS	position st.	8/31/89	in process
sell resolver nodes	SALES	system startup	Q3/Q4 1990	
deliver proposal X.400	IC	proposal del.	9/15/89	
rollout X.400 mail	SWS/IC	in place	Dec. 1990	
Deliver migration plan	IC	completed	April 1990	

GOAL NO. 4

OPPORTUNITY STATEMENT:

Leverage the success of the CIM enterprise integration project at Dow Corning to expand into new application areas and to increase the total business at Dow Corning to comprise 10% of overall account revenues by FY'91. A key Dow Corning goal is CIM. Digital needs to position itself to be the preferred vendor in Dow Corning integration.

OPPORTUNITY SIZING:

	K $			
	FY'90	FY'91	FY'92	TOTAL
A) HARDWARE BUSINESS	1600	1700	1700	5000
B) SOFTWARE SERVICES	400	300	300	1000
C) FIELD SERVICE	96	102	102	300
D) EDUCATION	40	40	50	130

STRATEGY:

The strategy is to develop account relationships at key Dow Corning sites with sales and a process solutions integration manager. They will review business needs and develop appropriate proposals for requirements studies. In each situation the appropriateness of rolling out the CIM project will be evaluated.

CRITICAL SUCCESS FACTORS:

Successful completion of the CIM project.

MILESTONES:

		completion date
1.	Successfully complete the CIM project.	Sept. 1989
2.	Deliver successful requirements study at Elizabethtown.	Sept. 1989
3.	Sell at least two more sites the CIM system.	March 1990
4.	Deliver proposals for two new application like research or engineering.	Q1-Q2 FY'90
5.	Win a new integrated solution at Dow Corning.	Q3 FY'90

ACTION PLAN:	OWNER:	TEST FOR FINISH:	DATE FOR FINISH:	CURRENT STATUS:
complete CIM project	SWS	ATP	Sept. 1989	in process
sell req. study at Elizabethtown	Sales	order	July 1989	in process
new proposal	Sales	delivered	12/15/89	
CIM rollout	SWS/IC	on line	3/1/89	
new system sale	Sales	sold	10/15/89	in process

GOAL NO. 5

OPPORTUNITY STATEMENT:

Dow is in the process of developing a worldwide integrated information system for customer services. This application is currently using an IBM based application platform from SAP (Systems Applications and Products - West Germany).

Maintaining our position in manufacturing and winning the integration between manufacturing and commercial applications will establish a Digital position in this project.

OPPORTUNITY SIZING:

	K $			
	FY'90	FY'91	FY'92	TOTAL
A) HARDWARE BUSINESS	800	1600	2000	4400
B) SOFTWARE SERVICES	100	200	50	350
C) FIELD SERVICE	48	96	120	264
D) EDUCATION	10	10	10	30

STRATEGY:

Identify Digital applications integrated with SAP which demonstrate to Dow our ability to satisfy their business needs at a cost advantage.

CRITICAL SUCCESS FACTORS:

Industry market involement and support

Line sales organization commitment and involvement to the project

Migration of SAP application modules on to DEC platform

MILESTONES:

		completion date
1.	Identified third party application strategy (SAP involvement is critical to success)	Oct. 89
2.	Dow PIM Team recognizes Digital as a strong viable solution.	Oct 89
3.	Dow CLASS project team open to Digital solution as a part of the overall world wide implementation	Oct 89
4.	Demonstrate prototype for manufacturing applications and integration into other CLASS applications	Jan 90

ACTION PLAN:	OWNER:	TEST FOR FINISH:	DATE FOR FINISH:	CURRENT STATUS:
Meet with PIM development team to review project status	CAT / Sales / IM	meeting coupl.	June 89	complete
Meet with US and Canadian implementation teams to gain knowledge of project timing	CAT / Sales	meeting coupl.	July 89	have identified Dow team member
Establish with Chemical Industry marketing application strategy and SAP integration plan!	CAT / IM	written Def. of strategy	Aug 89	ongoing
Present proposal of Digital integration solution to CLASS project team and Corp. IS	CAT / Sales	prop. presented	Dec 89	
Meet Corp. V.P. of manufacturing & Corp. V.P. of IS to gain support of Digital directions	CAM	meetings held	Dec 89 / Feb 90	

GOAL NO. 6

OPPORTUNITY STATEMENT:

Expansion of the HPS, SPS and VES base coupled with a focus on network services, Digital Enterprise Service, DASP, and DESKTOP will retain current revenues, leverage incremental revenues and provide a lead in platform for Digital to penetrate new systems markets and grow overall revenue.

OPPORTUNITY SIZING:

	K $ FY'90	FY'91	FY'92	TOTAL
A) HARDWARE BUSINESS				
B) SOFTWARE SERVICES				
C) FIELD SERVICE	*1500	*1800	*2000	*5300
D) EDUCATION				

* Incremental to existing service base.

STRATEGY:

Create more visibility and influence with higher levels of management at Dow in order to focus their decision process more on the added value aspects of Digital service offerings.

CRITICAL SUCCESS FACTORS:

Having a comprehensive understanding of Dow's service needs and developing a relationship with key individuals responsible for services worldwide.

Flexibility and consistency of our service offerings, both direct and complementary worldwide.

Commited resources in all geographies to support new business opportunities.

MILESTONES:

		completion date
1.	Five Year Master Agreement that protects existing business and captures warranty conversions.	completed
2.	Attendance of the appropriate levels of Dow managers at the Customer Support Centers.	FY'90
3.	Support and commitment of the supplier Partnership Program Team to focus on service business between Digital and Dow.	ongoing

ACTION PLAN:	OWNER:	TEST FOR FINISH:	DATE FOR FINISH:	CURRENT STATUS:
Utilize MBA central purchasing group and warranty conversions under MBA to protect and maximize penetration of new business	D.Frank F.S. Sales Support Admin	Procedure established to add hardware to Master Agreement after Warranty	Ongoing	Master Agreement signed 8/88
Complete SPS audit	D.Frank F.S. Sales Support Admin	7/1/89	7/1/89	Ongoing
Identify opportunities to upgrade service levels.	D.Frank Local Acct. Teams Corporate Team F.S. Sales Support	Ongoing	Ongoing	Ongoing
Differentiate Digital Systems Support via CSC visit by key Dow management	D.Frank Corporate Team	Visit Completed	FY'90	Planning

(continued)

ACTION PLAN:	OWNER:	TEST FOR FINISH:	DATE FOR FINISH:	CURRENT STATUS:
Prospect and identify potential (DES) Digital enterprise service opportunities at Dow worldwide	D.Frank Corporate Team Local Account Team F.S. Sales Support	Unsolicited Business ideas presented to Dow during regular dialogue	FY'90	Ongoing
Present (DASP) Digital Assisted Service Program, and DESKTOP to key Dow sites.	D.Frank F.S. Sales Support	Presentations completed Q4 (FY'89)	Q2 (FY'90)	Open Customer Reviewing
Position Digital to re-bid IBM / PC, Apple business at Michigan Division (Midland)	D.Frank Area DESKTOP Mgr. F.S. Sales Support Locat Acct. Team Major Proposals Group	Ongoing	Ongoing	Ongoing
Along with MBA coupled with DESKTOP Strategy, position and capture network support at Louisiana Division	D.Frank Corporate Team Southern Area Business Mgrs. Local Acct. Team Major Proposals	Business defined bid and closed	Q4 (FY'90)	Defining
Conduct Services Technology Review; highlighting network services to Network Management at Dow	D.Frank Corporate Team	Presentation conducted	Q2 (FY'90)	Ongoing

INVESTMENT OPPORTUNITIES (LONG TERM): SECTION 4

A. DESCRIPTION OF INVESTMENT OPPORTUNITY

PROJECT NUMBER:

PROJECT NAME: DOW ELANCO INFORMATION SYSTEMS

PROJECT DESCRIPTION: To secure the overall information needs of these joint venture company formed by Dow and Eli Lilly.

AFFECTED MARKET GROUP: Chemical Industry

LOCATION OF INVESTMENT: Indianapolis, Indiana

B. FORECASTED INCREMENTAL BUSINESS

DESCRIPTION:

Sell integrated information systems into research, manufacturing, logistics, sales and marketing.

PRODUCT FORECAST (UNITS / MODEL)

HARDWARE	FY90	FY91	FY92	FY93	FY94
3000	4	4	4	6	2
6000	1	2	2	3	2
Aquarias / Aridus			1		1

INVESTMENT OPPORTUNITIES CONT'D

BUSINESS FORECAST
(K $)

	FY90	FY91	FY92	FY93	FY94
System Business Certs	1200	1800	2800	3000	3000
Field Service Revenue	72	108	168	180	180
Education Service Revenue	100	120	120	100	100
Total Business	1372	2028	3088	3280	3280

C. INVESTMENT REQUIREMENTS FY90

TYPE OF INVESTMENT		
Resource Effort:	150 Sales 55 SWS	(Working Days)
Hardware Value:	$150	(K$)
Hardware Type:	uVAX 3800	
Software Service:	$50	(K$)
Field Service:	$10	(K$)
Other Expenses:		(K$)
Term of Investment:	12 Months / FY'90	(# of Months, Dates)
Location of Investment:	Indianapolis, Indiana	

INVESTMENT DESCRIPTION:

Allocate .6 of a sales representative and .3 of a sales support specialist to work with customer and bring in new systems. A uVAX 3800 will be available for pilot demos etc. Transfer to line sales after one year.

INVESTMENT OPPORTUNITIES (LONG TERM): SECTION 4

A. DESCRIPTION OF INVESTMENT OPPORTUNITY

PROJECT NUMBER:

PROJECT NAME: Quality Solution Systems

PROJECT DESCRIPTION: Work with Dow to totally integrate Statistical Process Control, Quality Analysis, and Management tools into Dow Process Information Systems

AFFECTED MARKET GROUP: Chemical Industry, CMPD

LOCATION OF INVESTMENT: Chemical Industry
Midland, Michigan

B. FORECASTED INCREMENTAL BUSINESS

DESCRIPTION:

Incremental VAX hardware, CMP Software application, and integration services to affect worldwide rollout.

PRODUCT FORECAST (UNITS / MODEL)

HARDWARE	FY90	FY91	FY92	FY93	FY94
3xxx	10	20	20	25	30

INVESTMENT OPPORTUNITIES CONT'D

BUSINESS FORECAST

(K$)

	FY90	FY91	FY92	FY93	FY94
System Business Certs	1500	3000	3000	3800	4500
Field Service Revenue	96	180	180	228	270
Education Service Revenue	100	100	100	100	100
Total Business	1696	3280	3280	4128	4870

C. INVESTMENT REQUIREMENTS FY90

TYPE OF INVESTMENT		
Resource Effort:	150 SWS	(Working Days)
Hardware Value:	$150K	(K$)
Hardware Type:	3600, 3100	
Software Service:	$50	(K$)
Field Service:	$10	(K$)
Other Expenses:		(K$)
Term of Investment:	18 Mos FY'90/FY'91	(# of Months, Dates)
Location of Investment:	Midland, Michigan	

INVESTMENT DESCRIPTION:

Place a technical resource into Michigan Applied Science and Technology Labs and Global process to integrate SPM+, RS/1, and RDB into Dow Process Information System. Assist in rolling out pilot solution to worldwide Dow solutions.

INVESTMENT OPPORTUNITIES (LONG TERM): SECTION 4

A. DESCRIPTION OF INVESTMENT OPPORTUNITY

PROJECT NUMBER:

PROJECT NAME: DESKTOP Solutions

PROJECT DESCRIPTION: Integrate Digital DESKTOP products and services into Dow end user computing strategy PCSG, BOIS.

AFFECTED MARKET GROUP: PCSG, BOIS
Midland, Michigan

LOCATION OF INVESTMENT:

B. FORECASTED INCREMENTAL BUSINESS

DESCRIPTION:

New integrated solutions for LAN services, workstations, and office applications.

PRODUCT FORECAST (UNITS / MODEL)

HARDWARE	FY90	FY91	FY92	FY93	FY94
VAXstations	100	120	120	150	150
DECstations	300	350	350	400	400
PC LANS	50	50	30	20	20
Term Servers	10	10	20	10	10

BUSINESS FORECAST

(K$)

	FY90	FY91	FY92	FY93	FY94
System Business Certs	3500	4000	4000	5000	5000
Field Service Revenue	210	240	240	300	300
Education Service Revenue	100	100	100	150	150
Total Business	3810	4340	4340	5450	5450

C. INVESTMENT REQUIREMENTS FY90

TYPE OF INVESTMENT		
Resource Effort:	250 Sales 150 SWS	(Working Days)
Hardware Value:	$100K	(K$)
Hardware Type:	3 Pilot\Demo System	10 PC various types 3 LAN server 3100
Software Service:	$50	(K$)
Field Service:	$10	(K$)
Other Expenses:		(K$)
Term of Investment:	18 Mos FY'90-91	(# of Months, Dates)
Location of Investment:	SAM - Detroit Sales Support North America	

INVESTMENT DESCRIPTION:

A SAM is to be assigned to the Corporate Account Team to develop and implement a DESKTOP strategy for Dow. This will include PC LANS, ALL-IN-1 at Merrell Dow, and the Office Automation project in Canada. Appropriate Sales Support will be available to SAM in U.S. and Canada. Three pilots will be established. After eighteen (18) months it will be business as usual.

INVESTMENT OPPORTUNITIES (LONG TERM): SECTION 4

A. DESCRIPTION OF INVESTMENT OPPORTUNITY

PROJECT NUMBER:

PROJECT NAME: Artificial Intelligence

PROJECT DESCRIPTION: Train and assist Dow engineers in project start up: Develop AI integrated solutions for Dow in industry generic applications.

AFFECTED MARKET GROUP: AI

LOCATION OF INVESTMENT: 50% Houston, 25% Utrecht, Netherlands

B. FORECASTED INCREMENTAL BUSINESS

DESCRIPTION:

AI solutions systems
Integrated projects

PRODUCT FORECAST (UNITS / MODEL)

HARDWARE	FY90	FY91	FY92	FY93	FY94
3100	40	50	100	50	50
3900	3	3	6	3	3
6000	1	1	1	--	--

INVESTMENT OPPORTUNITIES CONT'D

BUSINESS FORECAST

(K $)

	FY90	FY91	FY92	FY93	FY94
System Business Certs	1000	1100	2200	1000	1000
Field Service Revenue	40	44	88	40	40
Education Service Revenue	50	50	100	50	50
Total Business	1090	1194	2388	1090	1090

C. INVESTMENT REQUIREMENTS FY90

TYPE OF INVESTMENT		
Resource Effort:	Houston - 90 Holland - 50	(Working Days)
Hardware Value:	$20	(K$)
Hardware Type:	vs3100	
Software Service:	$50	(K$)
Field Service:		(K$)
Other Expenses:	Travel 50	(K$)
Term of Investment:	1 year	(# of Months, Dates)
Location of Investment:	Houston Utrecht	

INVESTMENT DESCRIPTION:

AI knowledge engineers to assist Dow in identifying and qualifying opportunities, demonstrate proof of concept, and prioritize AI projects at Dow.

TOTAL ACCOUNT PERFORMANCE SECTION 5

BUSINESS OVERVIEW ($M) DATE:

	FY87	FY88	FY89		FY90	FY91
	Actual	Actual	Budget	Forecast	F/CAST	F/CAST
EU System Certs SWS	.7	1.3	2.6	2.7	3.8	5.4
A)Total Dir Sys. Bus.	20.6	29.9	27.4	31.0	33.6	39.5
Distrib.	.5	.5	.4	.5	.6	.8
Other Reseller			.4	.4	.5	.8
B)Total Ind Sys. Bus.	.5	.5	.8	.9	1.1	1.6
Total Sys. Bus.(A + B)	21.1	29.9	28.2	32.0	34.7	41.1
Field Svc. Revenue	8.1	9.5	10.7	11.1	11.6	14.4
Educ. Svcs. Revenue	.4	.3	.7	.5	.7	1.0
Total Svcs. Bus.	8.5	9.8	11.4	11.6	12.3	15.4

Grand Total	29.6	39.7	39.6	43.6	47.0	56.5
% Growth		34	10		8	20

WW System Yields $M	1.11	1.23		1.17	1.20	1.22
WW Account Cotb %	9.8	9.6		10.5	11.1	11.0

FORECASTED BUSINESS ($M)

FORECASTED BUSINESS (M$)

Local Sales Geography	Total System Bus. (Certs) Direct	Indir.	Total Service Business FS/ED (Rev)	Total Business
EOD / ECA	.5		.2	.7
HOU / SCA	8.5	.6	2.0	11.1
FLO / SOA	.5		.1	.6
MSD / SOA	3.0	.1	1.0	4.1
SFR / WEA	.6		.3	.9
GLD / ECA	7.0	.3	3.0	10.3
OVD / ECA	2.2	.1	.3	2.6
Other	.5		.6	1.1
Total U.S.	22.8	1.1	7.5	31.4
UK ESO	.4		.1	.5
GY HBO	1.3		.9	2.2
FR ZTO	.3			.3
HL UTO	3.8		.9	4.7
SP ZQO	.2		.1	.3
PG XIP	.1			.1
CH ZUO	.1			.1
IT CIN	.2		.1	.3
Other	.1			.1
Total Europe	6.5	--	2.1	8.6
E. Canada	2.0		1.1	3.1
W. Canada	1.1		.9	2.0
Latin Amer.	.3		.1	.4
Far East	.4		.1	.5
Australia	.4		.2	.6
Other	.1		.3	.4
Total GIA	4.3	--	2.7	7.0
Total Worldwide	33.6	1.1	12.3	47.0

Project Description	CPU Type	# Units	System Bus. (Certs K$) FY90	System Bus. (Certs K$) Future	Svcs. Bus. (Revenue) FY90	Svcs. Bus. (Revenue) Fut.	Software Services FY90	Software Services Fut.
STABLE:								
GPI	uVAX	150	5500	18000	240	900	1500	3000
Engr Time/Clus	6300	6	1000	12000	60	120		
Engr. Workst.	VS	50	300	600	18	36		
Env. Info. Sys	6300	2	200	280	12	17		
"	uVAX	4	--	--	--	--		
WW Network	uVAX	10	480	600	17	30	200	100
Opus	6300	2	300	300	18	18		
European Off.	6300							
"	uVAX	4	400	800	24	48		
CCI	uVAX	10	430	500	17	24	150	100
ASTL	6300	6	900	1200	36	54	300	300
C.D. Medical	6310	1	350	200	15	9	100	50
	uVAX	2	--	--	--	--	--	
IN DEVELOPMENT:								
PC LANS	uVAX	30	1100	1500	60	84	100	100
Dow Corning CIM	6300	6	2000	4000	96	204	400	600
Merrell Dow Of.	6300	1	300	--	18	--	--	--
LIMS	uVAX	8	400	600	24	36	--	--
Dow Corn. TIS	Aquar	2	1000	1000	56	56	200	200
Brazil Mfg/Eng	6300	1	240	420	14	25	--	--
"	uVAX	3	--	--	--	--	--	--
DEXCO	6300	1	290	560	15	30	40	60
"	uVAX	4						
AI	uVAX	4	200	200	10	10	40	40
Polystyr. Can.	6300	2	300	300	18	18	--	--
PROSPECT:								
PIM	6300	10	500	3200	27	162	50	500
	uVAX	12	--	--				
X400 Mail	uVAX	15	450	1100	15	60	--	--
MOD Server	uVAX	150	500	7000	30	420		
Oper. Wksta.	VS	300	750	3750	33	165	200	1000
Tech. Centers	6300	3	250	500	15	30	--	--
CASE	uVAX	6	400	400	22	24	40	
Quality	uVAX	50	1000	4000	60	240	--	--
DASP	--	--	--	--	146	225		
Dow Elanco	6300	2	500	400	30	24		
	uVAX	6						
Supercomput.	Aquar	4	800	2500	56	175		
Recover All	--	--	--	--	20	30	--	--
DESKTOP	--	--	--	--	850	1000		
TOTAL			20840	65910	2072	4274	3320	6050

WORLDWIDE BUSINESS/RESOURCE SUMMARY
(BUSINESS AS USUAL) SECTION 7

Local Sales Geography	Sales % Year	SWS Support Work Days	SWS Support Skill	Other Work Days	Other Func.	Resources Other Than People	K$
Host Acct Tm	2.0	180	IC	180	FS CAM	Tech Rev.	10
				120	M CAM	Seed Units	100
EOD \ ECA	.2	25	SS				
HOU \ SCA	4.0	250	SS	180	FS SAM	CLF	15
FLO \ SOA	.3	30	SS				
MSD \ SOA	1.2	120	SS			CSC Visits	5
SER \ WEA	.3	25	SS				
GLD \ ECA	4.0	420	SS	180	FS SS		
OVD \ ECA	.3	40	SS				
Other	.2	20	SS	50	Engr		
Total U.S.	12.5	1110		710			130
Host Acct Tm	1.0	90	IC	90	FS SAM	Tech Rev	10
UK ESO	.1	18	SS				
GY HBO	.3	54	SS				
GY SUS	.1	30	SS				
FR ZTO	.15	18	SS				
IT CIN	.1	10					
IT TNO	.1		SS				
FR CDG	.1	7	SS				
CH GVO	.1	90	IC				
HL UTO	1.0	120	SS			VAX3500+2WS	120
SP ZQO	.1	7	SS				
PG XIP	.1	15	SS				
TOTAL EUR.	3.15	369		90			130
East Canada	1.2	150	SS	90	FS SAM	Seed Units	50
West Canada	.5	50	SS				
Lat. Amer.	.3	30	SS				
Australia	.3	30	SS				
Far East	.5	50	SS			Tech Rev.	5
Total GIA	2.8	310		90			55
Total WW	18.45	1789		890			315

WORLDWIDE BUSINESS/RESOURCE SUMMARY (STRATEGIC INVESTMENT):

SECTION 7A

Local Sales Geography	Sales % Year	SWS Support Work Days	SWS Support Skill	Other Work Days	Other Func.	Resources Other Than People	K$
ECA OVD	.6	50	SS			uVAX SWS FS	150 50 10
ECA GLD		180	SS			uVAX+WS SWS FS	150 50 10
ECA GLD	1.0	90	SS			10 PC/WS +3 Servers SWS	100 50
SCA HOU		90	AI			VS3100	15
Total U.S.	1.6	410					585
Holland		90	AI			VS3100	15
TOTAL EUR.		90					15
E. Canada		50					
Total GIA							
Total WW	1.6	550					600

ASSUMPTIONS

Proposed resources will be accepted as viable investments.

Digital will work with SAP (Germany) to develop a migration plan of applications to VAX platform

A successful EIS project will be delivered to Dow to establish credibility and to build a relationship in EIS business

Industry marketing / sales support will be actively involved in Dow

Economic conditions of chemical industry will remain strong

RISKS

Wide resource deployment may limit our success

Emphasis in commercial area may detract from main line business

Calling higher in Dow may alienate Digital technical champions at Dow

PROBLEM AREAS

Inconsistent pricing and availability of Digital products and services in different geographies.

The reluctance of Dow to purchase consulting services in EIS projects.

The line sales organization is concerned over anticipated growth of sales budgets.

Useful life cycles of Digital products at Dow exceed our product life cycle plans.

A Corporate Worldwide Software licensing policy needs to be established for high volume layered products.

Sales support in engineering, manufacturing, and research needs to understand chemical industry applications.

Long term relationship should be established between Dow and industry expertise centers.

Formally commit to, and expand, the shared maintenance program.

A competitive selling strategy for "Officevision" needs to be established.

A Digital expertise and application center pilot should be established within key accounts.

Special programs that are established require worldwide implementation capability.

WORLDWIDE PROJECT: Global Process Information

DESCRIPTION OF PROJECT:

Develop and deliver to Dow a custom CSS solution for a MOD Server and Operator Workstation. Develop a program to allow Dow an attractive means to migrate PDPs to VAXs.

FORECASTED BUSINESS:

Local Sales Geography	Involvement	Total Systems Business		Total Services Business	
		FY90 (Certs)	Future (Certs)	FY90	Future
GLD / ECA	Develop & Plot	3000	5500	90	210
HOU / SCA	Influence	800	2400	48	144
MSD / SOA	Revenue	600	2200	36	132
Holland	Influence	500	1000	30	66
Germany	Review	500	1100	30	66

STATEMENT OF ISSUES:

A global pricing strategy needs to be established! SWS needs to present cost of ownership pricing to be competitive against in-house development.

PROPOSED SOLUTION:

A custom CSS solution for MOD Server VS 3100's with custom software for operator workstations. uVAX to replace PDP11s.

CRITICAL SUCCESS FACTORS:

Dow must continue to move toward Digital becoming an integration vendor. Digital's pricing structure needs to be flexible for unique program offerings.

FORECASTED RESOURCE REQUIREMENTS - FY90:

Local Sales Geography	Sales % Year	SWS Support Work Days	SWS Support Skill	Other Work Days	Other Func.	Resources Other Than People	K$
GLD / ECA HOU / SCA MSD / SOA	1.0 1.0 .3	180 40 10	SS SS SS	540	P.S.S.		
Total U.S.	2.3	230					
Holland Germany	.1 .1	5 5	SS SS				
TOTAL EUR.	.2	10					
Total GIA							
Total WW	2.5	240		540			

WORLDWIDE PROJECTS APPENDIX 1

WORLDWIDE PROJECT: Engineering Workstations

DESCRIPTION OF PROJECT: Digital workstations become the standard in Dow engineering.

FORECASTED BUSINESS:

Local Sales Geography	Involvement	Total Systems Business		Total Services Business	
		FY90 (Certs)	Future (Certs)	FY90	Future
GLD / ECA	Decision	200	300	8	12
HOU / SCA	Decision	200	300	8	12
Other U.S.	Influence	200	200	8	8
Holland	Influence	200	100	8	4
Other World	Influence	200	100	8	4

STATEMENT OF ISSUE: None Dow is ready to develop an integrated solution for engineering, research, and manufacturing. Digital needs to help Dow to develop this strategy.

PROPOSED SOLUTION: Digital family of workstations.

CRITICAL SUCCESS FACTORS: Keep out competition. Establish DECwindows as a critical element in building integrated solutions.

Third party products are commited from MS/DOS to VAXstations.

'ORLDWIDE PROJECTS (Cont'd)

FORECASTED RESOURCE REQUIREMENTS - BEYOND FY90:

Local Sales Geography	Sales % Year	SWS Support Work Days	SWS Support Skill	Other Work Days	Other Func.	Resources Other Than People	K$
GLD / ECA HOU / SCA Other U.S.	.3 .3 .2	20 20 20	SS SS SS				
Total U.S.	.8	60					
Holland Other Europe	.1 .2	10 10	SS SS				
TOTAL EUR.	.3	20					
Total GIA							
Total WW	1.1	80					

'ORLDWIDE PROJECTS APPENDIX 1

WORLDWIDE PROJECT: Worldwide Network / X.400 mail

DESCRIPTION OF PROJECT: Develop and implement with Dow a global PHASE V migration plan and mail strategy.

FORECASTED BUSINESS:

Local Sales Geography	Involvement	Total Systems Business		Total Services Business	
		FY90 (Certs)	Future (Certs)	FY90	Future
GLD / ECA Switzerland	Decision Influence	300 100	500 400	12 4	12 16

STATEMENT OF ISSUES: EMA products FCS in a timely fashion. User based pricing for mail products meets Dow's investment strategy.

PROPOSED SOLUTION: Digital standard network products and services for a Global network backbone. Mailbus products and X.400 mail for a global. VAX based electronic mail.

CRITICAL SUCCESS FACTORS: Corporate Account Consulting is available to develop migration strategy. Dow supplies appropriate manpower to run their network.

WORLDWIDE PROJECTS (Cont'd)

FORECASTED RESOURCE REQUIREMENTS - FY90:

Local Sales Geography	Sales % Year	SWS Support Work Days	Skill	Other Work Days	Func.	Resources Other Than People	K$
GLD / ECA	.3	20	SS	40	Corp. Accts. Cons.	Field Test	
Total U.S.	.3	20					
Switzerland	.2	10	SS				
TOTAL EUR.	.2	10					
Total GIA							
Total WW	.2	30					

WORLDWIDE PROJECTS APPENDIX 1

WORLDWIDE PROJECT: PC LANS

DESCRIPTION OF PROJECTS: Digital PC products and services are the preferred products at Dow.

FORECASTED BUSINESS:

Local Sales Geography	Involvement	Total Systems Business		Total Services Business	
		FY90 (Certs)	Future (Certs)	FY90	Future
GLD / ECA	Pilots	200	250	8	10
HOU / SCA	Pilots	100	100	4	4
MSD / SOA	Influence	100	100	4	4
Holland	Influence	100	100	4	4
Germany	Influence	100	100	4	4

STATEMENT OF ISSUES: Dow is heavily involved with IBM in commercial. Digital needs to develop an advantage strategy.

PROPOSED SOLUTION: PC LAN servers

CRITICAL SUCCESS FACTORS: Winning against competition. Timely release of new products (is OS2 support, MS DOS emulation on VAXstations, MAC interconnect.

WORLDWIDE PROJECTS (Cont'd)

FORECASTED RESOURCE REQUIREMENTS - BEYOND FY90:

Local Sales Geography	Sales % Year	SWS Support Work Days	SWS Support Skill	Other Work Days	Other Func.	Resources Other Than People	K$
GLD / ECA HOU / SCA MSD / SCA	.2 .2 .2	20 20 20	SS SS SS			uVAX pilots	50
Total U.S.	.6	60					
Holland Germany	.1 .1	5 5					
TOTAL EUR.	.2	10					
Total GIA							
Total WW	.8	70					

WORLDWIDE PROJECT: Dow Corning CIM

DESCRIPTION OF PROJECT: Expand the Dow Corning CIM solution into other Dow Corning sites.

FORECASTED BUSINESS:

Local Sales Geography	Involvement	Total Systems Business		Total Services Business	
		FY90	Future	FY90	Future
		(Certs)			
GLD / ECA	Decision	1500	2500	90	150
Other World	Influence	500	1000	30	60

STATEMENT OF ISSUES: Dow Corning committed to world wide rollout.

PROPOSED SOLUTION: 6300 based systems, integration service, and third party products.

CRITICAL SUCCESS FACTORS: Successful completion of the CIM project.
Dow Corning adopts a worldwide CIM project.

WORLDWIDE PROJECTS (Cont'd)

FORECASTED RESOURCE REQUIREMENTS - FY90:

Local Sales Geography	Sales % Year	SWS Support Work Days	SWS Support Skill	Other Work Days	Other Func.	Resources Other Than People	K$
GLD / ECA Balance U.S.	1.0 .5	90 45	SS SS				
Total U.S.	1.5	135					
TOTAL EUR.							
Total GIA							
Total WW	1.5	135					

WORLDWIDE PROJECTS APPENDIX 1

WORLDWIDE PROJECT: Quality Solution Systems

DESCRIPTION OF PROJECT: Work with Dow to totally integrate Statistical Process Control, Quality anaylsis, and management tools in Dow PI system.

FORECASTED BUSINESS:

Local Sales Geography	Involvement	Total Systems Business		Total Services Business	
		FY90 (Certs)	Future (Certs)	FY90	Future
GLD / ECA	Pilot / Decision	100	400	6	24
HOU / SCA		150	600	9	36
MSD / SOA	Influence	80	320	5	19
Holland	Influence	60	240	4	14
Germany	Influence	50	200	3	12

STATEMENT OF ISSUES: SPC and QC are part of Dow's customer satisfaction mission. Digital's strategy needs to establish SPC and QC in Manufacturing Systems.

PROPOSED SOLUTION: Incremental VAX hardware, CMP software application, and integrated services to affect worldwide rollout.

CRITICAL SUCCESS FACTORS: Successful deployment of investment software support. Successful pilots within Dow. Good working relationship with third party vendors. Gain support for single solution.

WORLDWIDE PROJECTS (Cont'd)

FORECASTED RESOURCE REQUIREMENTS - FY90:

Local Sales Geography	Sales % Year	SWS Support Work Days	SWS Support Skill	Other Work Days	Other Func.	Resources Other Than People	K$
GLD / ECA	.1	10		150	PSS Invol.		
HOU / SCA	.2	10					
MSD / SOA	.1	5					
Total U.S.	.4	25		150			
Holland	.05						
Germany	.05						
TOTAL EUR.	.1						
Total GIA							
Total WW	.5	25		150			

WORLDWIDE PROJECTS APPENDIX 1

WORLDWIDE PROJECT: Supercomputing

DESCRIPTION OF PROJECT: Digital supercomputers as the preferred supercomputer at Dow.

FORECASTED BUSINESS:

Local Sales Geography	Involvement	Total Systems Business		Total Services Business	
		FY90 (Certs)	Future (Certs)	FY90	Future
ECA GLD	Benchmark / Decision	800	1600	56	112
Holland	Influence		800	--	56
HOU / SCA	Influence	800	800	--	--

STATEMENT OF ISSUES: Dow believes Digital's planned products will meet their needs. The timing of their release is the key issue.

PROPOSED SOLUTION: Aquarius

CRITICAL SUCCESS FACTORS: Product performance! Dow decides on Digital for integrated manufacturing, engineering, and research solutions. Digital products announced and available.

FORECASTED RESOURCE REQUIREMENTS - BEYOND FY90:

Local Sales Geography	Sales % Year	SWS Support Work Days	SWS Support Skill	Other Work Days	Other Func.	Resources Other Than People	K$
GLD / ECA	.2	20	SS				
Total U.S.	.2	20					
Holland	.1	10	SS				
TOTAL EUR.	.1	10					
Total GIA							
Total WW	.3	30					

COMPANY PROFILE: APPENDIX 2

As outlined in the 10-K report submitted to the Security and Exchange Commission, Dow Chemical describes itself as a company incorporated in 1947 under Delaware law and is the successor to a Michigan Corporation, of the same name, organized in 1897. The company is engaged in the manufacture and sale of chemicals, plastic materials, pharmaceuticals, agricultural and consumer products and specialized products. The company was organized in 1897 to extract chemicals from the native brine deposits of central Michigan. From an initial concentration on products derived from these chemicals, the company has expanded its activities into four major industry segments (see Section 1). The company's principal executive offices are located at Willard H. Dow Center, Midland, Michigan. Frank Popoff, 53 years old, is the President and Chief Executive Officer and Paul Oreffice, 61 years old, (former President and C.E.O.) is chairman of the Board of Directors.

ENTERPRISE STRUCTURE:

Dow operates a decentralized, matrix organization that places high regard on innovation, integrity, and individual recognition and respect. This, coupled with Dow's rural geographic site locations, has led to an extremely career oriented and loyal work force that tends to view the organization as a "family", and an extension of themselves.

The five major geographic organization units of the company are U.S., (Texas, Michigan, Louisiana, Eastern and Western Divisions) Europe (West Germany, Netherlands, Spain, Italy, and Switzerland) Canada (Ontario and Alberta) Pacific (Hong Kong, Australia, New Zealand, and Japan), and Latin America (Brazil, Columbia, Mexico and Venezuela). The four major product groups are Chemicals and Performance Products, Plastics, Hydrocarbons, and Consumer Specialties which includes agricultural products, consumer products and pharmaceuticals. Each of these business units is organized with its own senior management and operational staffs with decentralized profit and loss responsibilities.

ENTERPRISE SIZE:

Total worldwide operating revenues of Dow were $16.7B in 1988 with net income of $2.4B. The geographic and industry segment summary of both revenue and income can be seen in Section 1. Dow has had record growth and record profits in both 1987 and 1988.

CORPORATE SYTLE:

To understand Dow is to understand its management culture and philogophy. Herbert H. Dow, founder of the company, said, "If it can't be done better, why do it?" This quote is found on plaques in lobbies, auditoriums, and offices throughout Dow and is a part of the way the company is organized and operates. Its decision making, like its organization, is very decentralized. It fosters entrepreneurial thinking and autonomy. This, at times, is in direct conflict with goals to establish "common systems" across the enterprise. Still, Dow feels that its' historic management values have made them successful thus far, and they must accept their weaknesses to gain their strengths. The marketplace, however, is forcing Dow to compromise its zest for a totally decentralized enterprise. In fact, Dow senior management will insist that "We are a chemical company and not a computer company" while various groups go on designing, implementing, and maintaining their own information systems. In the midst of this, Dow maintains its focus on continuous improvement and efficiencies with a statement that it should be the goal of every employee to eliminate the need for their own job.

CORPORATE MISSION:

Dow's mission statement is to continue its current growth across industry segments via leadership in global markets, innovation, quality, and a long term commitment to both the communities in which it operates and the environment.

CORPORATE KEY OBJECTIVES:

* Continue reduction of costs through efficiency, good management and improved supplier partnerships.

* Selective acquisitions and ventures as an added basis for further growth and diversification.

* Safety in every aspect and protection of the environment.

* Continuous improvement in the quality of all Dow product and services.

* Effective administration and improved customer service with a focus on productivity, not bureaucracy.

ACCOUNT PROFILE

DISCOUNT AGREEMENT SUMMARY

DOW CHEMICAL

AND

DIGITAL EQUIPMENT CORPORATION

TERM: AUGUST 1, 1988 - JULY 31, 1993

AGREEMENT TYPE	AGREEMENT NO.	DISCOUNT AMOUNT
End User	39000-00	18.5%

Note: Selected products such as Terminals and memory may be subject to additional discount as specified in the Price List under discount adders.

		LIST PRICE REDUCTION
Field Service (refer to Section 6 of Agreement)	N.A.	Category I - 38% Category II - 18% Category III - 15%

Delivery:	F.O.B. DIGITAL - DOW's Carrier
In-transit Insurance:	None - Self-Insured
Payment:	Net 30 days from date of receipt of each invoice.
Partial Shipment:	Permitted when authorized by DOW.
Cancellation/Rescheduling:	Charges imposed for cancellation or rescheduling within 30 days of acknowledged delivery date.
Warranty:	In most cases, 12 months on-site or return-to-factory, unless otherwise specified in price list.

Software License: Use of binary software is limited to the single CPU on which it is first installed. Copying and disclosure to third parties is prohibited. Source software may be copied for use on a CPU at designated facility, provided binary license has been acquired for that CPU.

Questions: Contact local DIGITAL Sales office

INDEX

Confidentiality of Agreement Contents

The contents of this Agreement, including pricing and discounting policies, are proprietary to DIGITAL and DOW and will be kept confidential by both parties. Each party will disclose the terms, conditions, or pricing of this Agreement only to those employees who have a need to know.

SUBSIDIARIES OF THE DOW CHEMICAL COMPANY

(Authorized Buying Locations)	Locations of Incorporation	Percentage of Ownership
The Dow Chemical Company:	Delaware	
Admiral Equipment Co.	Delaware	100
Admiral Equipment Japan Ltd.	Japan	100
Alamo Land Company Inc.	Louisiana	56
Arabian Chemical Company (1)	Saudi Arabia	50
Boride Products, Inc.	Michigan	100
Cayuse Pipeline Company	Texas	100
CD Medical, Inc.	Delaware	100
CD Home Dialyservice, Inc.	Delaware	100
CD Medical, B.V.	Netherlands	100
CD Medical, GmbH	West Germany	100
CD Medical, S.A.	France	100
CD Medical, SRL (7)	Italy	95
CD Medical International Ltd.	Delaware	100
Compagnie des Services Dowell Schlumberger (2)	France	50
DCOMCO, Inc.	Delaware	100
DCU/LB TRUST (1)	California	50
Dofinco Inc.	Delaware	100
Domopak International A.G.	Italy	100
Dovkim Kimya ve Ilac Sanayi ve Ticaret A.S.	Turkey	100
Dow Chemical A.B.	Sweden	100
Dow Chemical A.G.	Switzerland	100
Dow Chemical A/S	Denmark	100
Dow Chemical Belgium NV/SA	Belgium	100
Dow Chemical Management International S.A. (3)	Belgium	80
Dow Chemical Company Limited (4)	United Kingdom	75
Cromarty Petroleum Company Limited (1)	United Kingdom	50
Dow Chemical Energy Development Co. Ltd.	United Kingdom	100
Scotdril Offshore Company (1)	Scotland	50
Industrial Latex Adhesives Ltd.	United Kingdom	100
Industrial Latex Compounds Ltd.	United Kingdom	100
Dow Trading, Ltd.	United Kingdom	100
Dow Chemical Europe S.A.	Switzerland	100
Chimtrade (1)	Bulgaria	50
Dow Chemical Export S.A.	Switzerland	100
Dow Chemical (Hellas) A.E.	Greece	100
Dow Chemical Iberica S.A.	Spain	100
Transformadora de Etileno S.A. (1)	Spain	50
Dow Chemical (Nederland) B.V.	Netherlands	100
Dow Chemical (Norway) A.S.	Norway	100
Dow Chemical Austria Gesellschaft mbH	Austria	100
Dow Chemical (Australia) Limited	Australia	100
Anti-Corrosive Piping Systems Pty. Ltd.	Australia	100
Dow Chemical Canada Inc.	Canada	100
DCP Canada Inc.	Canada	100
MT Partnership (2)	Canada	50
Dow Pipeline Ltd.	Canada	100

Fort Saskatchewan Ethylene Storage Limited Partnership (1)	Canada	50
H-D Tech Inc. (1)	Canada	50
Wabiskaw Explorations Ltd. (1)	Canada	50
Dow Chemical (China) Ltd.	Delaware	100
Dow Chemical Delaware Corporation	Delaware	100
Dow Chemical Factoring Company S.A.	Switzerland	100
Dow Chemical France S.A.	France	100
Dow Chemical (Hong Kong) Limited	Hong Kong	100
Dow Chemical Inter-American Limited	Delaware	100
Dow Quimica de Columbia S.A. (11)	Columbia	10
Dow Chemical International Inc. of Delaware	Delaware	100
Dow Chemical International B.V.	Netherlands	100
Dow Chemical International Inc. (Panama)	Panama	100
Dow Chemical International Ltd.	Delaware	100
Dow Chemical Investment Inc.	Delaware/Germany	100
Dow Chemical GmbH	West Germany	100
Dow Chemical Handels-und Vertriebsgesellschaft mbH	West Germany	100
Haeger and Kaessner GmbH	West Germany	100
Haeger and Kaessner do Brazil Produtos Quimicos Ltda	Brazil	100
Impatex AG	Switzerland	100
Haeger and Kaessner Limited (1)	Japan	50
Viopol S.A. (1)	Greece	50
Dow Pflanzenschutz GmbH	West Germany	100
Dow Chemical Rheinwerk GmbH	West Germany	100
Dow Chemical Japan Limited	Japan	100
Dow Chemical Overseas Capital N.V.	Netherlands Antilles	100
Dow Chemical OY	Finland	100
Dow Chemical Pacific Limited	Hong Kong	100
Dow Italia S.p.A.	Italy	100
G.E.T.I.S. S.p.A.	Italy	100
Polyco S.p.A.	Italy	100
Dow Chemical (Singapore) Private Limited	Singapore	100
Dow Chemical Thailand Limited	Thailand	100
Dow Chemical Trading S.A.	Switzerland	100
Dow Consumer Products Inc.	Delaware	100
Dow Corning Corporation (2)	Michigan	50
Dow Credit Corporation	Delaware	100
Dow Energy Resources Germany, Inc.	Delaware	100
Dow Energy Resources Germany Inc. and Co. KG	West Germany	100
Dow Engineering Company	Delaware	100
Dow Engineering Inc.	Michigan	100
Dow Intrastate Gas Company	Louisiana	100
Dow Kakoh Kabushiki Kaisha	Japan	100

Dow Pipeline Company	Texas	100
Dow Quimica Argentina S.A.	Argentina	100
Dow Quimica Chilena S.A.	Chile	100
Dow Quimica de Colombia S.A. (11)	Colombia	90
Dow Quimica Mexicana, S.A. de C.V.	Mexico	100
Terminales Martimas, S.A. de C.V.	Mexico	100
Dow Quimica S.A.	Brazil	100
Dow Produtos Quimicos Ltda.	Brazil	100
Mineracao e Quimica do Nordeste S.A.	Brazil	100
Propenasa Comercial Exportadora S.A.	Brazil	100
Spuma-Pac Industria e Comercio De Embalagens e Artefatos Plasticos Ltda	Brazil	100
Bramevik Comercio e Participacoes Ltda	Brazil	100
Techno-Rim Industrial Ltda	Brazil	100
Dow Quimica Venezuela C.A.	Venezuela	100
Dow Uretanos S.A.	Spain	100
El Dorado Terminals Company (1)	New Jersey	50
FilmTec Corporation	Delaware	100
Great Western Pipeline Company, Inc.	California	100
Insul/Crete Company, Inc. (1)	Wisconsin	50
ISOPOR - Companhia Portuguesa de Isociantos Ltda.	Portugal	74
Ivon Watkins-Dow Limited	New Zealand	51
Plastic Packaging Limited	New Zealand	100
Transpak Industries Limited	New Zealand	100
Jacques Labeille S.A.	France	100
Joliet Marine Terminal Trust Estate (1)	Illinois	50
Lamaur, Inc.	Minnesota	100
Liana Limited	Delaware	100
Dorinco Reinsurance Company	Michigan	100
Dorintal Reinsurance Limited	Bermuda	100
Timber Insurance Ltd.	Bermuda	100
Louisiana Gasification Technology, Inc.	Delaware	100
M. D. Kasei Limited (1)	Japan	50
Merrell Dow Pharmaceuticals Inc.	Delaware	100
Biochimica Del Salento S.p.A.	Italy	100
Funai Pharmaceuticals Company Ltd.	Japan	89
Gruppo Lepetit S.p.A.	Italy	100
Administration de Participations Estrangeres S.A.	Luxembourg	100
First Chemical Factoring S.p.A.	Italy	90
Gruppo Lepetit Trading SRL	Italy	100
Laboratories Industriales Farmaceuticos Ecuatorianos (L.I.F.E.)	Ecuador	59
Laboratories Lepetit de Mexico S.A. de C.V.	Mexico	100
Lepetit International Inc.	Panama	100
Lepetit S.A.	Argentina	100
Mer-National S.p.A.	Italy	100
Merrell Dow Argentina S.A.	Argentina	100
Merrell Dow Belgium S.A.	Belgium	100
Merrell Dow Espana S.A.	Spain	100

Merrell Dow Export Sales B.V.	Netherlands	100
Merrell Dow France S.A.	France	100
Merrell Dow Pharmaceuticals A.G.	Switzerland	100
Merrell Dow Pharmaceuticals Australia Pty. Ltd.	Australia	100
Merrell Dow Pharmaceuticals (Canada) Inc.	Canada	100
Merrell Dow Pharmaceuticals International Inc.	Delaware	100
Merrell Dow Pharmaceuticals K.K.	Japan	100
Merrell Dow Pharmaceuticals (New Zealand) Limited	New Zealand	100
Merrell Dow Pharmaceuticals Limited	United Kingdom	100
MDP (Holdings) Ltd. (1)	United Kingdom	50
Merrell Dow Pharmaceuticals Pacific Ltd.	Hong Kong	100
Merrell Dow Pharmaceuticals (Philippines), Inc.	Philippines	100
Merrell Dow Pharma GmbH	West Germany	100
Merrell Dow Venezuela, C.A.	Venezuela	100
Merrell Lepetit Farmaceutica e Ltda	Brazil	100
Merrell Puerto Rico, Inc.	Puerto Rico	100
Merrell S.A.	Peru	100
NKY Distribution Center Inc.	Delaware	100
Societe Chimique Grevis S.A.	France	100
Merrell Dow France S.N.C. (8)	France	70
Sociedade Quimica Lepetit, SARL	Portugal	100
Metal Mark, Inc. (1)	Illinois	50
Midland Pipeline Corp.	Delaware	100
Fort Saskatchwan Ethylene Storage Corporation (1)	Canada	50
Newa Quimica Limitada	Brazil	100
Oronzio de Nora Impianti Elettrochimici S.A., Lugano (1)	Switzerland	50
Oronzio de Nora Technologies B.V. (1)	Netherlands	50
Oyster Creek Refining Corporation	Texas	100
P.T. Pacific Chemicals Indonesia	Indonesia	80
Pacific Chemicals Berhad	Malaysia	51
Pacific Cable Products Sendirian Berhad	Malaysia	100
Pacific Plastics (Thailand) Limited	Thailand	50

Pacific Terminals Private Limited	Singapore	100
Petroquimica-Dow S.A.	Chile	70
Productos Quimicos Peruanos S.A.	Peru	100
Rofan Energy Inc.	Delaware	100
Seger & Hoffman A.G.	Switzerland	100
Servitecnia S.A.	Argentina	100
Taiwan Dow Chemical Limited	Republic of China	100
Tecnica Petroquimica de Centro America S.A.	Guatemala	100
Tepeca, S.A.	Costa Rica	100
The Cynara Company (9)	Texas	90
United AgriSeeds, Inc.	Massachusetts	100
DeWine Seed Company, Inc.	Massachusetts	100
Eurosemences, S.A.	France	67
Hofler Seed Company, Inc.	Massachusetts	100
Keltgen Seed Company, Inc.	Minnesota	100
Lynks Seed Company, Inc.	Massachusetts	100
Vorakim Kimya Sanayi Ve Ticaret A.S. (5)	Turkey	58
Zip Pak Incorporated	Delaware	60

(1) Separate financial statements for these companies have been omitted because of the absence of the conditions under which they are required.

(2) Condensed financial information of these companies is included in the notes to financial statements of The Dow Chemical Company and Subsidiaries.

(3) Dow Chemical A.G. effective ownership of this company is 100% of which Dow Chemical Belgium NV/SA owns 80% and Dow Chemical A.G. owns 20%.

(4) The Dow Chemical Company effective ownership of this company is 100% of which Dow Chemical A.G. owns 75% and The Dow Chemical Company owns 25%.

(5) The Dow Chemical Company effective ownership of this company is 60% of which The Dow Chemical Company owns 58% and Dow Chemical Export S.A. and Dow Chemical A.G. each own 1%.

(6) The Dow Chemical Company effective ownership of this company is 100%, of which Dow Chemical GmbH and Dow Chemical Handels-und Vertriebsgesellschaft mbH each own 33%. Merrell Dow Pharmaceuticals Inc. effective ownership of this company is 34% of which Merrell Pharma GmbH owns 34%.

(7) CD Medical, Inc., effective ownership of this company is 100% of which CD Medical S.A. owns 5% and CD Medical, B.V. owns 95%.

(8) Merrell Dow Pharmaceuticals Inc. effective ownership of this company is 100%, of which Merrell Dow France S.A. owns 30% and Societe Chimique Grevis S.A. owns 70%.

(9) The Cynara Company is a Texas limited partnership of which The Dow Chemical Company is the sole general partner.

(10) The Dow Chemical Company effective ownership of this company is 50%, of which Dow Chemical S.p.A. owns 49% and 50%-owned Oronzio de Nora Technologies B.V. owns 2%.

(11) The Dow Chemical Company effective ownership of this company is 100%, of which The Dow Chemical Company owns 90% and Dow Chemical Inter-American Limited owns 10%.

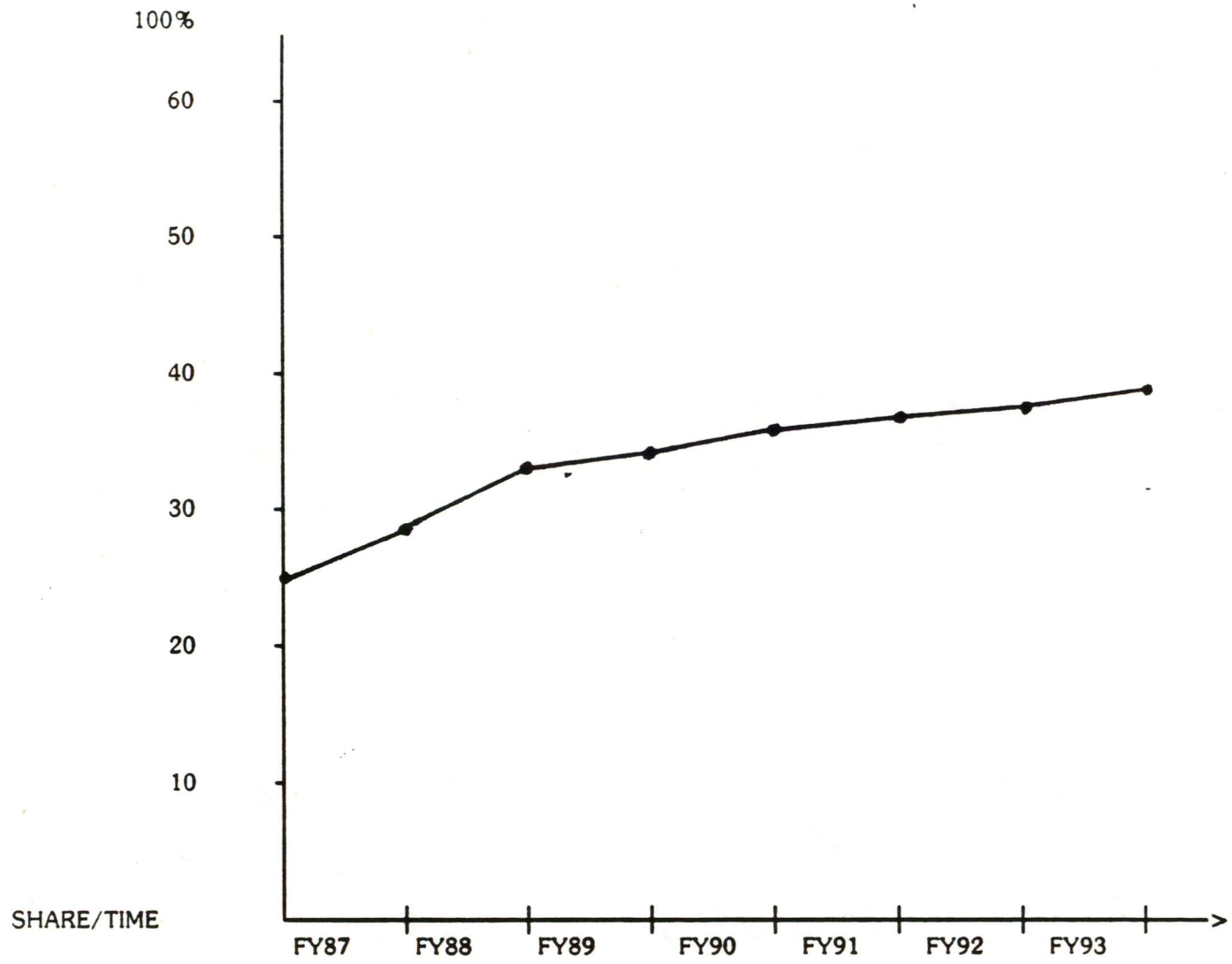
KEY DECISION MAKERS

* PRIMARY FOCUS

NAME	TITLE
Frank Popoff	President & CEO
Keith McKennon	Executive V.P. & President Dow U.S.A.
Joe Downey	V.P. - Chairman Dowbrands, (C.I.O.)
*Hans Huppertz	Director of Information Systems
*Dave Butler	Manager of U.S. Information Systems
*(8)	Division Managers of Computer Services
Bill Neeley	V.P. of Manufacturing & Engineering
*Parke Brown	Director of Process Control
(8)	Division General Managers
Irv Snyder	V.P. of Research & Development
*Alan Williams	Director of Research Operations
(10)	Managers of Applied Science & Technology Labs
Andrew Butler	President - Dow Europe
Dick Fieler	V.P. of Manufacturing & Engr. - Dow Europe
Frank Huff	Executive V.P. of Dow Europe
*Scott Brown	Manager of I.S. Dow Europe
(10)	Site Managers
(6)	Managers of Computer Services
Dave Buzzelli	President of Dow Canada
Dennis Lauzon	V.P. of Manufacturing & Engr. - Dow Canada
*Dave Kepler	Manager of I.S. Dow Canada
(3)	General Managers
*(3)	Managers of Computer Services
Michael Parker	President of Dow Pacific
Clifton Sim	Manager of Manufacturing Dow Pacific
*Edith Mok	Manager of I.S. Dow Pacific
Ernesto Ramon	President of Dow Latin America
*Bart Groot	Manufacturing Manager Dow Lating America
*Ademar Bronco	Manager of I.S. Dow Latin America

The Account Team has met with all of these key decision makers at one time or another and continue to meet with them on varying degrees of frequency.

Digital Market Share position withing the Account:



$M	FY87	FY88	FY89	FY90	FY91	FY92	FY93
TOT COMPUT.BUDGET	106	124	132	140	157	168	180
DEC TOTAL BUSINESS	29.6	39.7	43.6	47.0	56.5	62.0	68.0
DEC SHARE %	28	32	33	34	36	37	38

Since FY85:

Revenue growth of 120%
Market share growth of 7 points
Increased customer satisfaction 7.12 to 8.41

INDUSTRY / APPLICATION PROFILE: APPENDIX 4

To be completed

Site Index as of 06/14/89
Sequenced by: CO
41 sites in selection
Domain: DAT NAP PH SDF EUC COM VAX LAN
Country: USA
Site Profile Name: DOW CHEMICAL
System/PC Type: ALL Status: INST

	COMPANY	CITY	ST	MANUF	MAJOR SYSTEM
1	DOW CHEMICAL CO-ANALYTICAL DIVISION	MIDLAND	MI	DEC	VAX8XXX
2	DOW CHEMICAL CO-BUILDING 00403	FREEPORT	TX	DEC	MICROVAX
3	DOW CHEMICAL COMPANY	RUSSELLVILLE	AR	DEC	MICROVAX
4	DOW CHEMICAL COMPANY	PITTSBURG	CA	DEC	VAX6XXX
5	DOW CHEMICAL COMPANY	GALES FERRY	CT	IBM	PS/2
6	DOW CHEMICAL COMPANY	DALTON	GA	DEC	11/84
7	DOW CHEMICAL COMPANY	GENESEO	IL	IBM	PC
8	DOW CHEMICAL COMPANY	JOLIET	IL	DEC	11/84
9	DOW CHEMICAL COMPANY	PLAQUEMINE	LA	IBM	4381
10	DOW CHEMICAL COMPANY	MIDLAND	MI	IBM	3090-3XX
11	DOW CHEMICAL COMPANY	BAY CITY	MI	COMP-A	SYFA
12	DOW CHEMICAL COMPANY	LUDINGTON	MI	DEC	11/84
13	DOW CHEMICAL COMPANY	MIDLAND	MI	DEC	VAX8XXX
14	DOW CHEMICAL COMPANY	WAYSIDE	MS	IBM	PC
15	DOW CHEMICAL COMPANY	MOORESTOWN	NJ	IBM	8140
16	DOW CHEMICAL COMPANY	HEBRON	OH	DEC	11/84
17	DOW CHEMICAL COMPANY	FREEPORT	TX	IBM	3090-1XX
18	DOW CHEMICAL COMPANY	HOUSTON	TX	DEC	VAX6XXX
19	DOW CHEMICAL COMPANY U S A	TORRANCE	CA	IBM	PC
20	DOW CHEMICAL COMPANY U S A	PEVELY	MO	IBM	SERIES/1
21	DOW CHEMICAL COMPANY U S A	IRONTON	OH	DEC	11/84
22	DOW CHEMICAL COMPANY-CHEM PRODUCTS	MIDLAND	MI	LEADNG	MODELD
23	DOW CHEMICAL COMPANY-COMPUTER SVCS	PLAQUEMINE	LA	DEC	VAX8XXX
24	DOW CHEMICAL COMPANY-DISTRIBUTION	BAYONNE	NJ	DEC	VAX11/7XX
25	DOW CHEMICAL COMPANY-SALES OFFICE	ROLLING MEADOWS	IL	IBM	PC
26	DOW CHEMICAL COMPANY-SALES OFFICE	STRONGSVILLE	OH	NAS	AS/8000
27	DOW CHEMICAL CORP-C A D/C A M DEPT	FREEPORT	TX	DEC	VAX8XXX
28	DOW CHEMICAL CORP-COMPUTER SERVICES	FREEPORT	TX	DEC	VAX8XXX
29	DOW CHEMICAL U S A	FINDLAY	OH	IBM	PC
30	DOW CHEMICAL U S A	LA PORTE	TX	IBM	4331
31	DOW CHEMICAL U S A-COMPUTER SVCS	LUDINGTON	MI	DEC	MICROVAX
32	DOW CHEMICAL U S A-M A S T L	MIDLAND	MI	DEC	VAX8XXX
33	DOW CHEMICAL U S A-PLASTIC LINED	BAY CITY	MI	DEC	VAX11/7XX
34	DOW CHEMICAL-ENGINEERING	PLAQUEMINE	LA	DEC	VAX8XXX
35	DOW CHEMICAL-ENGINEERING	MIDLAND	MI	DEC	VAX8XXX
36	DOW CHEMICAL-ENGINEERING DEPT	PITTSBURG	CA	DEC	11
37	DOW CHEMICAL-LATIN AMERICA DIV	CORAL GABLES	FL	IBM	4341
38	DOW CHEMICAL-MI APPLIED SCIENCE	MIDLAND	MI	DEC	VAX8XXX
39	DOW CHEMICAL-R & D	PLAQUEMINE	LA	DEC	VAX8XXX
40	DOW CHEMICAL-RESEARCH	MIDLAND	MI	DEC	VAX11/7XX
41	DOW CHEMICAL-U S A AREA TREAS	MIDLAND	MI	DEC	VAX11/7XX

System/PC Index as of 06/14/89
Sequenced by: CO
41 sites in selection

Domain: DAT NAP PH SOF EUC COM VAX LAN
Country: USA
Site Profile Name: DOW CHEMICAL
System/PC Type: ALL Status: INST

	COMPANY	MET	ST	MANUF	SYSTEM	TYPE	STAT	INST DATE	QTY
1	DOW CHEM CO-ANALYTICAL DI	MBS	MI	DEC	VAX11/785	MINI	INST	8519	1
	DOW CHEM CO-ANALYTICAL DI	MBS	MI	DEC	VAX8650	MINI	INST	8619	1
	DOW CHEM CO-ANALYTICAL DI	MBS	MI	DEC	MICROVAX-I	MINI	INST	8519	1
	DOW CHEM CO-ANALYTICAL DI	MBS	MI	DEC	VAX6210	MINI	INST	8807	1
	DOW CHEM CO-ANALYTICAL DI	MBS	MI	DEC	MICROVAX-I	MINI	INST	8719	1
	DOW CHEM CO-ANALYTICAL DI	MBS	MI	DEC	MICROVAX-I	MINI	INST	8719	1
	DOW CHEM CO-ANALYTICAL DI	MBS	MI	SUN-MICRO	CADSYSTEM	MINI	EVAL	8901	1
	DOW CHEM CO-ANALYTICAL DI	MBS	MI	DEC	VAX6210	MINI	EVAL	8919	1
	DOW CHEM CO-ANALYTICAL DI	MBS	MI	UNSPECIFI	PERSONAL	DESK	PLAN	8806	10
2	DOW CHEM CO-BLDG 0C403	BZT	TX	DEC	MICROVAX35	MINI	INST	8808	1
	DOW CHEM CO-BLDG 0C403	BZT	TX	PC-CLONE	PERSONAL	DESK	INST		
	DOW CHEM CO-BLDG 0C403	BZT	TX	DEC	MICROVAX20	MINI	INST	8819	5
3	DOW CHEMICAL COMPANY		AR	DEC	MICROVAX-I	MINI	INST	8801	1
	DOW CHEMICAL COMPANY		AR	IBM	PC/AT	DESK	INST		1
	DOW CHEMICAL COMPANY		AR	PC-LIMITE	PERSONAL	DESK	INST		4
	DOW CHEMICAL COMPANY		AR	IBM	PC/XT	DESK	INST		1
	DOW CHEMICAL COMPANY		AR	PC-LIMITE	PERSONAL	DESK	INST		2
	DOW CHEMICAL COMPANY		AR	PC-LIMITE	TURBOPC/AT	DESK	EVAL	8809	2
4	DOW CHEMICAL COMPANY	OAK	CA	IBM	4381-2	A370	INST	8606	1
	DOW CHEMICAL COMPANY	OAK	CA	APPLE	MACINTOSH	DESK	INST		5
	DOW CHEMICAL COMPANY	OAK	CA	IBM	PC	DESK	INST		15
	DOW CHEMICAL COMPANY	OAK	CA	IBM	PC/AT	DESK	INST		25
	DOW CHEMICAL COMPANY	OAK	CA	IBM	PC/XT	DESK	INST		40
	DOW CHEMICAL COMPANY	OAK	CA	IBM	PS/2-50	DESK	INST		2
	DOW CHEMICAL COMPANY	OAK	CA	IBM	PS/2-60	DESK	INST		3
	DOW CHEMICAL COMPANY	OAK	CA	DEC	VAX8600	MINI	INST	8608	1
	DOW CHEMICAL COMPANY	OAK	CA	DEC	VAX6220	MINI	INST	8901	1
	DOW CHEMICAL COMPANY	OAK	CA	IBM	PS/2-50	DESK	EVAL	8811	
	DOW CHEMICAL COMPANY	OAK	CA	IBM	PS/2-60	DESK	EVAL	8811	
5	DOW CHEMICAL COMPANY	NLN	CT	IBM	PC/XT	DESK	INST		1
	DOW CHEMICAL COMPANY	NLN	CT	IBM	PC/XT	DESK	INST		1
	DOW CHEMICAL COMPANY	NLN	CT	IBM	PC/XT	DESK	INST		1
	DOW CHEMICAL COMPANY	NLN	CT	IBM	PC/XT	DESK	INST		1
	DOW CHEMICAL COMPANY	NLN	CT	IBM	PC/XT	DESK	INST		1
	DOW CHEMICAL COMPANY	NLN	CT	IBM	PS/2-30	DESK	INST		1
	DOW CHEMICAL COMPANY	NLN	CT	IBM	PS/2-30	DESK	INST		1
6	DOW CHEMICAL COMPANY		GA	DEC	PDP11/84	MINI	INST	8610	1
	DOW CHEMICAL COMPANY		GA	IBM	PC/XT	DESK	INST		2
	DOW CHEMICAL COMPANY		GA	LEADNG-ED	MODELD	DESK	INST		7
7	DOW CHEMICAL COMPANY	DAV	IL	IBM	PC/XT	DESK	INST	8403	1
	DOW CHEMICAL COMPANY	DAV	IL	IBM	PC/XT	DESK	INST	8519	1
	DOW CHEMICAL COMPANY	DAV	IL	IBM	PC/XT	DESK	INST	8601	1
	DOW CHEMICAL COMPANY	DAV	IL	IBM	PC/XT	DESK	INST	8719	1
8	DOW CHEMICAL COMPANY	JOT	IL	DEC	PDP11/84	MINI	INST	8704	1
	DOW CHEMICAL COMPANY	JOT	IL	LEADNG-ED	PERSONAL	DESK	INST		5
	DOW CHEMICAL COMPANY	JOT	IL	IBM	SERIES/1	MINI	INST	8119	1
	DOW CHEMICAL COMPANY	JOT	IL	IBM	PERSONAL	DESK	INST		12
	DOW CHEMICAL COMPANY	JOT	IL	DEC	PDP11/44	MINI	INST	8419	1

9	DOW CHEMICAL COMPANY		LA	IBM	4381-2	A370	INST 8601	1
10	DOW CHEMICAL COMPANY	MBS	MI	DEC	VAX11/785	MINI	INST 8712	1
	DOW CHEMICAL COMPANY	MBS	MI	APPLE	MACINTOSH	DESK	INST	400
	DOW CHEMICAL COMPANY	MBS	MI	IBM	PC/AT	DESK	INST	50
	DOW CHEMICAL COMPANY	MBS	MI	IBM	PC/XT	DESK	INST	50
	DOW CHEMICAL COMPANY	MBS	MI	IBM	PS/2	DESK	INST	100
	DOW CHEMICAL COMPANY	MBS	MI	DEC	MICROVAX-I	MINI	INST 8604	1
	DOW CHEMICAL COMPANY	MBS	MI	DEC	MICROVAX-I	MINI	INST 8604	1
	DOW CHEMICAL COMPANY	MBS	MI	DEC	MICROVAX20	MINI	INST 9804	1
	DOW CHEMICAL COMPANY	MBS	MI	IBM	3090-300S	A370	INST 8819	1
	DOW CHEMICAL COMPANY	MBS	MI	IBM	PC	DESK	INST	
	DOW CHEMICAL COMPANY	MBS	MI	IBM	PC/AT	DESK	INST	500
	DOW CHEMICAL COMPANY	MBS	MI	IBM	PC/XT	DESK	INST	200
	DOW CHEMICAL COMPANY	MBS	MI	IBM	3270PC	DESK	INST	5
	DOW CHEMICAL COMPANY	MBS	MI	IBM	3090-300S	A370	INST 8819	1
	DOW CHEMICAL COMPANY	MBS	MI	IBM	3084Q	A370	INST 8819	1
	DOW CHEMICAL COMPANY	MBS	MI	IBM	PC	DESK	INST	10
	DOW CHEMICAL COMPANY	MBS	MI	UNSPECIFI	LAPTOP	DESK	INST	150
	DOW CHEMICAL COMPANY	MBS	MI	IBM	MAINFRAME	OTHR	EVAL 8806	1
	DOW CHEMICAL COMPANY	MBS	MI	DEC	SUPERMINI	OTHR	EVAL 8909	1
	DOW CHEMICAL COMPANY	MBS	MI	UNSPECIFI	PERSONAL	DESK	PLAN 8910	450
11	DOW CHEMICAL COMPANY	MBS	MI	COMP-AUTO	SYFA	MINI	INST 7619	1
	DOW CHEMICAL COMPANY	MBS	MI	HP	9825	DESK	INST 7410	1
12	DOW CHEMICAL COMPANY		MI	DEC	PDP11/44	MINI	INST 8319	1
	DOW CHEMICAL COMPANY		MI	DEC	PDP11/84	MINI	INST 8519	1
	DOW CHEMICAL COMPANY		MI	IBM	PC/AT,	DESK	INST	100
	DOW CHEMICAL COMPANY		MI	PC-CLONE	PERSONAL	DESK	INST	35
13	DOW CHEMICAL COMPANY	MBS	MI	DEC	VAX11/785	MINI	INST 8511	1
	DOW CHEMICAL COMPANY	MBS	MI	APPLE	MACINTOSH	DESK	INST	100
	DOW CHEMICAL COMPANY	MBS	MI	DEC	DECMATE-II	DESK	INST	
	DOW CHEMICAL COMPANY	MBS	MI	DEC	PRO-350	DESK	INST	
	DOW CHEMICAL COMPANY	MBS	MI	DEC	PRO-380	DESK	INST	
	DOW CHEMICAL COMPANY	MBS	MI	DEC	RAINBOW	DESK	INST	
	DOW CHEMICAL COMPANY	MBS	MI	IBM	PC	DESK	INST	100
	DOW CHEMICAL COMPANY	MBS	MI	DEC	VAX11/785	MINI	INST 8702	1
	DOW CHEMICAL COMPANY	MBS	MI	DEC	VAX8650	MINI	INST 8711	1
	DOW CHEMICAL COMPANY	MBS	MI	DEC	MICROVAX-I	MINI	INST 8702	1
	DOW CHEMICAL COMPANY	MBS	MI	DEC	VAX6210	MINI	INST 8901	1
	DOW CHEMICAL COMPANY	MBS	MI	AST-RESRC	PREMIUM/28	DESK	INST	20
	DOW CHEMICAL COMPANY	MBS	MI	COMPAQ	PERSONAL	DESK	INST	20
	DOW CHEMICAL COMPANY	MBS	MI	LEADNG-ED	MODELD	DESK	INST	2
	DOW CHEMICAL COMPANY	MBS	MI	PC-LIMITE	PERSONAL	DESK	INST	2
	DOW CHEMICAL COMPANY	MBS	MI	APPLE	MACINTOSH-	DESK	EVAL 8912	
	DOW CHEMICAL COMPANY	MBS	MI	APPLE	MACINTOSH-	DESK	EVAL 8912	
14	DOW CHEMICAL COMPANY		MS	IBM	PC/XT	DESK	INST 8404	1
	DOW CHEMICAL COMPANY		MS	IBM	PC/XT	DESK	INST 8519	1
	DOW CHEMICAL COMPANY		MS	COMPAQ	PORTABLE-2	DESK	INST	1
	DOW CHEMICAL COMPANY		MS	PC-CLONE	PERSONAL	DESK	INST 8819	1
	DOW CHEMICAL COMPANY		MS	IBM	PC/XT	DESK	INST 8819	1
	DOW CHEMICAL COMPANY		MS	IBM	PC/XT	DESK	INST 8819	1
	DOW CHEMICAL COMPANY		MS	PC-CLONE	PERSONAL	DESK	INST 8904	1
15	DOW CHEMICAL COMPANY	PHL	NJ	IBM	8140	MINI	INST 8204	1
	DOW CHEMICAL COMPANY	PHL	NJ	IBM	8140	MINI	INST 8204	1
	DOW CHEMICAL COMPANY	PHL	NJ	IBM	PC/XT	DESK	INST	15

16	DOW CHEMICAL COMPANY	COL OH	IBM	SERIES/1-5	MINI	INST	8401	1
	DOW CHEMICAL COMPANY	COL OH	DEC	PDP11/84	MINI	INST	8603	1
	DOW CHEMICAL COMPANY	COL OH	DEC	MICROVAX-I	MINI	INST	8801	1
	DOW CHEMICAL COMPANY	COL OH	COMPAQ	PERSONAL	DESK	INST		2
	DOW CHEMICAL COMPANY	COL OH	IBM	PC	DESK	INST		1
	DOW CHEMICAL COMPANY	COL OH	IBM	PC/AT	DESK	INST		16
	DOW CHEMICAL COMPANY	COL OH	IBM	PC/AT	DESK	INST		1
	DOW CHEMICAL COMPANY	COL OH	IBM	PC/XT	DESK	INST		4
	DOW CHEMICAL COMPANY	COL OH	PC-CLONE	PERSONAL	DESK	EVAL	8819	6
17	DOW CHEMICAL COMPANY	BZT TX	IBM	3081K	A370	REPL	8605	1
	DOW CHEMICAL COMPANY	BZT TX	IBM	3090-180S	A370	INST	8812	1
	DOW CHEMICAL COMPANY	BZT TX	IBM	3270PC	DESK	INST		100
	DOW CHEMICAL COMPANY	BZT TX	IBM	3270PC	DESK	INST		
	DOW CHEMICAL COMPANY	BZT TX	DEC	VAX6210	MINI	INST		1
	DOW CHEMICAL COMPANY	BZT TX	DEC	VAX8600	MINI	INST		1
	DOW CHEMICAL COMPANY	BZT TX	APPLE	MACINTOSH	DESK	INST		25
	DOW CHEMICAL COMPANY	BZT TX	AST-RESRC	PREMIUM/28	DESK	INST		4
	DOW CHEMICAL COMPANY	BZT TX	COMPAQ	DESKPRO	DESK	INST		24
	DOW CHEMICAL COMPANY	BZT TX	IBM	PC/AT	DESK	INST		150
	DOW CHEMICAL COMPANY	BZT TX	IBM	PC/XT	DESK	INST		160
	DOW CHEMICAL COMPANY	BZT TX	IBM	PS/2	DESK	INST		1
	DOW CHEMICAL COMPANY	BZT TX	PC-CLONE	PERSONAL	DESK	INST		550
	DOW CHEMICAL COMPANY	BZT TX	TOSHIBA	PERSONAL	DESK	INST		12
	DOW CHEMICAL COMPANY	BZT TX	IBM	3090-200S	A370	EVAL	9001	1
	DOW CHEMICAL COMPANY	BZT TX	COMPAQ	PERSONAL	DESK	EVAL	8910	
	DOW CHEMICAL COMPANY	BZT TX	PC-CLONE	PERSONAL	DESK	EVAL	8910	
	DOW CHEMICAL COMPANY	BZT TX	APPLE	MACINTOSH	DESK	EVAL	8910	
18	DOW CHEMICAL COMPANY	HOU TX	DEC	VAX8530	MINI	INST	8710	1
	DOW CHEMICAL COMPANY	HOU TX	DEC	VAX8530	MINI	INST	8701	1
	DOW CHEMICAL COMPANY	HOU TX	DEC	VAX11/785	MINI	INST	8419	1
	DOW CHEMICAL COMPANY	HOU TX	DEC	VAX6220	MINI	INST	8809	1
	DOW CHEMICAL COMPANY	HOU TX	COMPAQ	DESKPRO-28	DESK	INST		15
	DOW CHEMICAL COMPANY	HOU TX	COMPAQ	DESKPRO-38	DESK	INST		15
	DOW CHEMICAL COMPANY	HOU TX	IBM	PC/AT	DESK	INST		50
	DOW CHEMICAL COMPANY	HOU TX	DEC	VAX6240	MINI	EVAL	8906$	1
	DOW CHEMICAL COMPANY	HOU TX	COMPAQ	DESKPRO-28	DESK	EVAL	8819	10
	DOW CHEMICAL COMPANY	HOU TX	COMPAQ	DESKPRO-38	DESK	EVAL	8819	10
19	DOW CHEMICAL CO U S A	LAX CA	IBM	PC	DESK	INST		12
20	DOW CHEMICAL CO U S A	STL MO	IBM	SERIES/1	MINI	INST	7919	1
21	DOW CHEMICAL CO U S A	HTS OH	DEC	PDP11/84	MINI	INST	8219	1
	DOW CHEMICAL CO U S A	HTS OH	DEC	PDP11/44	MINI	INST	8419	1
	DOW CHEMICAL CO U S A	HTS OH	IBM	PC/AT	DESK	INST		1
	DOW CHEMICAL CO U S A	HTS OH	IBM	PC/XT	DESK	INST		5
	DOW CHEMICAL CO U S A	HTS OH	PC-CLONE	PERSONAL	DESK	INST		3

22	DOW CHEMICAL CO-CHEM PROD	MBS	MI	APPLE	MACINTOSH+	DESK	INST			30
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	APPLE	MACINTOSH-	DESK	INST			500
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	APPLE	MACINTOSH-	DESK	INST			500
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	GRID	GRIDCASE	DESK	INST			30
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	IBM	PC/AT	DESK	INST			10
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	IBM	PC/XT	DESK	INST			10
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	IBM	PC/XT	DESK	INST			500
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	IBM	PS/2-50	DESK	INST			550
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	IBM	PS/2-70	DESK	INST			200
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	LEADNG-ED	MODELD	DESK	INST			25
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	PC-CLONE	PERSONAL-2	DESK	INST			10
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	ZENITH	LAPTOP	DESK	INST			75
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	APPLE	MACINTOSH	DESK	EVAL	8906		75
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	APPLE	MACINTOSH	DESK	EVAL	8909		75
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	APPLE	MACINTOSH	DESK	EVAL	8912		75
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	APPLE	MACINTOSH	DESK	EVAL	9001		75
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	IBM	PS/2-50	DESK	EVAL	8906		25
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	IBM	PS/2-50	DESK	EVAL	8909		25
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	IBM	PS/2-50	DESK	EVAL	8912		25
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	IBM	PS/2-50	DESK	EVAL	9001		25
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	IBM	PS/2-70	DESK	EVAL	8906		25
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	IBM	PS/2-70	DESK	EVAL	8909		25
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	IBM	PS/2-70	DESK	EVAL	8912		25
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	IBM	PS/2-70	DESK	EVAL	9001		25
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	ZENITH	LAPTOP	DESK	EVAL	8906		25
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	ZENITH	LAPTOP	DESK	EVAL	8909		25
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	ZENITH	LAPTOP	DESK	EVAL	8912		25
	DOW CHEMICAL CO-CHEM PROD	MBS	MI	ZENITH	LAPTOP	DESK	EVAL	9001		25
23	DOW CHEM CO-COMPUTER SVCS		LA	DEC	VAX11/780	MINI	INST	8419		1
	DOW CHEM CO-COMPUTER SVCS		LA	COMPAQ	DESKPRO-38	DESK	INST			23
	DOW CHEM CO-COMPUTER SVCS		LA	PC-LIMITE	PERSONAL	DESK	INST			22
	DOW CHEM CO-COMPUTER SVCS		LA	DEC	VAX8700	MINI	INST	8802		1
	DOW CHEM CO-COMPUTER SVCS		LA	DEC	VAX8820	MINI	INST	8809		1
	DOW CHEM CO-COMPUTER SVCS		LA	APPLE	MACINTOSH	DESK	INST			30
	DOW CHEM CO-COMPUTER SVCS		LA	IBM	PS/2-30	DESK	INST			1
	DOW CHEM CO-COMPUTER SVCS		LA	IBM	PS/2-50	DESK	INST			3
	DOW CHEM CO-COMPUTER SVCS		LA	IBM	PS/2-60	DESK	INST			1
	DOW CHEM CO-COMPUTER SVCS		LA	DEC	VAX8810	MINI	EVAL	8907		1
	DOW CHEM CO-COMPUTER SVCS		LA	UNSPECIFI	PERSONAL	DESK	PLAN	9001		200
24	DOW CHEM CO-DISTR	JER	NJ	DEC	VAX11/750	MINI	INST	8319		1
25	DOW CHEM CO-SALES OFC	CHI	IL	IBM	PC	DESK	INST			35
26	DOW CHEM CO-SALES OFC	CLE	OH	NAS	AS/8043	A370	INST	8702		1
	DOW CHEM CO-SALES OFC	CLE	OH	IBM	PC	DESK	INST			50
	DOW CHEM CO-SALES OFC	CLE	OH	IBM	PC/XT	DESK	INST			1
	DOW CHEM CO-SALES OFC	CLE	OH	DEC	PDP11/44	MINI	INST	8519		1
	DOW CHEM CO-SALES OFC	CLE	OH	DEC	VAX8200	MINI	INST	8603		1
	DOW CHEM CO-SALES OFC	CLE	OH	DEC	MICROVAX20	MINI	INST	8603		1
	DOW CHEM CO-SALES OFC	CLE	OH	INTERGRAP	INTERACT	MINI	INST			1
	DOW CHEM CO-SALES OFC	CLE	OH	INTERGRAP	INTERACT	MINI	INST			1
	DOW CHEM CO-SALES OFC	CLE	OH	INTERGRAP	INTERACT32	MINI	INST			1

27	DOW CHEM CORP-C A D/C A M	BZT	TX	DEC	MICROVAX-I	MINI	INST	8411	1
	DOW CHEM CORP-C A D/C A M	BZT	TX	PC-CLONE	PERSONAL	DESK	INST		
	DOW CHEM CORP-C A D/C A M	BZT	TX	DEC	VAX11/780	MINI	INST	8519	1
	DOW CHEM CORP-C A D/C A M	BZT	TX	DEC	VAX11/785	MINI	INST	8519	1
	DOW CHEM CORP-C A D/C A M	BZT	TX	DEC	VAX11/750	MINI	INST	8519	1
	DOW CHEM CORP-C A D/C A M	BZT	TX	DEC	MICROVAX-I	MINI	INST	8701	1
	DOW CHEM CORP-C A D/C A M	BZT	TX	DEC	MICROVAX-I	MINI	INST	8701	1
	DOW CHEM CORP-C A D/C A M	BZT	TX	INTERGRAP	INTERACT32	MINI	INST	8705	6
	DOW CHEM CORP-C A D/C A M	BZT	TX	DEC	VAX8550	MINI	INST	8705	1
	DOW CHEM CORP-C A D/C A M	BZT	TX	DEC	VAX8550	MINI	INST	8705	1
	DOW CHEM CORP-C A D/C A M	BZT	TX	DEC	MICROVAX-I	MINI	INST	8705	1
	DOW CHEM CORP-C A D/C A M	BZT	TX	DEC	MICROVAX-I	MINI	INST	8705	1
	DOW CHEM CORP-C A D/C A M	BZT	TX	INTERGRAP	INTERPRO	MINI	INST	8705	35
	DOW CHEM CORP-C A D/C A M	BZT	TX	DEC	VAX6220	MINI	EVAL	8903	1
28	DOW CHEM CORP-COMPUTER SV	BZT	TX	DEC	VAX11/780	MINI	INST	8019	1
	DOW CHEM CORP-COMPUTER SV	BZT	TX	DEC	VAX11/750	MINI	INST	8119	1
	DOW CHEM CORP-COMPUTER SV	BZT	TX	DEC	VAX11/785	MINI	INST	8519	1
	DOW CHEM CORP-COMPUTER SV	BZT	TX	DEC	MICROVAX-I	MINI	INST	8619	1
	DOW CHEM CORP-COMPUTER SV	BZT	TX	DEC	VAX8530	MINI	INST	8719	1
	DOW CHEM CORP-COMPUTER SV	BZT	TX	DEC	VAX8530	MINI	INST	8719	1
	DOW CHEM CORP-COMPUTER SV	BZT	TX	DEC	VAX8530	MINI	INST	8719	1
	DOW CHEM CORP-COMPUTER SV	BZT	TX	DEC	VAX8650	MINI	INST	8619	1
	DOW CHEM CORP-COMPUTER SV	BZT	TX	DEC	VAX6220	MINI	INST	8808	1
	DOW CHEM CORP-COMPUTER SV	BZT	TX	DEC	MICROVAX36	MINI	INST	8801	1
	DOW CHEM CORP-COMPUTER SV	BZT	TX	DEC	MICROVAX36	MINI	INST	8801	1
	DOW CHEM CORP-COMPUTER SV	BZT	TX	DEC	MICROVAX36	MINI	INST	8801	1
	DOW CHEM CORP-COMPUTER SV	BZT	TX	DEC	MICROVAX36	MINI	INST	8801	1
	DOW CHEM CORP-COMPUTER SV	BZT	TX	DEC	MICROVAX-I	MINI	INST	8619	1
	DOW CHEM CORP-COMPUTER SV	BZT	TX	COMPAQ	DESKPRO-38	DESK	INST		6
	DOW CHEM CORP-COMPUTER SV	BZT	TX	COMPAQ	PORTABLE-3	DESK	INST		1
	DOW CHEM CORP-COMPUTER SV	BZT	TX	IBM	PC/AT	DESK	INST		3
	DOW CHEM CORP-COMPUTER SV	BZT	TX	IBM	PS/2-70	DESK	INST		1
	DOW CHEM CORP-COMPUTER SV	BZT	TX	PC-CLONE	PERSONAL-2	DESK	INST		21
29	DOW CHEMICAL U S A		OH	IBM	PS/2-30	DESK	INST		7
	DOW CHEMICAL U S A		OH	IBM	PC/XT	DESK	INST		7
30	DOW CHEMICAL U S A	HOU	TX	IBM	4331-2	A370	INST	8010	1
	DOW CHEMICAL U S A	HOU	TX	IBM	PC	DESK	INST		12
	DOW CHEMICAL U S A	HOU	TX	PC-CLONE	PERSONAL-2	DESK	INST		75
	DOW CHEMICAL U S A	HOU	TX	PC-CLONE	PERSONAL-3	DESK	INST		25
	DOW CHEMICAL U S A	HOU	TX	COMPAQ	DESKPRO-38	DESK	INST		7
	DOW CHEMICAL U S A	HOU	TX	COMPAQ	LAPTOP	DESK	INST		1
	DOW CHEMICAL U S A	HOU	TX	HP	150	DESK	INST		4
	DOW CHEMICAL U S A	HOU	TX	IBM	PC	DESK	INST		26
	DOW CHEMICAL U S A	HOU	TX	IBM	PC/AT	DESK	INST		8
	DOW CHEMICAL U S A	HOU	TX	IBM	PC/XT	DESK	INST		12
	DOW CHEMICAL U S A	HOU	TX	PC-CLONE	PERSONAL-2	DESK	INST		15
	DOW CHEMICAL U S A	HOU	TX	PC-LIMITE	PERSONAL	DESK	INST		10
	DOW CHEMICAL U S A	HOU	TX	TOSHIBA	PERSONAL	DESK	INST		3
	DOW CHEMICAL U S A	HOU	TX	COMPAQ	PERSONAL	DESK	EVAL	8907	8
	DOW CHEMICAL U S A	HOU	TX	COMPAQ	PERSONAL	DESK	EVAL	8910	8
	DOW CHEMICAL U S A	HOU	TX	COMPAQ	PERSONAL	DESK	EVAL	9001	9
31	DOW CHEM U S A-COMPUTER S		MI	DEC	MICROVAX-I	MINI	INST	8603	1
	DOW CHEM U S A-COMPUTER S		MI	IBM	PC/AT	DESK	INST		100
	DOW CHEM U S A-COMPUTER S		MI	PC-CLONE	PERSONAL	DESK	INST		100
	DOW CHEM U S A-COMPUTER S		MI	DEC	MICROVAX-I	MINI	INST	8719	1

32	DOW CHEM U S A-M A S T L	MBS	MI	DEC	MICROVAX-I	MINI	INST	8619	1
	DOW CHEM U S A-M A S T L	MBS	MI	DEC	RAINBOW	DESK	INST		2
	DOW CHEM U S A-M A S T L	MBS	MI	IBM	PC	DESK	INST		1
	DOW CHEM U S A-M A S T L	MBS	MI	DEC	VAX8350	MINI	INST	8803	1
	DOW CHEM U S A-M A S T L	MBS	MI	DEC	MICROVAX36	MINI	INST	8812	1
	DOW CHEM U S A-M A S T L	MBS	MI	APPLE	MACINTOSH	DESK	EVAL	8912	3
33	DOW CHEM U S A-PLASTIC LI	MBS	MI	DEC	VAX11/785	MINI	INST	8511	1
	DOW CHEM U S A-PLASTIC LI	MBS	MI	DEC	RAINBOW	DESK	INST		1
	DOW CHEM U S A-PLASTIC LI	MBS	MI	IBM	PERSONAL	DESK	INST		1
	DOW CHEM U S A-PLASTIC LI	MBS	MI	XTRA	PERSONAL	DESK	INST		1
	DOW CHEM U S A-PLASTIC LI	MBS	MI	DEC	VAX11/750	MINI	INST	8511	1
	DOW CHEM U S A-PLASTIC LI	MBS	MI	MCAUTO	D90	MINI	INST		1
	DOW CHEM U S A-PLASTIC LI	MBS	MI	DEC	VAX11/785	MINI	INST	8704	1
	DOW CHEM U S A-PLASTIC LI	MBS	MI	UNSPECIFI	PERSONAL	DESK	INST		12
	DOW CHEM U S A-PLASTIC LI	MBS	MI	UNSPECIFI	PERSONAL	DESK	PLAN	8912	3
34	DOW CHEMICAL-ENGINEERING		LA	DEC	VAX11/780	MINI	INST	8319	1
	DOW CHEMICAL-ENGINEERING		LA	DEC	VAX8700	MINI	INST	8719	1
	DOW CHEMICAL-ENGINEERING		LA	DEC	MICROVAX-I	MINI	INST		1
35	DOW CHEMICAL-ENGINEERING	MBS	MI	DEC	VAX11/785	MINI	INST	8406	1
	DOW CHEMICAL-ENGINEERING	MBS	MI	APPLE	MACINTOSH	DESK	INST		
	DOW CHEMICAL-ENGINEERING	MBS	MI	APPLE	MACINTOSH	DESK	INST		150
	DOW CHEMICAL-ENGINEERING	MBS	MI	COMPAQ	DESKPRO-38	DESK	INST		
	DOW CHEMICAL-ENGINEERING	MBS	MI	COMPAQ	DESKPRO-38	DESK	INST		90
	DOW CHEMICAL-ENGINEERING	MBS	MI	DEC	PRO-350	DESK	INST		2
	DOW CHEMICAL-ENGINEERING	MBS	MI	DEC	PRO-380	DESK	INST		6
	DOW CHEMICAL-ENGINEERING	MBS	MI	IBM	PC/AT	DESK	INST		60
	DOW CHEMICAL-ENGINEERING	MBS	MI	DEC	VAX11/785	MINI	INST	8506	1
	DOW CHEMICAL-ENGINEERING	MBS	MI	DEC	MICROVAX20	MINI	INST	8619	14
	DOW CHEMICAL-ENGINEERING	MBS	MI	DEC	VAX8550	MINI	INST	8704	1
	DOW CHEMICAL-ENGINEERING	MBS	MI	DEC	VAX8550	MINI	INST	8710	1
	DOW CHEMICAL-ENGINEERING	MBS	MI	DEC	VAX11/785	MINI	INST		1
	DOW CHEMICAL-ENGINEERING	MBS	MI	DEC	VAX11/785	MINI	INST		1
	DOW CHEMICAL-ENGINEERING	MBS	MI	DEC	MICROVAX-I	MINI	INST		1
	DOW CHEMICAL-ENGINEERING	MBS	MI	DEC	VAX8250	MINI	INST	8711	1
	DOW CHEMICAL-ENGINEERING	MBS	MI	IBM	PC/AT	DESK	INST		12
	DOW CHEMICAL-ENGINEERING	MBS	MI	COMPAQ	DESKPRO-38	DESK	EVAL	8808	30
	DOW CHEMICAL-ENGINEERING	MBS	MI	COMPAQ	DESKPRO-38	DESK	EVAL	8812	30
	DOW CHEMICAL-ENGINEERING	MBS	MI	COMPAQ	DESKPRO-38	DESK	EVAL	8903	20
	DOW CHEMICAL-ENGINEERING	MBS	MI	APPLE	MACINTOSH-	DESK	EVAL	8808	30
	DOW CHEMICAL-ENGINEERING	MBS	MI	APPLE	MACINTOSH-	DESK	EVAL	8812	30
	DOW CHEMICAL-ENGINEERING	MBS	MI	APPLE	MACINTOSH-	DESK	EVAL	8903	20
36	DOW CHEM-ENGR DEPT	OAK	CA	DEC	PDP/11	MINI	INST		9
37	DOW dM-LATIN AMER DIV	MIA	FL	IBM	4341-1	A370	INST	8202	1
	DOW CHEM-LATIN AMER DIV	MIA	FL	IBM	PC/XT	DESK	INST		16
	DOW CHEM-LATIN AMER DIV	MIA	FL	IBM	SYSTEM36	MINI	INST	8402	1
	DOW CHEM-LATIN AMER DIV	MIA	FL	IBM	PC/XT	DESK	INST		8
	DOW CHEM-LATIN AMER DIV	MIA	FL	IBM	PC/XT	DESK	EVAL	8611	16

38	DOW CHEM-MI APPLIED SCIEN	MBS	MI	DEC	VAX11/750	MINI	INST	8404	1
	DOW CHEM-MI APPLIED SCIEN	MBS	MI	DEC	VAX11/785	MINI	INST	8419	1
	DOW CHEM-MI APPLIED SCIEN	MBS	MI	DEC	RAINBOW	DESK	INST		10
	DOW CHEM-MI APPLIED SCIEN	MBS	MI	DEC	VAX11/750	MINI	INST	8519	1
	DOW CHEM-MI APPLIED SCIEN	MBS	MI	DEC	VAX11/750	MINI	INST	8519	1
	DOW CHEM-MI APPLIED SCIEN	MBS	MI	DEC	VAX8200	MINI	INST	8601	1
	DOW CHEM-MI APPLIED SCIEN	MBS	MI	DEC	MICROVAX-I	MINI	INST	8601	1
	DOW CHEM-MI APPLIED SCIEN	MBS	MI	DEC	MICROVAX-I	MINI	INST	8601	1
	DOW CHEM-MI APPLIED SCIEN	MBS	MI	DEC	MICROVAX-I	MINI	INST	8601	1
	DOW CHEM-MI APPLIED SCIEN	MBS	MI	DEC	MICROVAX-I	MINI	INST	8601	1
	DOW CHEM-MI APPLIED SCIEN	MBS	MI	DEC	RAINBOW	DESK	INST		10
	DOW CHEM-MI APPLIED SCIEN	MBS	MI	DEC	VAX8600	MINI	INST	8802	1
	DOW CHEM-MI APPLIED SCIEN	MBS	MI	DEC	VAX6210	MINI	INST	8807	1
	DOW CHEM-MI APPLIED SCIEN	MBS	MI	DEC	VAX8350	MINI	INST	8812	1
	DOW CHEM-MI APPLIED SCIEN	MBS	MI	DEC	VAX8350	MINI	INST		1
	DOW CHEM-MI APPLIED SCIEN	MBS	MI	DEC	RAINBOW	DESK	INST		10
	DOW CHEM-MI APPLIED SCIEN	MBS	MI	DEC	VAX8350	MINI	INST		1
	DOW CHEM-MI APPLIED SCIEN	MBS	MI	DEC	VAX8350	MINI	INST		1
	DOW CHEM-MI APPLIED SCIEN	MBS	MI	DEC	PERSONAL	DESK	EVAL	8708	12
39	DOW CHEMICAL-R & D		LA	DEC	VAX11/780	MINI	INST	8019	1
	DOW CHEMICAL-R & D		LA	DEC	VAX11/780	MINI	INST	7919	1
	DOW CHEMICAL-R & D		LA	DEC	VAX8550	MINI	INST	8710	1
	DOW CHEMICAL-R & D		LA	DEC	MICROVAX-I	MINI	INST	8219	1
	DOW CHEMICAL-R & D		LA	DEC	VS-2000	MINI	INST	8806	1
	DOW CHEMICAL-R & D		LA	DEC	VS-3200	MINI	INST	8807	1
	DOW CHEMICAL-R & D		LA	DEC	VAX8350	MINI	INST	8812	1
	DOW CHEMICAL-R & D		LA	DEC	VAX6210	MINI	EVAL	8909	1
40	DOW CHEMICAL-RESEARCH	MBS	MI	DEC	VAX11/780	MINI	INST		1
	DOW CHEMICAL-RESEARCH	MBS	MI	DEC	RAINBOW	DESK	INST		12
	DOW CHEMICAL-RESEARCH	MBS	MI	IBM	PC/XT	DESK	INST		1
	DOW CHEMICAL-RESEARCH	MBS	MI	DEC	VAX11/780	MINI	INST		1
	DOW CHEMICAL-RESEARCH	MBS	MI	DEC	VAX11/785	MINI	INST		1
	DOW CHEMICAL-RESEARCH	MBS	MI	DEC	VAX11/785	MINI	EVAL	8612$	.2
	DOW CHEMICAL-RESEARCH	MBS	MI	DEC	RAINBOW	DESK	EVAL	8612	15
	DOW CHEMICAL-RESEARCH	MBS	MI	IBM	PC/AT	DESK	EVAL	8612	30
41	DOW CHEM-U S A AREA TREAS	MBS	MI	DEC	VAX11/785	MINI	INST	8512	1
	DOW CHEM-U S A AREA TREAS	MBS	MI	IBM	PC/AT	DESK	INST		1
	DOW CHEM-U S A AREA TREAS	MBS	MI	IBM	PC/XT	DESK	INST		5
	DOW CHEM-U S A AREA TREAS	MBS	MI	IBM	PS/2-50	DESK	INST		35
	DOW CHEM-U S A AREA TREAS	MBS	MI	ZENITH	SUPERSPT-2	DESK	INST		1
	DOW CHEM-U S A AREA TREAS	MBS	MI	IBM	PS/2-50	DESK	EVAL	8906	2
	DOW CHEM-U S A AREA TREAS	MBS	MI	IBM	PS/2-50	DESK	EVAL	8909	2
	DOW CHEM-U S A AREA TREAS	MBS	MI	IBM	PS/2-50	DESK	EVAL	8912	2

A SUPPLEMENT TO

COMPUTERWORLD

THE COMPANIES INVESTING MOST EFFECTIVELY IN INFORMATION SYSTEMS

THE PREMIER 100

DOW MOVES SYSTEMS TO GREATER CORPORATE ROLE

By Michael Sullivan-Trainor

Already advanced in applying computer systems to produce breakthroughs — such as biodegradable plastics — Dow Chemical Co. is awakening to the use of technology for strategic advantage.

The $13.4 billion company is giving information systems a higher profile on the way to providing the organization with a greater role in business planning. Once falling under the jurisdiction of vice-president of engineering and manufacturing, information systems now reports to the president of the U.S. division.

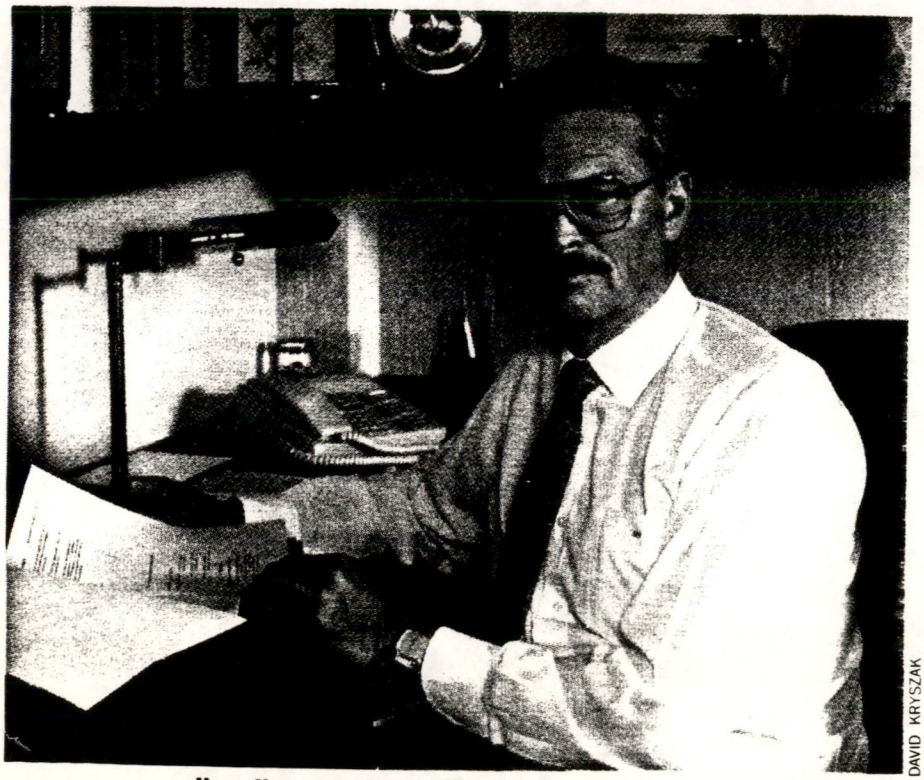
"Seven months ago, we moved out from under the line function," says Hans Huppertz, director of information systems and communications services. "The executive committee recognized the need to see how we can make better use of information systems."

Currently, the information systems department is charged with a major task — redesigning order-entry systems to speed response times to customer purchase requests. The project is key to establishing the organization's credibility outside of development and production.

Dow, based in Midland, Mich., ranks No. 1 among chemical companies in the *Computerworld Premier 100* and No. 13 overall. The company spends an estimated 1.8% of revenue on information systems, which is below the industry average of 2%. In fact, No. 3 in the industry, E.I. Dupont De Nemours and Co. spends an estimated 2.5% of revenue on systems.

However, two factors contribute to Dow's higher ranking: profit increases of $683 million in 1986 and $499 million in 1987 — bringing total profits up from a low of $58 million in 1985 to a high of $1.2 billion last year — and owning nearly one terminal or personal computer for every two of its 52,000 employees, a setup that provides broad access to technology.

The large percentage of PCs within Dow is attributable to a commitment to sophisticated computer-aided engineering (CAE) workstations in research and development and manufacturing and plant design.



DAVID KRYSZAK

Hans Huppertz, Dow's director of systems

Moving to supercomputing

In R&D, chemical modeling and molecular design are accomplished using systems linked to an IBM 3090 processor with vector capability. Eventually, this system may be replaced by a Cray or a similar supercomputer, Huppertz says.

In plant design, three-dimensional CAE systems are used to reduce drafting costs and increase the speed of the process. Since chemical product developments are closely tied to production requirements, plant design involves the integration of processing, product and construction groups.

The engineering and design workstations are a combination of Intergraph, Autocad and PC-based products, many of them driven by DEC VAX and Microvax computers.

While the CAE projects are in place, the order-entry system is now being developed.

"The system is part of our emphasis on providing quality service," Huppertz says.

Currently, when customers call in to place orders, they must wait to receive a call back from a sales representative to notify them if the company has sufficient inventory to fulfill their order and let them know when it will be shipped.

When completed, the new system will process all calls at a central order service center. Sales representatives will use a central database to view a profile of the customer and check product inventories.

The sales representatives will be able to say immediately if and when an order can be fulfilled as well as determine what mode of

delivery would best meet the customer's needs.

"It will allow us to provide a quicker response and make adjustments to the volume of our inventory based on the orders we receive," Huppertz says.

When the application is in place early next year, the order-entry centers will be consolidated from six to one. Huppertz is using a combination of his staff and outside contractors to develop the system. He is also buying modules of the application from outside vendors. "We're trying to bring the system to the market quickly," he says.

Another area of development at Dow is a worldwide voice and data network, which provides a backbone for the company's electronic mail system. The network requires linking a diverse array of Digital Equipment Corp. and IBM equipment.

"We've always been a two-vendor company," Huppertz adds. "We will never be all DEC or all IBM."

The DEC systems are more popular with engineering, research and manufacturing departments, while IBM mainframes are operated for large number-crunching applications. "Over time, we hope to come up with a common systems approach with common applications that use both kinds of systems," Huppertz says.

Dow runs 14 to 15 large data centers. "We'll have an IBM mainframe in each center and a cluster of DEC equipment in a room next door," Huppertz says.

Electronic data interchange (EDI) is also an important systems area at Dow, which does business with Ford, a major EDI advocate. Sixty key suppliers are using EDI to work with Dow, which uses third-party EDI services.

Currently, there is a drive to sign up customers on-line along with suppliers. Six are currently using EDI at their sites.

"We've always used two vendors. We will never be all DEC or all IBM."

Expert systems is one technology that Dow refuses to implement on a large scale. There are some two dozen expert systems in applications such as process control and diagnosis, but the jury is still out on how useful they really are. "We're not like a Du Pont that has gone way out ahead in expert systems. We're still trying to understand what they can do," Huppertz says.

On the other side, Du Pont is less interested in engineering workstations than Dow. Huppertz suggests that technology champions in development at the two companies each choose their favorite types of systems.

Improving productivity is an important strategy at Dow, which presents income-per-employee figures in its annual report. For 1987, an all-time high of $43,100 of income per employee was reported.

"Information systems is, in part, responsible for productivity increases," Huppertz points out.

Traditionally, productivity improvements were achieved through automation. In fact, five years ago, Dow's systems organization was much more involved with reducing costs. Today, Huppertz's organization is also measured by its ability to improve the company's market share.

"Information systems came up through the clerical side of the company. But today, we are focused on what is strategic to the company," he says.

The strategic emphasis is composed of goals such as improving quality, increasing productivity, lowering costs, enhancing management's efforts and differentiating customer services from those of leading competitors.

The order-entry system, CAE workstations that facilitate the integration of multiple departments and the worldwide network are the systems tools Dow is using to achieve its goals.

Out of such support comes new developments like the chemicals to allow the creation of biodegradable plastics.

"We have a lot of computing capability in the research and development areas," Huppertz says.

Sullivan-Trainor is Computerworld's *special projects editor.*

CHEMICALS

Industry rank	Company/Location/Total Employees	Premier 100 rank	Total score	1987 revenue	1987 profits	Estimated IS budget
1	**Dow Chemical Co.** Midland, Mich. 52,200	13	13,215	$13,377M	$1,240M	$250M
2	**American Cyanamid Co.** Wayne, N.J. 34,267	37	11,695	$4,166M	$276M	$75M
3	**E.I. Du Pont De Nemours and Co.** Wilmington, Del. 140,700	52	11,030	$30,468M	$1,786M	$775M
4	**Monsanto Co.** St. Louis 50,700	59	10,890	$7,639M	$436M	$160M
5	**Union Carbide Corp.** Danbury, Conn. 43,119	69	10,675	$6,914M	$232M	$125M
6	**W. R. Grace & Co.** New York 40,000	140	8,740	$5,046.3M	$173.1M	$90M
7	**Ethyl Corp.** Richmond, Va. 10,300	165	8,005	$1,720.3M	$193.3M	$19.8M

1988 Annual Report

A continuing commitment to growth . . .

A continuing commitment to growth . . .

is evident throughout Dow's operations and is the theme of this report. The company will continue to grow via leadership in global markets, innovation, quality, and a long-term commitment to both the communities in which it operates and the environment.

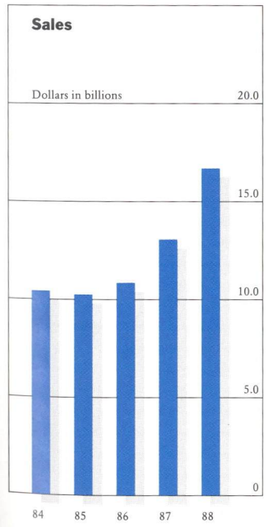
Dow is a diversified, worldwide manufacturer and supplier of chemicals and performance products, plastics, hydrocarbons, and consumer specialties that include agricultural products, consumer products and pharmaceuticals.

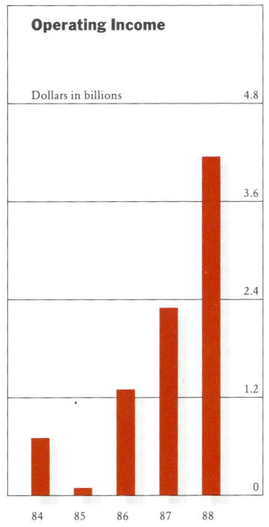
As the sixth largest chemical company in the world, Dow operates plants in 32 countries, employs 55,500 men and women, and is a leading producer of most of the products it makes—more than 1800 in all.

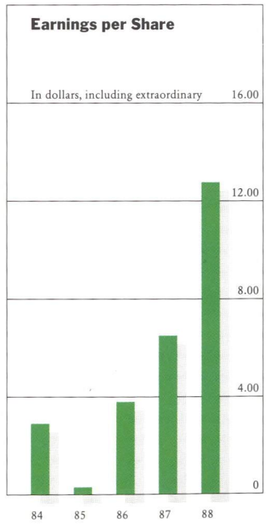
Table of Contents

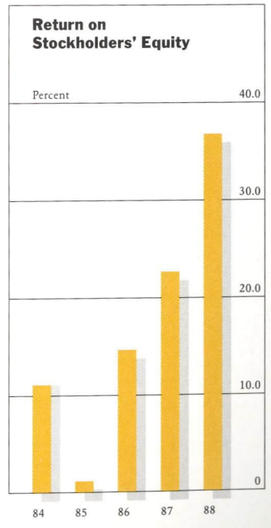
Highlights of 1988

In millions, except as noted	1988	1987	% Change
Net sales	$16,682	$13,377	+25
Operating income	4,154	2,292	+81
Net income	2,398	1,240	+93
Research and development	772	670	+15
Capital expenditures	1,267	995	+27
Depreciation	933	814	+15
Total taxes	1,863	1,237	+51
Wages, salaries and benefits	2,832	2,519	+12
Employees *(in thousands)*	55.5	53.1	+ 5
Stockholders' equity *(at year-end)*	7,255	5,769	+26
Return on stockholders' equity	36.8%	22.7%	+14 points
Average common shares outstanding	188	192	- 2
Net income per share *(in dollars)*	12.76	6.47	+97
Dividends paid per share *(in dollars)*	2.45	2.10	+17









To Our Stockholders:

Your company posted its best year ever in 1988. Building on the record year of 1987, Dow's decision to maintain a leadership position in basics while emphasizing growth in the specialties paid off in 1988. This strategy was supported by strong fundamentals in the chemical industry and continued growth in the specialty businesses.

Sales were $16.7 billion, up 25 percent from the previous record set in 1987. Operating income increased 81 percent to $4.2 billion, and net income was up 93 percent to $2.4 billion from the record set last year.

During the year, fundamentals in the chemical industry were the strongest in years. Supply and demand remained in balance globally and costs were relatively flat, especially hydrocarbons. Dow's increase in sales was the result of one-third volume and two-thirds pricing, with the price index surpassing 1981 levels for the first time.

Dow's operating rate set an all-time record in 1988, at 92 percent. The manufacturing operations are to be commended, especially when the company also improved its already stellar safety performance.

Each business segment and geographic area posted excellent results for the year. Plastics sales rose 31 percent, with operating income up 82 percent. In chemicals and performance products, sales increased 28 percent and operating income rose 115 percent.

The consumer specialties segment also set all-time records. Sales of $3 billion and operating income of $560 million were the result of progress in such products as Ziploc bags, Seldane non-sedating antihistamine, Nicorette smoking cessation aid and Dursban and Lorsban insecticides.

During the year, we redefined our business segments to support our business strategies and better target global marketing opportunities. These new segments are explained in the Corporate Profile that follows this letter.

Each geographic area set sales and operating income records in 1988. Although Dow already is the most global of the U.S.-based chemical companies, we continue to enhance our geographic areas. In 1988, for example, Latin America and Brazil integrated their operations. The U.S. and Canadian areas also are working more closely together, which will enable us to benefit from the Free Trade Agreement signed by the respective governments during the year.

Dow's outstanding results are possible only with employees who are committed to quality and productivity. This dedication is essential to every

Dow's Operating Committee: (front, left to right) Frank Popoff and Keith McKennon, (back, left to right) Andrew Butler, Joe Temple, and Enrique Falla.

aspect of our business, including our care and concern for the environment. I'm proud to report that, because of the ongoing efforts of employees worldwide, Dow will receive the World Environment Center's Gold Medal for international corporate environmental achievement.

What do these outstanding financial results mean to you, our valued shareholder? First, Dow has increased its quarterly dividend to 70 cents per share, a 27 percent increase from a year ago. Second, the stock price has appreciated 50 percent over the past two years. Finally, the outlook for your company continues to be bright.

Global supply-demand balances are expected to remain favorable for key products in 1989, with the chemical industry continuing to operate at high rates. Volume also should remain strong, while prices are expected to increase at moderate rates.

Even in this environment, there are potential challenges in 1989. Oil and energy costs are expected to remain volatile but with little real change from 1988 costs. We're also monitoring inventories, which inched up in a few basic products in late 1988 but remain within comfortable ranges. Looking beyond 1989 and to macro-economic concerns, Dow is prepared for economic uncertainties because of its geographic and business diversity.

We also have the positive challenge of managing Dow's strong cash flow. The reinvestment process, including stock repurchase programs, dividends, debt reduction, acquisitions and capital spending, must be balanced to provide you with long-term growth and value.

This was the third year of what I believe will be at least five years of uninterrupted growth for Dow, and we are well-positioned to achieve our $30-billion sales goal by 1995. I'm confident that 1989 will be another record year for Dow.

Frank Popoff

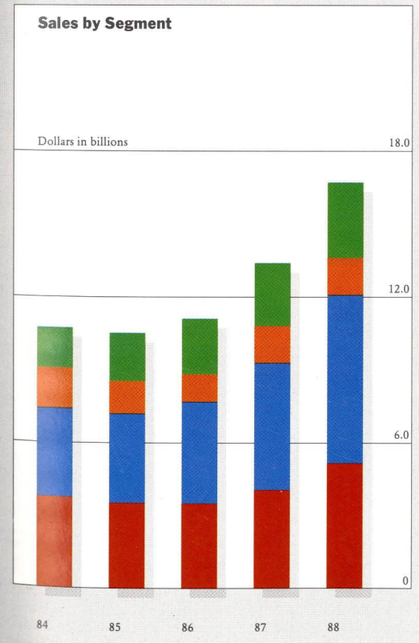
February 8, 1989

Corporate Profile

In 1988, Dow revised its business segments to reflect better its basic strategies and evolving marketing opportunities. The company's worldwide operations are now divided into five segments—chemicals and performance products, plastics, consumer specialties, hydrocarbons and unallocated.

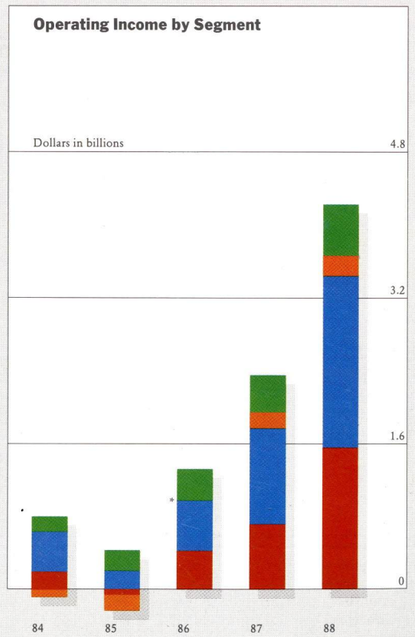
These segments are explained on the following two pages. More detail on these businesses is included in the Management's Discussion and Analysis, beginning on page 23.

Sales by Segment



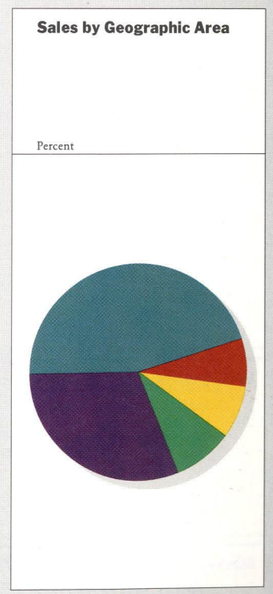
Chemicals and Performance Products
Plastics
Hydrocarbons
Consumer Specialties

Operating Income by Segment

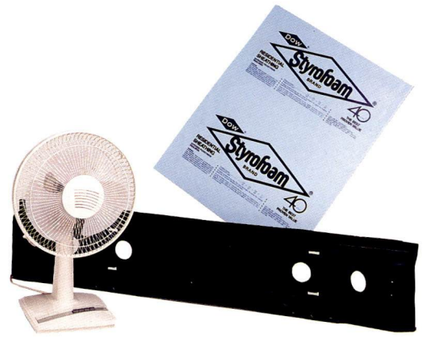


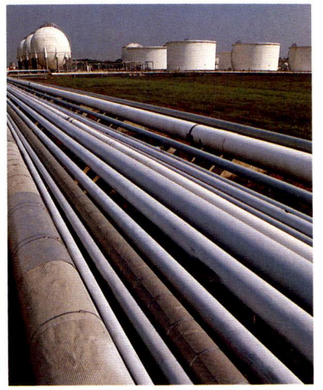
*Operating income for Hydrocarbons in 1986 was insignificant.

Sales by Geographic Area



U.S.A.	45%
Europe	31%
Pacific	9%
Canada	8%
Latin America	7%

Corporate Profile	Chemicals and Performance Products	Plastic Products
Description	A wide range of products used primarily as raw materials in the manufacture of customer products, or which aid the processing of customer products and services. Markets served include the chemical processing, pulp and paper, personal care, pharmaceutical, process foods, and utilities industries.	Dow is one of the leading producers of plastic materials. The plastics industry continues to grow in the traditional applications of packaging, housewares and recreation, but increasingly plastic resins also are the preferred material for sophisticated applications. Dow plastics are used in a wide variety of markets including packaging, automotive, electronics, appliances, construction, housewares, recreation, furniture, flooring, and health care.
		
Products and Services	**Chemicals** Acetone, alkanolamines, caustic soda, chlorinated solvents, chlorine, ethylene glycol, ethylene oxide, ethyleneamines, glycerine, hydrogen chloride, magnesium hydroxide, magnesium metal, calcium chloride, phenol, vinyl chloride, allyl chloride, propylene oxide. **Performance Products** Dowfax surfactants, Dowicide and Dowicil antimicrobials, Dowanol glycol ether products, Drytech superabsorbents, coatings and binders, cellulosic products, plastic lined pipe products, Separan flocculants, Versene chelating agents. Dowex ion exchange resins, Dowtherm heat transfer fluids, polyglycols, brake fluids, de-icing fluids, compressor lubricants, FilmTec membrane systems, gas separation products, artificial kidneys.	**Thermoplastics** Styron polystyrene Tyril SAN Magnum ABS Calibre polycarbonates Pulse engineering polymers Rovel weatherable polymers Isoplast engineering thermoplastic polyurethane Saran PVDC Pellethane TPU elastomers Polyethylene: low density high density Dowlex linear low density Attane ultra low density Primacor adhesive polymers Aspun fiber grade resins Tyrin CPE elastomers & resins **Fabricated Products** Trycite PS Opticite PS Saran Wrap film DWF Dow window film Styrofoam PS insulation Pelaspan-Pac loose-fill packing LDF, low density film Dow adhesive films Saranex coex, barrier films Ethafoam PE foams **Thermosets** Spectrim reaction moldable polyurethane Tactix epoxy performance polymers Quatrex electronic grade epoxies Derakane vinyl ester resins D.E.R. epoxy resins D.E.H. epoxy hardeners D.E.N. epoxy novolacs Voranol polyols Voranate TDI Isonate MDI Papi MDI Trymer rigid foam billets The Enhancer carpet backing bisphenol epichlorohydrin
1988 Results	Chemicals and Performance Products had sales of $5.2 billion, a 28 percent increase from 1987. Operating income for the segment was $1.5 billion, up 115 percent from 1987. Strong contributors included latex, caustic soda and vinyl chloride monomer.	Sales increased 31 percent to a record $6.9 billion. Operating income was $1.9 billion, up 82 percent from 1987. Major contributors to the sales growth included polycarbonates and polyethylene, up more than 60 percent, as well as polystyrene and engineering copolymers, up more than 20 percent.
Market Outlook	Chemicals are expected to maintain high operating rates. Volume is forecast to parallel or exceed GNP growth of major manufacturing countries through 1989 and into the 1990s. Performance Products are forecast to exceed GNP rates during this same time frame.	The global plastics industry has grown about 9 percent annually since 1983. Today, it produces about 160 billion pounds per year and growth continues at an estimated 6 percent annually.

Consumer Specialties	Hydrocarbons	Unallocated
This segment is comprised of three businesses—agricultural products, pharmaceuticals and consumer products. Agricultural products are used in crop protection and production, and for industrial pest control. Pharmaceuticals include prescription drugs and over-the-counter health care products. Consumer products applications include food care, home care and personal care.	This group manages the fuels, petroleum-based raw materials and power supplies needed to operate Dow's facilities. Feedstocks are sourced globally through a diverse network of producers. Dow generates its own power, with cost savings up to 30 percent, and is the world's largest producer of cogenerated power.	This segment encompasses Dow's businesses that are not reported elsewhere, including the consolidated insurance and credit companies, as well as overhead cost variances not allocated to the other segments.
		Dorinco DORINTAL REINSURANCE LIMITED
Agricultural Products Verdict (or Gallant), Lontrel, Tordon, Garlon, Starane, Tandem and phenoxy herbicides; Dursban, Lorsban and Reldan insecticides; N-Serve nitrogen stabilizer, Telone soil fumigant, Vikane gas fumigant, hybrid and varietal seeds. **Pharmaceuticals** Cepacol oral hygiene products; Citrucel bulk fiber laxative; Lorelco hypocholesterolemic; Nicorette smoking cessation aid; Novahistine cough/cold/allergy products; Perfan I.V. cardiostimulant; Rifadin, Rifocin and Targocid antibiotics; Seldane; Teldane and Triludan terfenadine antihistamines. **Consumer Products** Foodcare: Ziploc brand bags, Saran Wrap plastic film and Handi-Wrap II plastic film. Home Care: Glass Plus cleaner, Spray 'n Wash stain remover, Fantastik cleaner, YES detergent, Vivid bleach and Dow Bathroom Cleaner. Personal Care: Perma Soft, Textra, Style and Apple Pectin hair care products.	**Hydrocarbon cracker products** Ethylene, propylene, butadiene, benzene and styrene. **Energy** Includes power, steam and coal gasification technology.	This segment includes non-product related activities.
This segment had sales of $3 billion, up 20 percent from 1987. Operating income increased to $560 million, up 40 percent from 1987. Agricultural products posted record gains in both the industrial and farm businesses, with overall sales up 17 percent and operating income up 40 percent. Merrell Dow Pharmaceuticals launched more new products/dose forms than ever before, with sales increasing 14 percent. DowBrands showed another record year in sales of Ziploc bags and successfully introduced Ziploc pleated bags.	Energy markets, especially crude oil, were relatively soft in 1988, which had a positive impact on Dow's feedstock and energy costs. Operating income was $220 million versus $173 million in 1987.	The 1988 operating loss of $61 million included a $22 million non-recurring pre-tax expense for asset sales made in prior years.
Dow's consumer specialties segment has grown more than 15 percent annually since 1975. This steady growth rate is expected to continue through 1989 and into the 1990s. Merrell Dow set its strategic objective in 1986 to become one of the top-ten U.S.-based pharmaceutical companies during the 1990s. It is already ranked 14th in global sales and its Return on Sales reached the ranks of the top ten in 1988. In agricultural products, Dow has been somewhat insulated from the crop acreage corrections by the steady growth of its non-crop pest control businesses. Growth in consumer products will include new product innovations and expansion in overseas markets.	Average crude oil prices, measured in constant dollars, are expected to remain stable through the 1990s, supporting the continued growth of the chemicals and plastics businesses. Dow anticipates continued steady demand for hydrocarbons and their derivatives.	Because of the diversified business nature of this segment, operating results tend to fluctuate from year to year. However, the impact of this segment is insignificant compared with other segments.

A Local Touch, a Global Perspective

The Dow Diamond trademark is a familiar sight in more than 30 countries from the Philippines and Finland to Japan and Brazil. Almost half of the company's 55,500 people are based outside the United States, and 55 percent of its total sales originate in other markets. During 1988, Dow and its subsidiaries recorded sales of $100 million or more in 16 countries.

Behind the company's international growth is a global *network*. As early as the mid-1960s, Dow recognized that global success means competing effectively in local markets. So, while it pursues worldwide economies of scale, the company also strives for close ties with customers. Local managers, often working in their native countries, adapt products and strategies to their markets' particular requirements. Yet, whether it's purifying water in Brazil or developing a joint venture in China, Dow answers each market's demands with a worldwide leader's resources. People, plants and products are linked to combine a local touch with a global perspective.

Making these connections can bring substantial rewards. Dow's customers get new ideas, products and technologies when and where they need them, at competitive prices. Dow often gains the well-known benefits of leadership: lower costs and a faster, smoother entry into related businesses. A worldwide network helps Dow stay on top of new developments and cushions the impact of difficult conditions in any specific market or country.

A Global Approach to Polycarbonates

Dow will continue to expand its network through capital improvements, acquisitions and joint ventures, coordinating its efforts around the world. An example of this integrated approach can be found in some of the company's recent work in polycarbonates.

Polycarbonate resins are used in a wide range of applications, including appliances and automotive, electronic and medical equipment. With their outstanding ability to resist high temperatures and impacts, the resins are not only replacing wood, metal and glass, but other engineering thermoplastics as well. Worldwide demand for the materials is expected to grow at a rate of eight to ten percent a year through the mid-1990s. To participate in this growth, Dow is advancing in all three of the world's major markets—Europe, Japan and the U.S. In 1988, the company started its second polycarbonate production line—or "train"—in the U.S. and announced plans to build a new facility in Europe scheduled to begin operations in 1990. By then, Dow's worldwide polycarbonate production will total an estimated 180 million pounds a year.

The company is investing in new

Ziploc bags—marketed under the brand name Zipy—are now found in this Sao Paulo supermarket—and throughout Brazil. Joint ventures are helping Dow open new markets for its consumer products.

A representative of Sumitomo Naugatuck meets with a customer at the Japan Plastics Housewares Fair '89. The products on display are made with polycarbonate resins, whose worldwide use is growing rapidly. To take part in this growth, Dow has signed an agreement with Sumitomo Chemical for the marketing and eventual production of the materials in Japan.

Dressed against the chill of a refrigerated production line, workers inspect Quatrex resins at Dow's Freeport, Texas plant. The resins, which are used in the manufacture of semiconductor components, enjoy excellent sales in the U.S., Japan and the Pacific Basin.

A Shinto priest presents a shovel to the president of Merrell Dow's Japanese operations during the ground breaking ceremony for a new facility near Kyoto.

production because it is confident of increasing its sales to both new and existing customers. In April 1988, Dow signed an agreement with Sumitomo Chemical Company, Ltd., for the marketing and eventual production of polycarbonates in Japan through its subsidiary, Sumitomo Naugatuck Company, Ltd. The new alliance will bring immediate access to the Japanese market and speed the development of close working relationships with the manufacturers that use polycarbonates. It will also offer Dow more opportunities to work with Japanese companies in developing new applications.

Tools for Growth

Other joint ventures put products on the shelves of local stores and supermarkets. In Brazil, for example, Dow's subsidiary, DowBrands Inc., has established a joint venture with Sanbra, a subsidiary of Bunge & Born, to market household cleaning products. On the other side of the world, the Lion Corporation, a major consumer products organization, is bringing Ziploc bags to Japanese consumers. A licensee, Shiseido Company, Ltd., is developing the Japanese market for Yes detergent and stain remover.

Local representation is particularly important in the pharmaceutical industry. Sales personnel—"detail people"—must have an in-depth understanding of the practices and customs of the medical professionals they serve. Dow's subsidiary, Merrell Dow Pharmaceuticals Inc., has applied this local perspective in Japan, the world's second-largest pharmaceutical market, through licensees and the acquisition of Funai that was initiated in 1985. This strategy is leading to closer relationships with Japanese universities and medical professionals, and both Merrell Dow and Funai products are enjoying increased success. Japanese sales of probucol, a cholesterol-lowering agent, which already had the number one position in the market, grew by more than 50 percent during 1988.

Dow recognizes that acquisitions can be powerful tools for growth. In the early 1980s, the managers of Dow's agricultural products business saw new possibilities for success in Europe, provided they established better local marketing and distribution channels. Their first move was to acquire a French agricultural chemical company. In the eight years since, the subsidiary has reported tremendous sales increases, prompting similar acquisitions in England and Germany. Agricultural chemical sales in all three countries totaled more than $125 million in 1988.

Staying close to customers does more than increase sales. It also brings opportunities to assist—and take part in—natural development efforts. In

Indonesia, for example, Dow plans to construct a new polystyrene plant. A new joint venture calls for a propylene glycol, polyol and propylene oxide plant in Zhejiang Province, China.

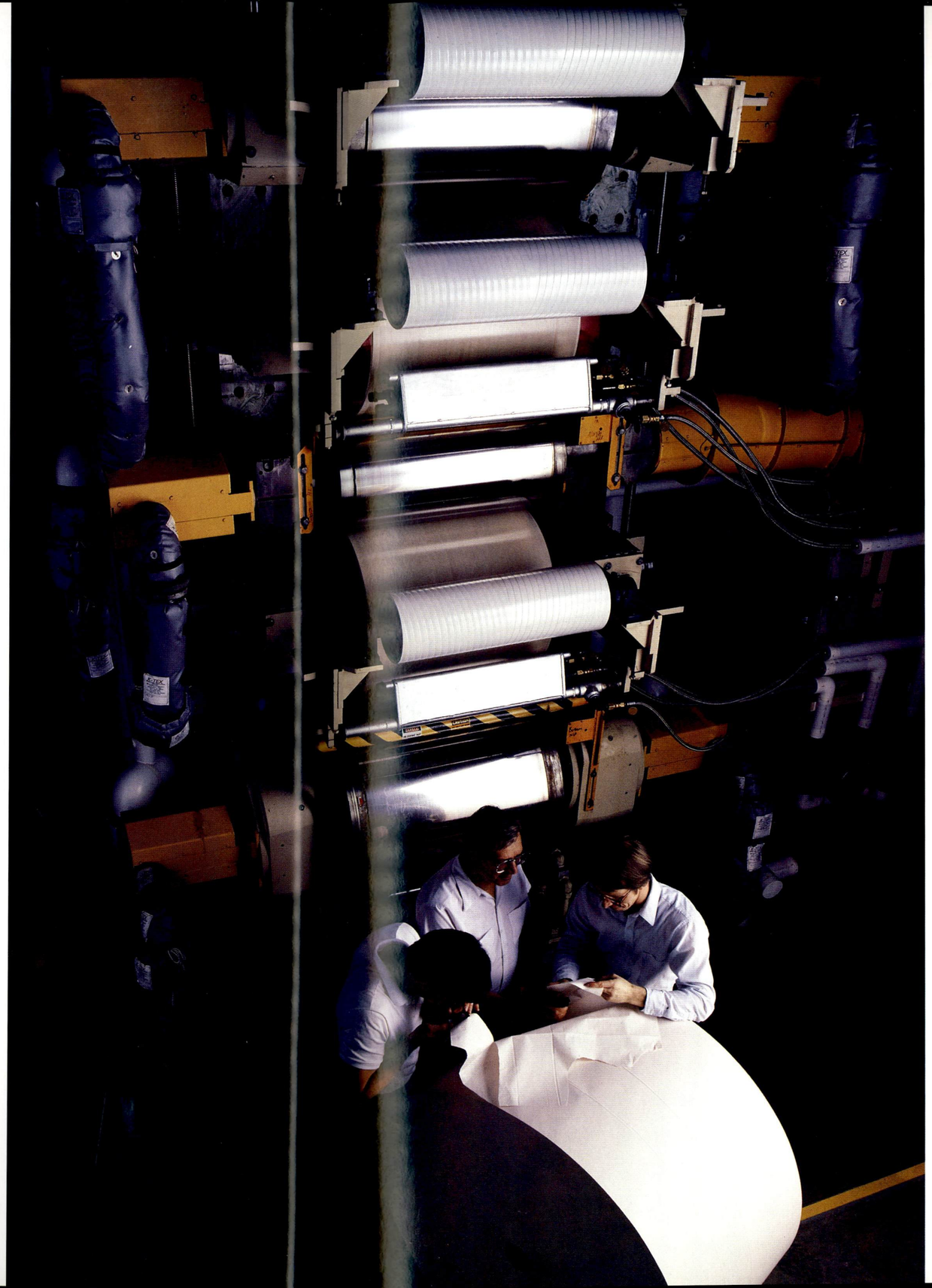
Dow's global network offers other benefits as well. With 30 major research and development centers in Europe, Asia, Australia and the Americas, Dow is often the first to identify and meet new demands. And when the company makes a breakthrough, it can spread research, development and manufacturing costs across a wide base. Spectrim polymers, which Dow designed for use in auto body panels, have captured the attention of every major automobile company in Europe, Japan and North America. A new $6.1 million pilot latex coating and finishing facility in Midland, Michigan, duplicates paper coating equipment used by customers from Sweden to Thailand, so Dow can test its products in use before they are sent to customers. After Starane herbicide was discovered in the United States, it was developed and first introduced in European countries, where it is the best defense against cleaver, a weed that threatens European cereal crops.

Closer Ties

As Dow expands its worldwide operations, it is strengthening the links that connect them. Customer-focused working relationships cross both national borders and organizational lines. A new global automotive materials steering committee, for example, unites Dow managers on three continents so they can share their knowledge, identify common strategies and better allocate the company's total resources. A global sourcing system surveys production operations around the world—including their respective local taxes and tariffs—to determine which location is best for supplying a particular customer. No matter where a product is made, customers can expect uniform consistency and quality.

Dow is well-equipped to prosper in a world with fewer and fewer commercial boundaries, which is clearly evident in Europe. The European Community has announced plans to eliminate trade barriers between its 12 member nations by 1992, and the changes will be dramatic. In fact, the European Community will become the developed world's single, largest, unified market.

With operations from London to Athens, Dow Europe is ready for 1992 today. While many competitors are just beginning similar efforts, Dow's operations and strategies are already well-integrated. And once the barriers are removed, Dow expects to save some $50 million a year.



Workers loading another shipment of paper at a Finnish seaport. Dow is the world's largest manufacturer of the S/B latexes, used in making coated papers. To keep pace with growing demand and stay close to customers, it is adding capacity in North America, the Pacific and Europe, including a plant in Hamina, Finland.

Development engineers examine coated paper produced at Dow's new $6.1 million pilot latex coating and finishing facility in Midland, Michigan. The facility was built to test new latex products before they are sold to customers around the globe.

The Rewards of Being First

In 1988, Dow's 5,100 professional researchers received a total of 1,920 U.S. and international patents. It seems certain that the company will again rank among the world's top 20 patent recipients—and the most inventive companies in the chemical industry.

Dow takes pride in this record of innovation. Yet it knows that the real rewards of being first are found not in patent files but in the marketplace. It's there that Dow continues to win its most valued recognition—as a leader in chemicals and plastics, and a growing force in agricultural, pharmaceutical and consumer products.

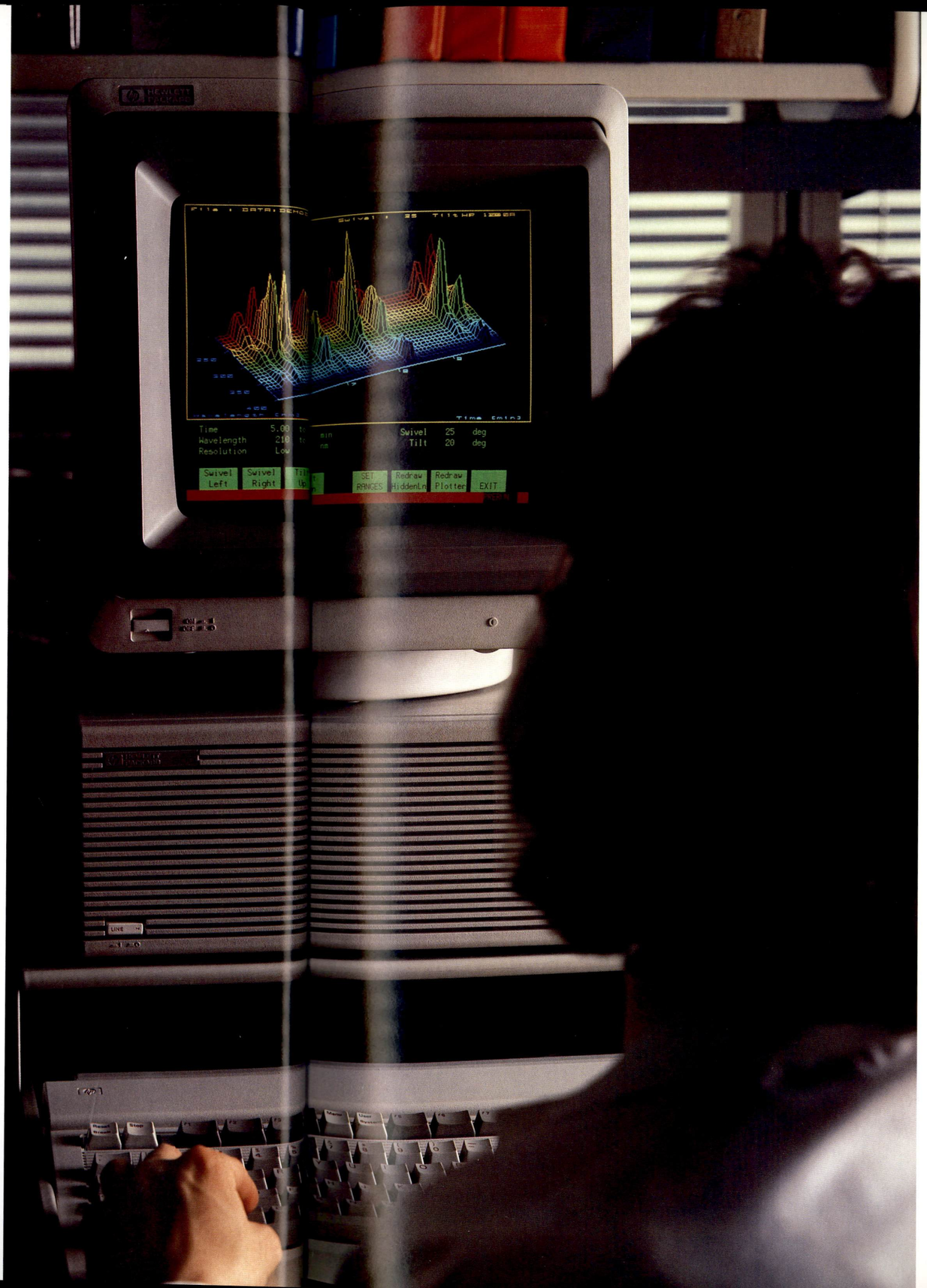
Earning and maintaining leadership requires more than major new breakthroughs, however. It also requires progress in manufacturing, marketing and management. Dow's broad approach to innovation encompasses research and development, licensing, acquisitions, joint ventures and capital improvements, and it is investing in all of them. In 1988, its R&D expenditures totaled $772 million; about $2 billion was devoted to acquisitions and capital improvements.

The company is earning a solid return on this investment. In early 1988, the National Society of Professional Engineers chose Drytech superabsorbent polymer as the top new product in the U.S. In 1988, Merrell Dow introduced more new pharmaceutical products and dose forms than in any other year in its history. One of its new offerings, Targocid antibiotic, is effective against a wide range of bacteria. Another drug, Perfan, is expected to make an important contribution to the treatment of patients suffering from congestive heart failure or recovering from cardiovascular surgery.

Building for the Future

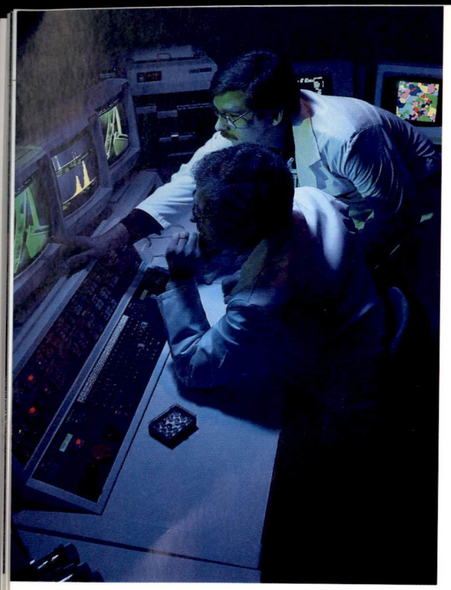
Dow is also applying, expanding and refining its existing products. Spray 'n Wash Stain Stick, a treat now-wash later stain remover from DowBrands, was cited by the American Marketing Association as one of the best new products of 1988. New Thermadry brand insulating drainage panels from Dow help make buildings more energy efficient while also offering improved below-grade drainage. Agricultural products now in development have active ingredients so efficient that they can be applied at a rate of a few ounces—or less—per acre. Food storage products have also been improved—the new, pleated Ziploc bags offer greater capacity and convenience.

In addition to researching hundreds of new products during 1988, Dow set the stage for future successful innovations. A new $15 million Analytical Sciences Laboratory, opened in February 1988, contains $30 million worth of equipment to support



A healthy field of barley ripens for harvest in England. After it was originally discovered in the United States, Starane herbicide was developed and first introduced in European countries, where it offers the best defense against cleaver, a weed that threatens cereal crops.

A researcher at the Cincinnati Center of the Merrell Dow Research Institute examines a three-dimensional view of an amino acid chromatogram, produced by a high sensitivity analyzer. In 1988, Merrell Dow introduced more new products—and dose forms—than in any previous year.



Bathed in the green light produced by sophisticated computers, researchers are developing techniques to support the company's diverse product mix at Dow's Analytical Sciences Laboratory in Midland, Michigan. This state-of-the-art resource, which opened in 1988, features a unique design that fosters teamwork among the lab's 200 scientists.

With its 1988 acquisition of the Essex Chemical Corporation, Dow can be found in nearly every automobile assembly plant in the U.S., including this plant in Michigan. Dow has also gained access to its new affiliate's expertise in adhesives and sealants.

more than 200 scientists working in eight different groups. The company has also announced plans to build a $30 million global agricultural research center. To achieve its ambitious plans for growth, Merrell Dow is implementing a four-year building program that is expected to be completed by 1991. Major projects include expansions of research and manufacturing facilities in the U.S., Europe and Japan.

The company is also taking steps to assure reliable, low-cost supplies of basic products. Between now and the mid-1990s, for example, it will add about two billion pounds of ethylene capacity in new "world-scale" facilities in North America. The increased output will be used to meet the company's internal demands for ethylene, which is a basic building block of many of its products.

Dow also looks for good new ideas outside its own operations. The company's acquisition program is aimed at expanding its access to promising new markets and gaining the people and products needed to reach them. With the 1988 acquisition of Essex Chemical Corporation, a leader in adhesives and sealants for the auto industry, Dow now serves 80 percent of the world's auto makers and every car manufacturer in the U.S. By acquiring Lamaur, Inc., DowBrands has gained valuable expertise in the marketing of personal care products. In late 1987, Dow's Agricultural Products business purchased United AgriSeeds and opened a window of opportunity in agricultural biotechnology.

Will these and other recent advances produce satisfactory growth in sales? If past results are any guide, the answer is yes. In 1988, sales increased 25 percent and the company set its third consecutive record for sales per employee. Production facilities operated at an average of 92 percent of capacity, the highest rate in Dow's history. Operating income increased 81 percent and net income rose 93 percent from 1987.

A Continuing Journey

To learn about Dow's dedication to quality, start with its customers. In the past year, the company has received more than 60 awards for excellence from corporations that compose a who's who in global industry.

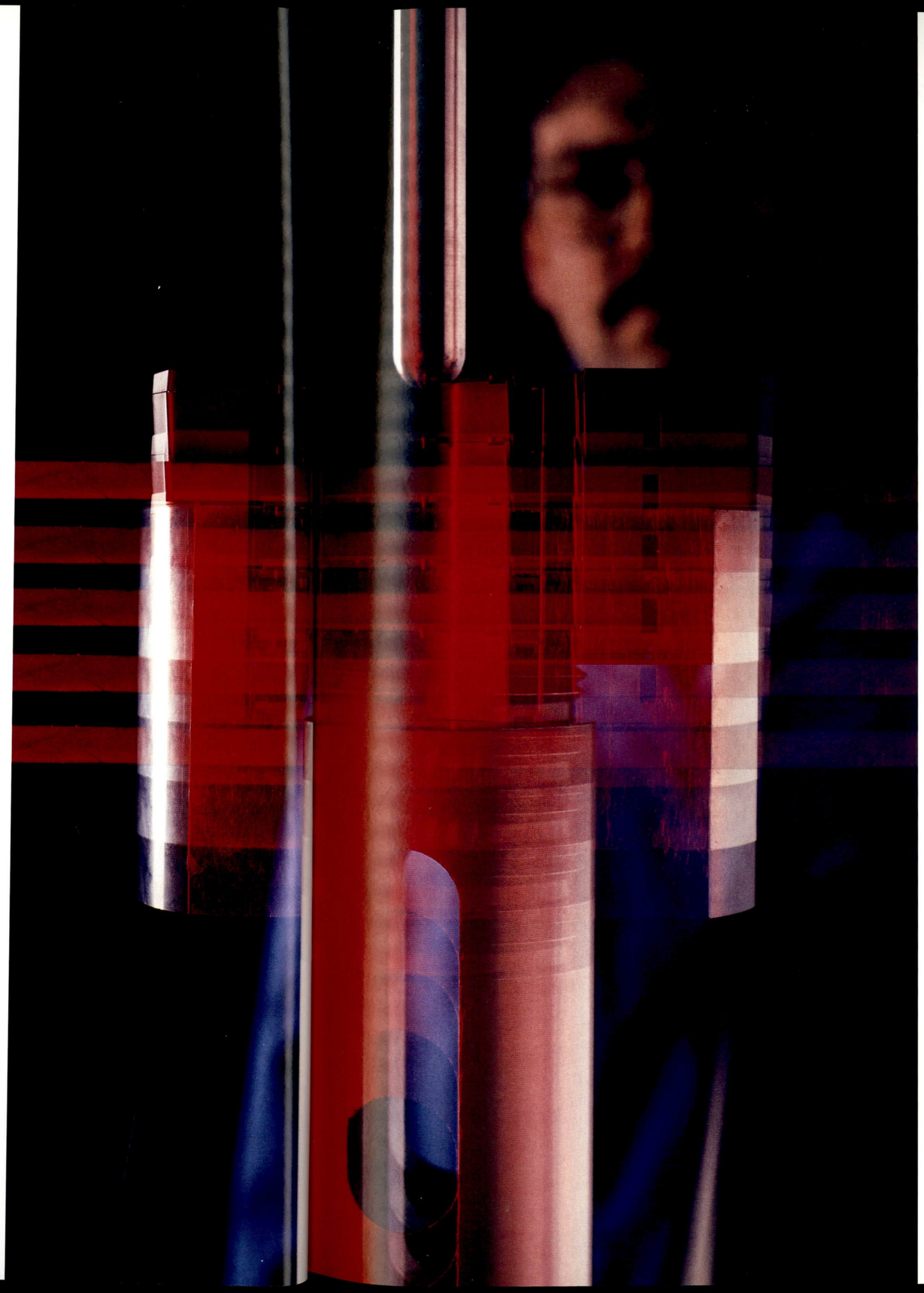
The awards illustrate a long-term, worldwide commitment. Plants in Freeport and LaPorte, Texas; Midland, Michigan; and at Botlek in the Netherlands have received quality supplier ratings from Ford. For the past two years, Whirlpool has awarded Dow its highest quality honor for adhesive films, Magnum ABS and urethane products. Hoechst Celanese has presented the company several Vendor of the Year Awards for glycols and oxides used to manufacture textile fibers. Opticite polystyrene film for packaging labels recently earned four major awards in two industry-wide competitions. During 1988, Dow's aspirin team was named Rorer Pharmaceutical's first Vendor of the Year.

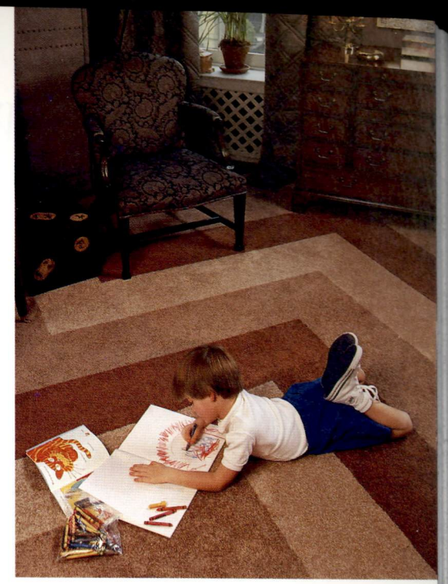
In Dow's Quality Performance Statement, signed by President and CEO Frank Popoff, the company commits itself to providing "quality products and services which meet or exceed the expectations of our customers." Dow has already learned what keeping this promise can be worth. Quality improvements have given the company a competitive edge that can often lead to bigger market shares. Delivering consistent quality has brought high-volume sales from long-term contracts. A number of companies have named Dow their sole supplier of specific products—their one best choice for excellence.

The pursuit of quality has led to other gains as well. By using the continuous improvement process and cutting waste, Dow's U.S. operations have documented savings of more than $150 million in operating costs in the past few years while increasing volume 10 to 15 percent. At Dow's Terneuzen low-density polyethylene plant in the Netherlands, interruptions in the production process have been reduced by 40 percent, while the amount of off-grade material produced has been cut by 22 percent.

Dow's reputation for quality also helps recruiting efforts. A recent survey of U.S. chemical engineering students rated Dow as the most respected employer in the industry. The way Dow manages its people helps foster the teamwork necessary to service its customers.

While Dow has made substantial progress, the quest for quality is never-ending. To continue this journey, Dow is creating unified, company-wide strategies to provide top management leadership in encouraging, recognizing and rewarding high-quality performance. Each business will work even more closely with its customers—to identify improvements and carry them out.





Durable, soft and inherently stain resistant carpet fibers of Trevira, manufactured by Hoechst Celanese, are found in some of the finest homes in the country. Dow has earned several Vendor of the Year awards from Hoechst Celanese for the glycols used in the production of fibers.

Shielded by a protective transparent screen, a Dow technologist uses a high-speed impact test instrument to measure the strength and toughness of a video cassette case molded from Styron polystyrene.

Making A Better World

All companies exist to reward the people who invest in them, beginning with their shareholders. Yet their responsibilities extend to being good neighbors and responsible citizens.

In 1988, Dow continued to meet these broader responsibilities. In the U.S. alone, contributions totaled more than $20 million. About 60 percent was earmarked for educational efforts, while the remainder was largely devoted to community improvement and health programs. One of the company's single largest awards was a five-year, $2 million commitment to improve public awareness of the value of chemistry in daily life.

In Europe, Dow continued to support the universities that have produced some of its finest researchers; Dow Europe spent $250,000 to strengthen its ties to institutions of higher education. In the Pacific, a grant of $40,000 was made to the Chemical Society of Japan to aid construction of a new facility for conferences and other educational activities.

Dow has also demonstrated continuing worldwide concern for the environment. Since the 1960s, its policy has been to *prevent* waste whenever possible so that less material requires treatment and disposal. In the U.S., these efforts are united under the name Waste Reduction Always Pays. It does. In 1988, the company learned that it will receive the World Environment Center's 1989 Gold Medal for International Corporate Environmental Achievement. In its award citation praising Dow's leadership in waste reduction and community involvement, the selection panel noted that Dow serves as a model for industry in protecting "the global environment for future generations."

One way to protect the environment is through recycling, and Dow is committed to showing that recycling can pay. In 1988, it signed a joint venture agreement with Montreal-based Domtar, Inc., to recycle plastics commonly found in containers for soft drinks and milk. A full-scale commercial plant, using technology licensed from Dow, could be in operation as early as 1990. Waste reduction and recycling are not Dow's only contributions to environmental quality, however. Employees have participated actively in efforts ranging from household hazardous waste collection days to bird counts. In Joliet, Illinois, the company is working to enhance its relationship with a wetlands wildlife sanctuary near one of its plants.

Dow displays the same commitment around the world. The company's largest European facility, Terneuzen, recently received the Dutch government's Environmental Award for Industry. In Portugal, the Friends of the Earth presented a similar award to Dow's Isopor plant in Estarreja.

Members of a Louisiana Division committee, drawn from various levels in the organization, meet to review current projects aimed at preventing waste under the WRAP program.

The Federal Institute of Technology in Lausanne, Switzerland, recently received a $20,000 grant from Dow Europe. Dow will also sponsor one of the institute's Ph.D. candidates, who is researching the effect of chemical environments on the fracture resistance of composites reinforced with glass fibers.

Significant Events

January
Michael L. Dow was elected to the Dow board of directors. Dow, 51, is chairman and chief executive officer of General Aviation, Inc. He is a son of the late Alden B. Dow, a noted architect, and a grandson of Herbert H. Dow, founder of The Dow Chemical Company.

Drytech superabsorbent polymer was chosen the top new product by the National Society of Professional Engineers in the Annual New Product Awards Competition.

Enrique C. Falla, financial vice president, was appointed to Dow's operating committee.

Gerald Hornsby, corporate director of employee relations, was named vice president of Dow's Human Resources Department.

February
Dow announced a five-cent increase in the quarterly dividend, to 60 cents per share.

Dow unveiled one of the most advanced scientific facilities in the world in opening its new $15 million Analytical Sciences Laboratory building in Midland.

William J. Neely, corporate director of manufacturing and engineering, was elected a Dow vice president.

April
Dow and Sumitomo Chemical Co., Ltd., announced an agreement to form a joint venture in Japan to market and ultimately to manufacture polycarbonate resins.

May
Dow announced it would purchase two million shares of its own stock as part of its normal stock purchases for employee stock programs.

Dow announced it would phase out the use of fully halogenated chlorofluorocarbons (CFCs) worldwide in all Dow products that contain them.

Michael D. Parker, commercial vice president of Dow Pacific, was named president of that Area.

Dow announced that it signed a letter of intent to form a joint venture in air separation systems with BOC, an industrial gas company based in Great Britain.

June
Willie D. Davis, 53, a Los Angeles broadcasting executive, was elected to the Dow board of directors. Davis is owner of All Pro Broadcasting, Inc. and serves as a director of Fireman's Fund Insurance Company, Sara Lee Corporation, Alliance Bank, MGM/UA Entertainment Company, K Mart Corporation and #1 Fan, Inc.

July
Dow announced a 10-cent increase in the quarterly dividend, to 70 cents per share.

Dow Brazil and Sanbra, a Brazilian subsidiary of the Bunge & Born Group, formed a joint venture to produce and sell household cleaning products.

Dow U.S.A. announced it had begun design engineering for a world-scale ethylene plant in Freeport, Texas, to meet growing demand for its ethylene derivative products. Construction is expected to begin in the spring of 1989, and the new facility will produce 1.5 billion pounds per year of ethylene.

August
Dow Europe announced plans for a new methylene diphenyl diisocyanate (MDI) plant with an annual capacity of 65,000 metric tons. The facility is expected to come on-stream in 1991.

Dow announced it would purchase 10 million shares of its own stock, saying the stock is an excellent investment compared with alternative investments.

As part of its on-going effort to clearly define its businesses and establish itself as a single, united company, Dow Consumer Products Inc. (DCPI) changed its name to DowBrands Inc.

September
Dow and Essex Chemical announced the execution of a definitive merger agreement providing for the acquisition of Essex by Dow at $36 in cash for each share of Essex common stock. The tender offer was conditioned upon two-thirds of the 10.17 million outstanding shares on a fully diluted basis being validly tendered.

DowBrands announced the introduction of two new product lines: Simoniz professional floor care products, featuring eight floor care products; and Dow bathroom cleaning products with Scrubbing Bubbles, comprised of six cleaners.

Dow Canada announced that it would proceed immediately with engineering for a world-scale ethylene plant at its Western Canada Division in Fort Saskatchewan, Alberta.

Dow announced the signing of a letter of intent to form a North American plastics material recycling company to be owned 50 percent by Dow and 50 percent by Domtar Inc., Montreal, Quebec.

Hunter W. Henry, executive vice president and member of the operating committee, yielded line management duties in accordance with Dow's long-standing deceleration policy for employee directors reaching age 60. He remains a member of Dow's board of directors.

Andrew J. Butler, president of Dow Europe, was appointed to the Dow operating committee.

October
Joseph L. Downey, Dow vice president and president and chief executive officer of DowBrands Inc., assumed responsibility for the Information Systems and Communications Services Department. Downey also was named chairman of the board of DowBrands Inc.

Robert M. Baughman, executive vice president of DowBrands Inc., was named president and chief executive officer of that group.

William S. Stavropoulos, group vice president for Dow U.S.A., assumed additional responsibilities as president and CEO of Essex Chemical.

William J. Neely, Dow vice president and corporate director of manufacturing and engineering, was elected to Dow's board of directors.

Andrew J. Butler, president of Dow Europe and a member of Dow's board of directors, was elected to the board's executive committee.

November
Dow said it had identified alternative compounds for use as blowing agents instead of fully halogenated chlorofluorocarbons (CFCs) in manufacturing its plastic foam packaging products and would proceed with a conversion process.

Dow Latin America and Dow Brazil announced the integration of what used to be two separate entities into a single geographic unit, to be called Dow Latin America.

Robert M. Baughman, president and CEO of DowBrands Inc., was named to Dow's corporate management committee.

December
Exxon Chemical Company and Dow signed a definitive partnership agreement creating Dexco Polymers. It is a 50/50 joint venture for the supply and marketing of styrenic thermoplastic elastomers (TPEs), also called styrenic block copolymers.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Sales were $16.7, $13.4, and $11.1 billion for 1988, 1987 and 1986 respectively.

Operating income for the same periods was $4.2, $2.3 and $1.3 billion.

Net income and earnings per share were $2,398 million or $12.76 per share in 1988; $1,240 million or $6.47 per share in 1987; and $732 million or $3.82 per share in 1986.

All were new records for the Company in 1988.

Chemicals and Performance Products

Sales were up 28% to $5.2 billion in 1988, and operating income increased 115%, to $1.5 billion. Performance was outstanding, with supply and demand in balance globally, pricing on an upward momentum, operating rates near capacity, and energy costs relatively flat. Growth is expected to continue into 1989, although the rate of price increases is expected to slow.

Demand was strong in every product group, with many products in tight supply. Pricing momentum is the strongest in ethylene oxide and derivatives, due to continued favorable global supply/demand balances for these derivatives and the ethylene feedstock.

Vinyl chloride showed improvement and made the greatest contribution to operating income in the segment. These results were supported by strong demand in polyvinylchloride throughout the year. This product should continue its stellar performance in 1989.

Caustic supply/demand balances were tight in 1988. Prices strengthened throughout 1988 and are expected to increase further in 1989. Chlorine demand for industrial uses softened during the second half of the year, but the impact on Dow was minimal since most of its chlorine production is used internally.

Chlorinated solvents showed steady demand and operating income results. As the product mix shifts in response to environmental concerns about ozone depletion, Dow will benefit from the move to higher-value products.

Results also were outstanding in the performance products area, which is earning higher returns from its shift to value-added products.

Dow is the largest manufacturer of styrene-butadiene latexes in the world. Current uses of latex are growing well above global GNP rates. The success of newly developed latexes generated the volume growth that contributed, among others, to the record 1988 performance. Operating rates were near capacity, and Dow has announced plans to add capacity in North America, Europe and the Pacific.

Sales of Drytech superabsorbent polymers grew again in 1988, augmented by the first full year of superabsorbent diaper promotion in Europe. Dow's premier position was confirmed when leading multinational diaper producers chose Drytech for their product launches in Europe and Brazil. A new plant in West Germany will begin operation in 1989 to serve the European market.

Methocel cellulose ethers also had a record year due to industry-wide growth in the construction, chemical processing, and consumer specialty markets. Several debottlenecking projects are underway to add incremental capacity for anticipated demand in 1989. Other plant modifications are planned to improve product quality and purity.

In May, Dow announced it would form a joint venture with the BOC Group. The new business, Generon Systems, began operating in October and competes in the global industrial gas market by providing non-cryogenically produced nitrogen.

Plastic Products

Sales increased 31% in 1988 to $6.9 billion, with operating income up 82% to $1.9 billion from 1987. Increases were posted in every product line, and demand was particularly strong in both North America and Europe.

Both polyethylene and polystyrene were strong contributors to the 1988 segment results, setting all-time records in physical volume, sales and operating income.

Sales of Attane ultra-low density polyethylene, introduced in 1986, are expected to triple in 1989 from 1988. Target markets include bag-in-box, meat and poultry packaging, and heavy-duty bags.

Polycarbonate sales more than doubled in 1988, reflecting the additional capacity available from the start-up of a second train. Sales are expected to significantly increase again in 1989, largely due to global expansion. With additional capacity anticipated, Dow is expected to record a profit for this relatively new product in 1990.

In April 1988, Dow signed a joint venture agreement with Sumitomo Chemical Company, Ltd., to market and ultimately manufacture polycarbonate resins in Japan. Marketing began in 1988, with local production of polycarbonate forecast to begin in early 1992. Through this JV, Dow will accelerate its growth in the Japanese thermoplastics market, combining Sumitomo's leadership in ABS and styrenic alloys in Japan with Dow's polycarbonate resins and related technologies.

The epoxy and polyurethane businesses posted volume gains and set sales records in 1988. Demand is expected to remain strong for these products, and capacity will rise in 1989 via incremental expansions.

Pricing in the epoxy business remained relatively stable in 1987 and most of 1988, trailing escalating costs. Prices began to increase, however, in late 1988 and continue to strengthen in early 1989.

Essex Chemical was acquired in October for $345 million in cash. The largest Essex subsidiary was Essex Specialty Products, a premier supplier of adhesive and sealant systems to the automotive industry. Essex Specialty Products is a valuable addition to Dow's polyurethane business and reinforces the company's commitment to the automotive industry.

Dow plans to divest many of the other Essex businesses in 1989, and announced in late 1988 a letter of intent to sell Racon Inc., a wholly owned subsidiary that manufactures refrigerants, to Atochem S.A.

Capital continues to be allocated for new and existing facilities to meet demand. A 20,000-ton liquid epoxy plant in Japan came on-stream in the fourth quarter of 1988. A polyol facility in Taiwan is slated for start-up in 1989. Also authorized are an MDI plant in Europe, scheduled to come on-stream in 1991; an epoxy/polyol facility under construction in Colombia, with start-up scheduled for early 1990; linear low density polyethylene lines, scheduled to start up in Louisiana in 1989 and Spain in 1991; and an ABS line in Europe in late 1990.

Hydrocarbons

Sales were $1.5 billion, up 4% from 1987, with operating income increasing 27% to $220 million. Dow's feedstock and energy costs were favorably impacted by relatively soft energy markets, especially crude oil. This was partially offset by a $51 million write-down of the Crude Oil Processing Plant, which was mothballed in 1981 (See Operating Income, page 28.)

Global operating rates were near capacity for 1988. Dow continues to be a net buyer of ethylene and styrene due to increased demand for Dow's value-added derivative products.

Hydrocarbons (continued)

Feedstock pricing fluctuated between $12 and $18 per barrel in 1988, with Brent crude oil averaging $15 per barrel. Oil prices are expected to remain volatile, averaging $14 to $16 per barrel. In total, hydrocarbon and energy costs are forecast to increase less than 5% in 1989.

Maintaining feedstock flexibility remains an essential strategy for Dow. This provides $100 million in cost savings to the Company annually, and further allows Dow to optimize short-term price swings in particular feedstocks.

Styrene supply was tight in 1988, easing somewhat in the fourth quarter due to increased operating rates in the industry. The additional 6% global capacity forecast to come on-stream in 1989 will be required to offset industry maintenance turnarounds and increased demand.

Dow announced plans in 1988 to build a world-scale, 1.5 billion pound ethylene facility in Texas. Slated to be completed in 1992, it will replace a 25-year-old, 700-million-pound plant there and increase Dow's feedstock flexibility on the Gulf Coast. In addition, an engineering study for a potential Canadian facility was announced, which would begin operation in the first half of the 1990s. This is the result of a favorable ruling by the Canadian government to open its ethane market, ensuring raw material availability for the potential facility.

In late 1988, Dow's coal gasification plant in Louisiana met government requirements for commercial production, a full year ahead of schedule. This will provide important alternate energy technology if fuel gas becomes uneconomical or unavailable.

Consumer Specialties

Sales were up 20 percent in 1988 and operating income for the segment established an all-time record at $560 million, up 40 percent from 1987. Contributing to this record level were Lorsban and Dursban insecticides; Verdict (or Gallant) and Garlon herbicides; Seldane non-sedating antihistamine; Lorelco cholesterol-reducing agent and Ziploc storage bags.

Agricultural Products

Agricultural Products had record sales in 1988 of $959 million, up 17% from 1987. The products based on pyridine chemistry (Dursban, Lorsban, Tordon, Garlon, Starane, Lontrel, N-Serve and Verdict (or Gallant)) led the business, contributing 70% of the global sales. One of these products, Dursban insecticide, saw continued expansion in the U.S. termiticide market as a replacement for chlordane.

On a geographic basis, both North America and Latin America showed strong gains in 1988, although the economy and drought negatively impacted results in Brazil.

Verdict (or Gallant) moved solidly into the black in 1988, with sales more than double 1987. Continued expansion is forecast in existing markets such as Europe and Latin America, and through registration approvals received in the past year in Australia, Brazil and Italy.

Demand for most agricultural products will be high in 1989, due in part to the expected increase in U.S. crop acreage. Prices also are recovering within the agricultural chemical industry as commodities prices move up.

The U.S. Environmental Protection Agency approved an experimental use permit for a new corn insecticide with active ingredients that are applied at the rate of a few ounces per acre. As a soil insecticide, this new product is targeted at the rootworm and cutworm markets.

Agricultural Products announced a new global research center, with completion planned for 1991, to provide the research facilities necessary to commercialize a new agricultural compound each year by the mid-1990s. The new facility will not only consolidate some global R&D activities, but will bring the research and commercial functions into the same complex.

Consumer Specialties (continued)

Consumer Products

Sales increased 34% to $797 million in 1988, based on record sales gains in the Home and Food Care businesses and a full year of revenues for the newly acquired Personal Care business. DowBrands Inc. was chosen as the name of the businesses to provide focus and identity in the market place.

The Food Care business highlighted the year, with sales records, increased volume and moderate price increases. Ziploc freezer and sandwich bags and Saran Wrap film were particularly strong. Increased raw material costs were successfully passed along to customers.

The Personal Care business also had a year of accomplishment, with Perma Soft hair care products reaffirming their leadership position for permed hair. Additionally, Style hair spray maintained its position as the second largest aerosol hair spray in the U.S.

The Home Care business also posted record sales based on gains in Spray 'n Wash soil and stain removers, Vivid all fabric bleach, and Dow Bathroom Cleaner.

Several line extensions were introduced in 1988. In the U.S., these included Spray 'n Wash Stain Stick soil and stain remover, Ziploc pleated bags, Saran Wrap Extra Wide film, and selected commercial and institutional products. Food and Home Care products also were introduced in Italy, Japan and Latin America. Further expansion is planned in these countries and in Canada, with products tailored to those specific markets.

Plans are underway for the 1989 introduction of Spiffits disposable towels, pre-moistened with various cleaning compounds, and several new products in the professional salon group.

Pharmaceuticals

Sales were up 14% to nearly $1.3 billion in 1988. Product highlights include Seldane, with sales up almost 40 percent; Nicorette, up 44% to almost $100 million; and Lorelco cholesterol-lowering agent, with global sales of more than $102 million, including a 53% increase in Japan.

Merrell Dow continues to expand rapidly in its eight target countries (the U.S., Japan, Italy, France, United Kingdom, W. Germany, Canada and Australia). Today, 85% of the Merrell Dow business comes from these targeted countries.

Merrell Dow introduced more products and dose forms in 1988 than ever before. Seldane D, a combination of Seldane and a decongestant, was introduced in Mexico and is pending 1989 approval in the U.S. and four other countries. In addition, a once-a-day dosage form of Seldane was introduced in Great Britain, Canada and Switzerland.

Targocid glycopeptide antibiotic was introduced in France and Italy in 1988 and will be introduced in W. Germany in early 1989, with other countries to follow. Global sales projections for this product are $200 million in the 1990s.

In January 1989, Merrell Dow dedicated a $20 million research complex in Ohio. Research in the new building will emphasize molecular and tumor biology, the structure and functions of proteins, receptor pharmacology and enzyme biochemistry.

Unallocated

Included in this segment are operating results of the consolidated insurance, banking and credit finance subsidiaries, and overhead cost variances not allocated to other business segments.

This segment had operating losses of $61 million in 1988 and $37 million in 1987 compared to operating income of $50 million in 1986.

The combined operating results of the insurance companies were gains of $24 and $53 million in 1988 and 1986 respectively, and a loss of $23 million in 1987.

The banking operations were consolidated for the first half of 1986 prior to sale. Operating results of the credit finance companies were insignificant in 1988 and 1987.

A $22 million pre-tax charge was recorded in 1988 for indemnities related to prior year asset sales.

Beginning in 1987, overhead cost variances not allocated to other business segments also were included in this segment. Overhead variances were $50 and $33 million in 1988 and 1987 respectively.

Sales

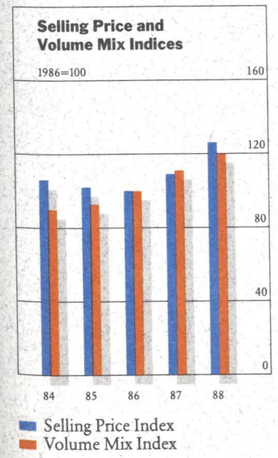
Net sales of $16.7 billion in 1988 increased 25% over 1987.

Physical volume was up 9% in 1988, following an 11% increase in 1987 and 8% increase in 1986.

Physical volume in the United States rose 12% in 1988, while Europe and Rest of World had volume increases of 6% over 1987.

Global selling prices increased 16% in 1988 against 1987 with both the United States and Europe increasing 14% and Rest of World increasing 23%.

Industry segment sales are presented in Note R to Financial Statements and in the Product Segment Sales Analysis on pages 50 and 54.

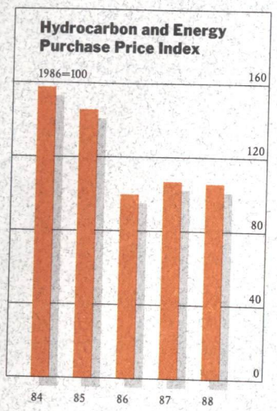


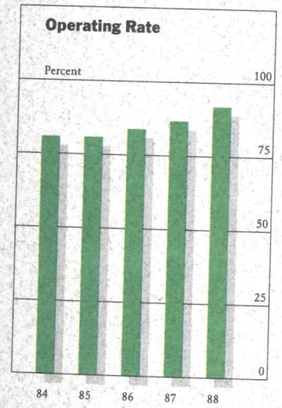
Percentage changes in sales by geographic and industry segments were:

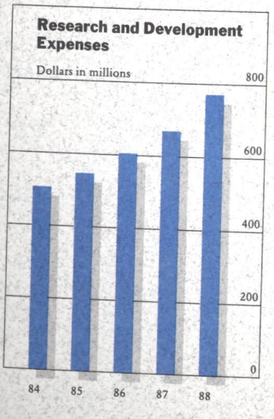
Sales Price and Volume

Percentage Changes from Prior Year	1988 Price	Volume	Total
Geographic areas:			
United States	14%	12%	26%
Europe	14	6	20
Rest of World	23	6	29
Industry segments:			
Chemicals and Performance Products	20%	8%	28%
Plastic Products	20	11	31
Hydrocarbons	5	(1)	4
Consumer Specialties	7	13	20

Operating Income







Operating income for 1988 of $4.2 billion was a $1.9 billion increase over 1987. The ratio of operating income to sales was 25% in 1988, 17% in 1987 and 12% in 1986.

The United States had operating income of $1.8 billion, which was 43% of the Company's total; Europe generated $1.3 billion or 31% and Rest of World, $1.1 billion or 26% of the Company's total operating income in 1988.

Operating income data by geographic and industry segment can be found in Footnote R on pages 50 and 51.

Insurance companies' income in 1988 compared to 1987 improved due to more favorable underwriting results.

Operating Cost

Cost Components as a % of Total:	1988	1987	1986
Hydrocarbons and energy	26%	26%	25%
Supplies, services and other raw materials	36	36	37
Maintenance	8	8	8
Depreciation	7	7	7
Salaries, wages and benefits	23	23	23
Total	100%	100%	100%

Manufacturing plants' operating rate was 92% compared to 87% in 1987 and 84% in 1986.

Manufacturing costs, adjusted for volume, were 2% lower in 1988, after increasing 1% in 1987, reflecting the continued quality and productivity improvement achieved globally. Hydrocarbon and energy prices in 1988, while volatile, were at the same level as in 1987. Hydrocarbon and energy prices increased 7% in 1987 over 1986.

Research and development costs of $772 million in 1988 were 15% higher than 1987. This followed 11% increases in both 1987 and 1986. These increases in spending, which exceeded inflation, were planned as part of the Company's basic strategy of growth through new Dow-developed technology. In spite of the increase, research and development costs as a percentage of sales decreased in both 1988 and 1987.

Promotion and advertising expenses are discretionary expenses directly related to sales levels in the specialties businesses. Major blocks of cost are related to specific sales campaigns, and hence the spending levels can fluctuate from year to year, but in general will track the change in sales for these businesses. The increase of $86 million in 1988 is explained in part by the acquisition of Lamaur Inc., a personal care products company, in late 1987, which added $32 million to 1988 promotion expense. Promotion and advertising expenses in 1987 was up only $20 million from 1986, due to the timing of specific promotion campaigns.

Selling and administrative expenses represent an on-going commitment of costs. Though they have been declining as a percentage of sales—9.7%, 10.5%, and 10.7% for 1988, 1987, and 1986 respectively—their rate of increase has also outpaced inflation. Selling expenses have increased each year as part of the shift of the product mix to specialty products, which require more intensive customer contact and support. Acquisitions of consumer specialty businesses in late 1987 added $22 million of the total $109 million increase in selling expense in 1988. Administrative expenses have also increased, but at a slower pace. Unusual

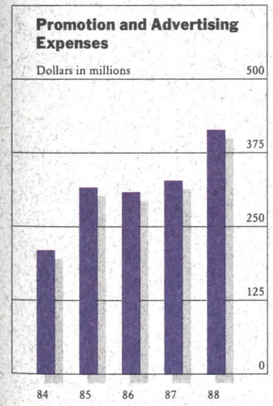
Operating Income (continued)

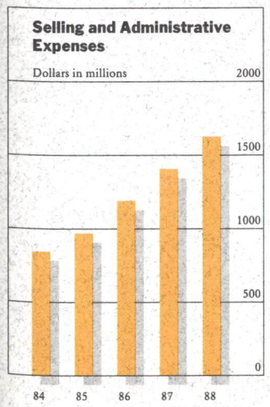
items charged to 1988 administrative expenses included $22 million of restructuring expenses incurred with the Essex Chemical acquisition, and $14 million in increased contributions to education and community projects.

A final write down of $51 million was incurred in 1988 for the crude oil processing plant in Texas (COPP). This plant, which was mothballed in 1981, was initially written down in 1984 by $157 million based on an independent appraisal. In the first quarter of 1988, the Dow Board of Directors authorized a study to build a new ethylene manufacturing facility to be constructed at the same site as the COPP plant. Based on the study, portions of the COPP unit were identified as being usable in the new facility or in other existing operations, and the remainder were written off.

Salaries, wages and benefits increased by 12% in 1988 over 1987 following an 11% increase in 1987 over 1986. Compared to 1987, the personnel count increased by 2,384 or 4.5% in 1988, of which 591 related to the acquisition of Essex Chemical.

Net Income





Equity in earnings of 20%-50% owned companies increased $46 million in 1988 and $49 million in 1987. Dowell Schlumberger companies' continuing improvement produced most of the change in 1988, while Dow Corning increased their earnings by 12% to a new record. In 1987 the same two entities contributed $38 million of the increase.

Gross interest expense was up $3 million in 1988 and $14 million in 1987. Interest expense is expected to remain at the same level in 1989 with a slight increase in the capitalized interest due to the planned increase in capital expenditures.

Foreign currency transaction gains of consolidated subsidiaries were $5 million in 1988, $39 million in 1987, and $30 million in 1986. Because of the volatility of the U.S. dollar, the strategy was to stay balanced on the net foreign currency exposure for financial reporting purposes.

The provision for taxes on income was $1,457 million in 1988. This compares to $886 million in 1987 and $495 million in 1986. The factors that influenced the Company's overall effective tax rate for the past three years are described in Note F to Financial Statements on pages 41 and 42.

Net income included an extraordinary cost of $12 million in 1988, $5 million in 1987 and $9 million in 1986 related to the early extinguishment of debt.

The Financial Accounting Standards Board has issued Statement 96, Accounting for Income Taxes, amended to become effective for fiscal years beginning after December 15, 1989. The Company will adopt the new standard beginning January 1, 1990. Although the impact of implementing FAS 96 is not yet fully determined, the effect is not expected to be material.

A pension supplement was granted to retired employees in the U.S. and Canada, resulting in a charge of $62 million to sundry expense.

Dividends

The Company paid dividends of $2.45 per share in 1988, $2.10 per share in 1987 and $1.85 per share in 1986.

Capital Expenditures

Additions to plant properties for the year were $1,267 million, compared to $995 million in 1987 and $890 million in 1986. In addition, the dissolution of MT Partnership added $670 million of oil and gas properties. Higher expenditures in 1988 reflect the increased need for capacity, and the cautious response to the improved economic climate for the chemical industry.

See Note P on page 48 for capital project commitments.

Liquidity and Capital Resources

Inventories and trade receivables increased $638 million in 1988 compared to $712 million in 1987. Inventories increased 13% and trade receivables increased 17%, chiefly because of higher unit prices. Days-sales-in-inventory increased from 94 at December 31, 1987 to 98 at December 31, 1988; days-outstanding in receivables were up just slightly, 55 days compared to 54 days at year-end 1987. Working capital was $2.2 billion at year-end 1988 versus $2.3 billion at the end of 1987. The current ratio, though decreased, is 1.5:1.

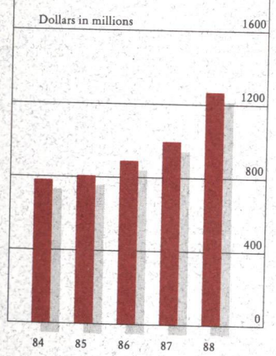
The debt to debt-plus-equity (total capitalization) at year-end 1988 was 34.0%, down from 40.5% in 1987. Total debt was $3.8 billion at December 31, 1988, decreased by $188 million from 1987.

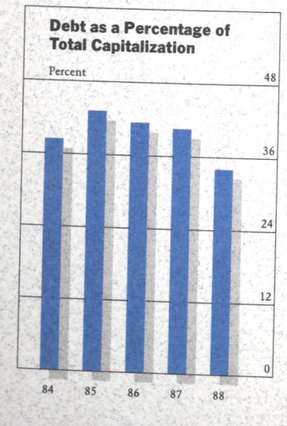
Short-term borrowing at December 31, 1988 and 1987 was $328 and $129 million, respectively. In 1988, new long-term debt of $107 million was incurred and existing long-term debt was reduced by payments of $362 million.

The Company currently has unused and available committed credit facilities with various U.S. and foreign banks totalling $1.4 billion, supporting its working capital requirements and backing up its commercial paper borrowings in the U.S.A. These committed credit facilities are complemented by a variety of credit facilities available to the Company's foreign subsidiaries, currently at over $1 billion. The Company has a SEC shelf registration of $500 million for debt securities, of which $71 million have been issued to date. The committed and available credit facilities, as well as the shelf registration, provide solid financial support in case the Company's cash flow, which currently is at an all-time record level, would be reduced. Based on projected sales and profit for 1989, the Company's outlook for operating cash flow is strong. This cash flow will be utilized to finance the expected increase in capital expenditures and working capital requirements connected with current business plans. Additionally, it would be used to increase dividends paid to shareholders, or as market conditions allow, to decrease debt or to purchase treasury stock.

Dow announced repurchase programs of its common stock for 12 million shares in 1988 and 4 million shares in 1987. Eight million shares were bought back for $652 million in 1988 and 4 million shares for $355 million in 1987 on the open market.

On December 5, 1988, Dow filed a preliminary registration statement with the Securities and Exchange Commission for the possible offering of certain new securities called Unbundled Stock Units (USUs) in exchange for 12 million shares of its common stock in the belief that it has the potential to be an innovative and effective tool in corporate financing. Approval from the SEC is pending.



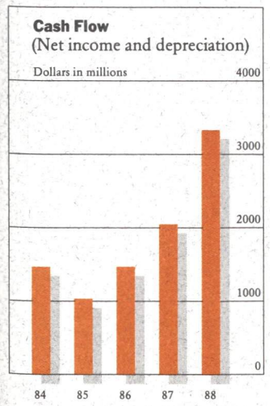


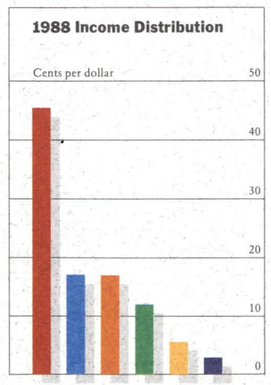
In millions, except for share amounts (Unaudited)

Quarterly Statistics

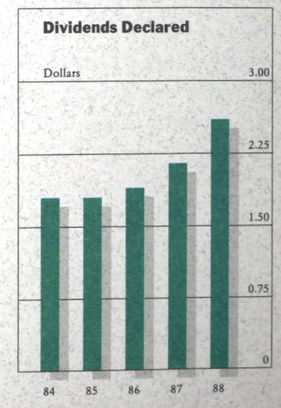
1988	1st	2nd	3rd	4th	Year
Net sales	$3,981	$4,252	$4,150	$4,299	$16,682
Operating income	867	1,078	1,069	1,140	4,154
Pretax income	817	1,026	1,019	1,005	3,867
Income before extraordinary item	507	636	632	635	2,410
Net income	507	624	632	635	2,398
Earnings per common share:					
Income before extraordinary item	2.67	3.35	3.36	3.44	12.82
Net income	2.67	3.29	3.36	3.44	12.76
Cash dividends paid per common share	.55	.60	.60	.70	2.45
Market price range of common stock:					
High	94.00	91.25	92.88	93.00	94.00
Low	76.75	78.25	81.00	82.00	76.75

1987	1st	2nd	3rd	4th	Year
Net sales	$3,015	$3,408	$3,357	$3,597	$13,377
Operating income	473	596	555	668	2,292
Pretax income	410	525	552	644	2,131
Income before extraordinary item	246	315	330	354	1,245
Net income	246	312	330	352	1,240
Earnings per common share:					
Income before extraordinary item	1.28	1.64	1.72	1.86	6.50
Net income	1.28	1.62	1.72	1.85	6.47
Cash dividends paid per common share	.50	.50	.55	.55	2.10
Market price range of common stock:					
High	86.00	89.00	108.25	109.63	109.63
Low	58.75	77.75	84.50	59.75	58.75





Raw materials, supplies and services	45.5
Earnings reinvested in business	17.0
Wages, salaries and employee benefits	17.0
Total taxes	12.0
Depreciation	5.6
Cash dividends	2.9



Responsibility for Financial Statements and Report of Independent Public Accountants

Management Statement of Responsibility

The management of The Dow Chemical Company and its subsidiaries prepared the accompanying consolidated financial statements, and has responsibility for their integrity, objectivity and freedom from material misstatement or error. The statements were prepared in accordance with generally accepted accounting principles. The financial statements include amounts that are based on management's best estimates and judgments. Management also prepared the other information in the annual report and is responsible for its accuracy and consistency with the financial statements. The Board of Directors, through its Audit Committee, assumes an oversight role with respect to the preparation of the financial statements.

Management recognizes its responsibility for fostering a strong ethical climate so that the Company's affairs are conducted according to the highest standards of personal and corporate conduct. Management has established and maintains a system of internal control that provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition, and the prevention and detection of fraudulent financial reporting. The system of internal control provides for appropriate division of responsibility and is documented by written policies and procedures that are communicated to employees with significant roles in the financial reporting process and updated as necessary. Management continually monitors the system of internal control for compliance. The Company maintains a strong internal auditing program that independently assesses the effectiveness of the internal controls and recommends possible improvements.

Deloitte Haskins & Sells, independent public accountants, with direct access to the Board of Directors through its Audit Committee, have audited the consolidated financial statements prepared by the Company, and their report follows.

Management has considered recommendations from the internal auditors and Deloitte Haskins & Sells concerning the system of internal control and has taken actions that are cost-effective in the circumstances to respond appropriately to these recommendations. Management further believes the controls are adequate to accomplish the objectives discussed herein.

Report of Independent Public Accountants

To the Stockholders and Board of Directors of The Dow Chemical Company

We have audited the accompanying consolidated balance sheets of The Dow Chemical Company and its subsidiaries as of December 31, 1988 and 1987 and the related consolidated statements of income and stockholders' equity for each of the three years in the period ended December 31, 1988, of cash flows for the year ended December 31, 1988, and of changes in financial position for each of the two years in the period ended December 31, 1987. 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 conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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, such consolidated financial statements present fairly, in all material respects, the financial position of The Dow Chemical Company and its subsidiaries at December 31, 1988 and 1987, and the results of their operations for each of the three years in the period ended December 31, 1988, their cash flows for the year ended December 31, 1988, and changes in their financial position for each of the two years in the period ended December 31, 1987 in conformity with generally accepted accounting principles.

As discussed in Note A to the financial statements, in 1988 the Company adopted Statement of Financial Accounting Standards No. 95, Statement of Cash Flows.

Deloitte Haskins & Sells

Midland, Michigan
February 8, 1989

Consolidated Statement of Income

In millions, except for share amounts		1988	1987	1986
Net sales		$16,682	$13,377	$11,113
Operating costs and expenses	Cost of sales	9,744	8,660	7,727
	Insurance and finance company operations, net expense (income)	(28)	20	(57)
	Research and development expenses	772	670	605
	Promotion and advertising expenses	415	329	309
	Selling and administrative expenses	1,625	1,406	1,190
	Total operating costs and expenses	12,528	11,085	9,774
Operating income		4,154	2,292	1,339
Other income (expense)	Equity in earnings of 20%-50% owned companies	89	43	(6)
	Interest income	86	94	78
	Capitalized interest	30	24	36
	Interest expense and amortization of debt discount	(400)	(397)	(383)
	Gains on foreign currency transactions	5	39	30
	Sundry income (expense)—net	(97)	36	142
Income before provision for taxes on income and extraordinary item		3,867	2,131	1,236
Provision for taxes on income		1,457	886	495
Income before extraordinary item		2,410	1,245	741
Extraordinary item	(Loss) on early extinguishment of debt	(12)	(5)	(9)
Net income		$ 2,398	$ 1,240	$ 732
Earnings per common share	Income before extraordinary item	$ 12.82	$ 6.50	$ 3.87
	Extraordinary item	(0.06)	(0.03)	(0.05)
Net income		$ 12.76	$ 6.47	$ 3.82

See Accounting Policies and Notes to Financial Statements.

Consolidated Balance Sheet

In millions	December 31	1988	1987
	Assets		
Current assets	Cash	$ 33	$ 21
	Marketable securities and interest-bearing deposits (at cost, which approximates market)	192	397
	Accounts and notes receivable:		
	Trade (less allowance for doubtful receivables—1988, $74; 1987, $57)	2,642	2,269
	Other	1,126	960
	Inventories:		
	Finished and work in process	1,840	1,637
	Materials and supplies	530	468
	Total current assets	6,363	5,752
Investments	Capital stock at cost plus equity in accumulated earnings of 20%-50% owned companies	1,053	1,064
	Other investments	903	684
	Noncurrent receivables	267	399
	Total investments	2,223	2,147
Plant properties	Plant properties	15,360	13,502
	Less—accumulated depreciation	8,784	7,951
	Net plant properties	6,576	5,551
Other	Goodwill	691	485
	Deferred charges and other assets	386	421
	Total	$16,239	$14,356

See Accounting Policies and Notes to Financial Statements.

In millions, except for share amounts	December 31	1988	1987
	Liabilities and Stockholders' Equity		
Current liabilities	Notes payable	$ 328	$ 129
	Long-term debt due within one year	104	50
	Accounts payable:		
	Trade	1,320	1,085
	Other	553	498
	United States and foreign taxes on income	605	511
	Accrued and other current liabilities	1,265	1,182
	Total current liabilities	4,175	3,455
Long-term debt		3,338	3,779
Deferred taxes and other liabilities	Deferred income taxes	567	527
	Other noncurrent obligations	857	790
	Total deferred taxes and other liabilities	1,424	1,317
Minority interest in subsidiary companies		47	36
Stockholders' equity	Common stock (authorized 500,000,000 shares of $2.50 par value each; issued—1988: 218,057,561; 1987: 216,336,555)	545	541
	Additional paid-in capital	923	817
	Retained earnings	7,167	5,226
	Cumulative translation adjustments	182	95
	Treasury stock, at cost (1988: 34,524,233; 1987: 26,956,788)	(1,562)	(910)
	Net stockholders' equity	7,255	5,769
	Total	$16,239	$14,356

See Accounting Policies and Notes to Financial Statements.

Consolidated Statement of Stockholders' Equity

In millions, except for share amounts		1988	1987	1986
Common stock	Balance at beginning of year	$ 541	$ 535	$ 528
	Sold to employees	4	6	7
	Balance at end of year	$ 545	$ 541	$ 535
Additional paid-in capital	Balance at beginning of year	$ 817	$ 725	$ 652
	Sale of common stock to employees in excess of par	106	92	73
	Balance at end of year	$ 923	$ 817	$ 725
Retained earnings	Balance at beginning of year	$5,226	$4,436	$4,072
	Net income	2,398	1,240	732
	Unrealized investment gains (losses)	29	(39)	(4)
	Cash dividends declared ($2.60 per share for 1988; $2.15 per share for 1987; and $1.90 per share for 1986)	(486)	(411)	(364)
	Balance at end of year	$7,167	$5,226	$4,436
Cumulative translation adjustments	Balance at beginning of year	$ 95	$ 37	$ 20
	Current year translation adjustment*	87	58	17
	Balance at end of year	$ 182	$ 95	$ 37
Treasury stock	Balance at beginning of year	$ 910	$ 555	$ 466
	Purchase of stock	652	355	89
	Balance at end of year	$1,562	$ 910	$ 555

See Accounting Policies and Notes to Financial Statements.
*Includes $89 for the change in functional currency in six European countries effective December 31, 1988.

Consolidated Statement of Cash Flows

In millions		1988
Operating Activities	Net income	$ 2,398
	Adjustments to reconcile net income to net cash provided by operating activities:	
	Depreciation and amortization	981
	Provision for losses on accounts receivable	34
	Provision for deferred income tax	34
	Undistributed earnings of related companies	(27)
	Gains on the sales of equipment	(5)
	Other	48
	Gains on foreign currency transactions	(5)
	Changes in assets and liabilities that provided (used) cash:	
	Trade receivables	(650)
	Inventories	(269)
	Other receivables and deferred charges	154
	Accounts payable and accruals	719
	Cash provided by operating activities	3,412
Investing Activities	Purchases of property, plant and equipment[1]	(1,670)
	Investments in unconsolidated affiliates	(53)
	Purchases of consolidated companies (net of cash acquired)	(347)
	Proceeds from sales of equipment	17
	Investment in marketable securities and other investments	(318)
	Cash used for investing activities	(2,371)
Financing Activities	Proceeds from issuance of long term debt	107
	Payments on long term debt	(362)
	Purchase of treasury stock	(652)
	Dividends paid to shareholders	(461)
	Proceeds from sales of common stock	80
	Cash used for financing activities	(1,288)
	Effect of exchange rate changes on cash	54
	Decrease in cash and cash equivalents	(193)
	Cash and cash equivalents at beginning of year	418
	Cash and cash equivalents at end of year	$ 225

See Accounting Policies and Notes to Financial Statements.
[1]Includes acquisition of oil and gas property on dissolution of MT Partnership.

Consolidated Statement of Changes in Financial Position

In millions		1987	1986
Operations	Income before extraordinary item	$1,245	$ 741
	Charges (credits) to income not requiring (providing) funds:		
	Depreciation	814	744
	Equity in earnings of 20%–50% owned companies	(43)	6
	Deferred income taxes	111	130
	Funds provided from operations	2,127	1,621
Working capital	Current accounts and notes receivable	(848)	(171)
	Inventories	(165)	83
	Accounts payable and accrued liabilities	618	91
	Notes payable and long-term debt due within one year	(100)	(184)
	Funds (used) for working capital	(495)	(181)
Investment activities and other	New plant properties	(995)	(890)
	Acquisition of businesses:		
	Plant properties and intangibles	(37)	
	Working capital	(20)	
	Goodwill	(202)	
	Investment in related companies	(69)	188
	Noncurrent receivables and sundry assets	(219)	(142)
	Noncurrent liabilities	227	(71)
	Other	34	(130)
	Funds (used) for investment activities and other	(1,281)	(1,045)
Financing activities	Extraordinary item	(5)	(9)
	Long-term debt	292	560
	Long-term debt reduction	83	(354)
	Treasury stock purchases	(355)	(89)
	Dividends declared	(411)	(364)
	Sale of common stock to employees	98	80
	Funds (used) for financing activities	(298)	(176)
	Net funds provided	53	219
	Cash and marketable securities, beginning of year	365	146
	Cash and marketable securities, end of year	$ 418	$ 365

See Accounting Policies and Notes to Financial Statements.

Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the assets, liabilities, revenues and expenses of all majority-owned subsidiaries in conformity with the provisions of Statement of Financial Accounting Standards No. 94. Investments in companies 20%-50% owned are carried on the equity basis.

Foreign Currency Translation

The U.S. dollar has been used as the functional currency throughout the world except for operations in Germany and Japan, for which local currencies have been used. Effective December 31, 1988, the functional currency of the subsidiary companies in six European countries was changed to the local currency. These countries are: Belgium, France, Italy, the Netherlands, Spain and U.K. The impact on the ending balance sheet is noted in the Consolidated Statement of Stockholders' Equity. This change did not impact net income in 1988.

Where the U.S. dollar is used as the functional currency, foreign currency gains and losses are reflected in income currently. Translation gains and losses of those operations that use local currencies as the functional currency, and the effects of exchange rate changes on transactions designated as hedges of net foreign investments are included as a separate component of stockholders' equity.

Cash & Cash Equivalents

Cash and cash equivalents for the Consolidated Statement of Cash Flows includes time deposits and readily marketable securities.

Inventories

Inventories are stated at lower of cost or market. The cost of substantially all domestic, foreign hydrocarbon and Foreign Sales Corporation inventories were determined by the last-in, first-out method for raw material and product inventories. The cost of the Company's operating supplies and non-hydrocarbon foreign raw material and product inventories were determined by the first-in, first-out or average cost method.

Plant Properties and Depreciation

Land, buildings and equipment, including property under capital lease agreements, are carried at cost less accumulated depreciation. Depreciation is based on the estimated service lives of depreciable assets and is generally provided using the declining balance method.

Fully depreciated assets are retained in property and depreciation accounts until they are removed from service. In the case of disposals, assets and related depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged or credited to income.

Goodwill

The excess of the cost of investments in subsidiaries over the carrying value of assets acquired is shown as goodwill, which is then amortized over a maximum of 40 years.

Taxes on Income

The Company and its subsidiaries compute and record income taxes currently payable based upon determination of taxable income which may differ from pretax accounting income. These differences may arise from recording in pretax accounting income transactions which enter into determination of taxable income in another period. The tax effect of these timing differences is recognized by adjustment of the provision for taxes.

Provision is made for taxes on unremitted earnings of related companies and foreign subsidiaries to the extent that such earnings are not deemed to be permanently invested.

Laws governing the determination of U.S. and certain foreign income taxes provide for investment credits for acquisition of qualified facilities. Such credits are reflected as a reduction of income tax expense on the flow-through basis in the year in which they are earned. In addition, certain foreign countries provide incentive payments which are granted to encourage new investment. Generally, such grants are credited to income as earned.

The Company will not adopt Statement of Financial Accounting Standards No. 96: Accounting for Income Taxes until 1990. The impact of implementing FAS 96 is not expected to be material.

Earnings per Common Share

The calculation of earnings per share is based on the weighted average number of common shares outstanding during the applicable period.

Reclassification

The Company has reclassified the presentation of certain prior year information to conform with the current presentation format.

Notes to Financial Statements

In millions, except for share amounts

A SFAS No. 95 Adoption

The Company adopted Statement of Financial Accounting Standards No. 95, Statement of Cash Flows, for 1988. As permitted, the Consolidated Statements of Changes in Financial Position for 1987 and 1986 have not been restated.

B Extraordinary Items

For the early extinguishment of debt, $234 in 1988, $168 in 1987, and $514 in 1986, earnings included an extraordinary after tax cost of $12 or $.06 per share in 1988, $5 or $.03 per share in 1987, and $9 or $.05 per share in 1986.

C Supplementary Information

Accrued and Other Current Liabilities

	1988	1987
Accrued vacations	$ 156	$ 145
Employees' retirement plans	70	87
Interest payable	93	123
Sundry	946	827
Total	$1,265	$1,182

Sundry Income (Expense)—Net

	1988	1987	1986
Royalty income	$ 21	$ 20	$ 15
Profit on securities	2	12	47
Profit on sale of assets	5	8	60
Dividend income	5	2	6
Pension supplement	(62)	–	–
Goodwill/patent amortization	(43)	(27)	(27)
Other—net	(25)	21	41
Total	$ (97)	$ 36	$142

Supplementary Income Statement Information

	1988	1987	1986
Maintenance and repairs	$1,001	$875	$756
Depreciation and depletion	933	814	744
Taxes other than income:			
Property and other taxes	189	159	124
Payroll taxes	223	196	169
Provision for doubtful receivables	34	23	21

D Acquisitions and Divestitures

In October 1988, the Company acquired for $345 in cash, Essex Chemical Corporation, a U.S. manufacturer and marketer of industrial and specialty chemicals. The acquisition was accounted for as a stock purchase and resulted in $231 of goodwill.

In the fourth quarter of 1987 the Company acquired Lamaur Inc., a U.S. manufacturer and marketer of personal care products, for $175 in cash. It also acquired United AgriSeeds Inc., a U.S. research-based crop genetics company, for $45. The acquisitions were accounted for as purchases, and the excess cost over fair market value of $188 was treated as goodwill.

During 1987 the Company divested its business holdings in the Republic of South Africa and sold its bromine business to Ethyl Corporation. There was no material impact on income from either transaction, nor were operating results of either business significant to the periods reported.

Acquisitions and Divestitures (continued)

During 1986 the Company acquired Haeger & Kaessner GmbH, a European marketer of industrial specialty chemicals, and Merrell Dow acquired a majority interest of Funai Pharmaceuticals Company Ltd., located in Japan. These acquisitions were purchases of stock.

The assets of Dow Financial Services Corporation were sold to Royal Trustco Ltd. in June 1986 for $172 in cash. The operating income for 1986 was not material.

The Company also acquired several small specialty businesses in 1988, 1987 and 1986, each of which was accounted for as a purchase. The operating results of all the above acquisitions are included in the consolidated financial statements from the dates acquired. There would have been no material impact on revenue, income before extraordinary items, net income and corresponding per share amounts had these acquisitions been effected January 1, 1986.

E Interest and Tax Payments

Cash payments during 1988 included interest of $455 (net of amounts capitalized) and $1,394 for domestic and foreign income taxes.

F Taxes on Income

The effective tax rate for 1988 was 37.7%.

Certain subsidiaries had net operating loss carryforwards totaling approximately $147 (at December 31, 1988 exchange rates), which will begin to expire in 1989.

The Consolidated Balance Sheet caption "United States and foreign taxes on income" includes current deferred taxes receivable of $14 at December 31, 1988 and deferred taxes payable of $3 at December 31, 1987.

Unremitted earnings of subsidiaries and related companies accounted for by the equity method, which are deemed to be permanently invested, amounted to $2,478 and $2,098 at December 31, 1988 and 1987, respectively.

Domestic and Foreign Components of Pretax Income[1]

	1988	1987	1986
Domestic	$1,798	$ 958	$ 495
Foreign	2,069	1,173	741
Income before tax	$3,867	$2,131	$1,236

[1] Before extraordinary items, classified primarily by the domicile of each company.

Provision for Taxes on Income

	1988*			1987*			1986*		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
Federal	$ 526	$ 9	$ 535	$311	$ 33	$344	$ 50	$126	$176
State and local	42		42	39		39	7		7
Foreign	855	25	880	425	78	503	308	4	312
Total	$1,423	$ 34	$1,457	$775	$111	$886	$365	$130	$495

*Data excludes $6, $4 and $6 tax benefit related to the extraordinary items at December 31, 1988, 1987 and 1986, respectively.

In millions, except for share amounts

Deferred Tax Provisions

	1988	1987	1986
Tax benefits of tax credit and loss carryforwards	$ 1	$118	$ (1)
Tax effects of foreign exchange transactions	6	15	46
Difference in depreciation, depletion and provisions claimed for tax purposes and book amounts	(71)	62	91
Undistributed earnings of foreign subsidiaries deemed not to be permanently invested	5	16	(19)
Tax effects of deferred compensation plans	36	(36)	31
Tax effects of installment sales and other deferrals	57	(61)	25
Difference between LIFO method claimed for tax purposes and book amounts	(3)	(12)	(41)
Other—net	3	9	(2)
Total	$ 34	$111	$130

Major Differences in Taxes on Income

	1988	1987	1986
Taxes at U.S. statutory rate	$1,315	$852	$569
U.S. investment and other domestic credits			(33)
Taxes on foreign operations at rates different from U.S. statutory rate (including FSC)	97	66	(61)
Other	45	(32)	20
Total tax provision	$1,457	$886	$495

G Inventories

The amount of reserve required to reduce inventories from the first-in, first-out basis to the last-in, first-out basis at December 31, 1988 and 1987, was $101 and $97, respectively.

The inventories that were valued on a LIFO basis represented 45% of the total inventories at December 31, 1988 and 1987.

H Related Company Transactions

The Company's investments in companies accounted for by the equity method at December 31, 1988 and 1987, were $1,053 and $1,064, respectively. Included at December 31, 1988 was $114 for Essex Chemical subsidiaries held for divestiture at approximate net realizable values. The remaining amounts approximate the Company's equity in the net assets of the companies 20%-50% owned. MT Partnership, a Canadian investment, was dissolved as of June 1, 1988, and the related oil and gas properties were distributed to the partners. The assets and liabilities distributed to the Company have been included in the appropriate lines of the Consolidated Balance Sheet.

Dividends received from related companies were $62 in 1988, $39 in 1987 and $83 in 1986. Noncurrent receivables at December 31, 1987 included $134 from related companies. All other transactions with related companies, and balances due to or from related companies, were not material in amount.

I Plant Properties

Plant Properties

	1988	1987
Land	$ 268	$ 260
Land and waterway improvements	455	410
Buildings	1,402	1,268
Machinery and equipment	11,001	10,187
Wells and brine systems	107	211

Plant Properties

	1988	1987
Office furniture and equipment	396	320
Mineral reserves	691	19
Other	140	150
Construction in progress	900	677
Total	$15,360	$13,502

J Leased Properties

Capital leases of $96 in 1988 and $106 in 1987 are included with owned property in the Consolidated Balance Sheet.

Minimum Lease Commitments

	Operating Leases	Capital Leases
1989	$ 182	$ 10
1990	174	9
1991	150	7
1992	135	6
1993	124	5
1994 and thereafter	975	28
Total minimum lease payments	$1,740	$ 65

Rental Expenses Under Operating Leases

	1988	1987	1986
Minimum rentals	$344	$268	$238
Contingent rentals	5	5	5
Less—Sublease rentals	10	13	1
Net	$339	$260	$242

K Notes Payable

Notes payable at December 31, 1988 and 1987 consisted of obligations due banks with a variety of interest rates and maturities. There was commercial paper in notes payable at December 31, 1988 of $17. There was no commercial paper in notes payable at December 31, 1987.

Notes to Financial Statements

In millions, except for share amounts

L Long-Term Debt and Available Credit Facilities

Long-term debt is stated net of debentures purchased to satisfy future sinking fund requirements.

The average interest rate on long-term debt was 8.1% in 1988 compared to 8.4% in 1987.

Annual installments on long-term debt and capital lease obligations for the next five years are as follows: 1989, $104; 1990, $56; 1991, $43; 1992, $158; 1993, $83.

Unused and available credit facilities with various U.S. and foreign banks totaling $1,395 at December 31, 1988, required the payment of commitment fees. These facilities are available in support of commercial paper borrowings and working capital requirements. Additional unused credit facilities totaling $1,206 at December 31, 1988, are available for use by foreign subsidiaries.

In 1986 the Company registered with the Securities and Exchange Commission $500 of debt securities, of which $71 has been issued.

Long-Term Debt

December 31

	1988	1987
Promissory Notes		
4.50%, final maturity 1990	$ 25	$ 30
5.00%, final maturity 1991	24	28
10.25%, final maturity 1992	100	100
8.63%, final maturity 2006	200	200
8.43%, final maturity 2015	150	200
Bonds		
7.00%, final maturity 1994, Japanese yen	397	410
6.75%, final maturity 1995, Deutsche mark	168	189
5.63%, final maturity 1996, Deutsche mark	168	189
10.99%, final maturity 1997, Pound sterling	515	561
6.38%, final maturity 2001, Japanese yen	199	205
Variable, final maturity 1989, New Zealand dollar		55
4.75%, final maturity 1999, Swiss franc	132	156
Debentures		
6.70%, final maturity 1998	28	34
7.75%, final maturity 1999	33	40
8.85%, final maturity 1999	34	37
8.88%, final maturity 2000	42	50
8.90%, final maturity 2000	48	49
7.40%, final maturity 2002	43	43
7.63%, final maturity 2003	45	45
8.50%, final maturity 2005	162	162
8.50%, final maturity 2006	160	160
7.88%, final maturity 2007	241	241
8.63%, final maturity 2008	271	275
11.25%, final maturity 2010		235
Other Facilities—Various Rates and Maturities		
Foreign currency loans	31	50
U.S. dollar loans	32	13
Pollution control/industrial revenue bonds	489	413
Unexpended construction funds	(130)	(77)
Capital lease obligations	39	45
Subtotal	3,646	4,138
Less unamortized debt discount	308	359
Total long-term debt	$3,338	$3,779

In millions, except for share amounts

M Stockholders' Equity

The authorized capital stock consists of 250 million preferred shares with a par value of $1.00 per share, none of which has been issued, and 500 million shares of common stock with a par value of $2.50 per share.

Retained earnings of the parent company were approximately $5,946 at December 31, 1988. There were no significant restrictions limiting the availability for dividend purposes.

Undistributed earnings of 20%-50% owned companies included in retained earnings were $359 and $457 at December 31, 1988 and 1987, respectively.

In computing earnings per share, no adjustment was made for common shares issuable under award, option and stock purchase plans because there would be no material dilutive effect.

Number of Issued Shares

In thousands	1988	1987	1986
Beginning of the year	216,337	213,890	211,158
Sold to employees	1,721	2,447	2,732
End of the year	218,058	216,337	213,890

Reserved Common Stock

In thousands	1988	1987	1986
Stock option and award plans	7,075	5,544	7,275
Employees' stock purchase plan	682	792	955
Total shares reserved	7,757	6,336	8,230

N Pension Plans and Postretirement Benefits

The Company has a defined benefit pension plan which covers substantially all of its U.S. employees. The benefits are based on length of service and the employee's three highest consecutive years of compensation. The Company's funding policy is to contribute annually at a rate that is intended to approximate a level percentage of compensation for the covered employees.

The weighted-average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 8.75 and 6 percent, respectively, for both 1988 and 1987. The expected long-term rate of return on assets was 8 percent for both years. The funded status and amounts recognized in the Company's statement of financial position at December 31 of 1988 and 1987 for the U.S. plan is as follows:

U.S. Funded Plan at December 31

	1988	1987
Accumulated benefit obligation, including vested benefits of $(1,748) for 1988 and $(1,602) for 1987	$(1,881)	$(1,730)
Projected benefit obligation for services rendered to date	(2,272)	(1,973)
Plan assets at market value, primarily listed stocks and U.S. bonds	2,267	2,007
Projected benefit obligation (in excess of) less than plan assets	(5)	34
Unrecognized transition obligation	94	102
Unrecognized (gain) from experience favorable to assumptions	(101)	(161)
Prior service cost not yet recognized in pension cost	3	
Accrued pension cost	$ (9)	$ (25)

In millions, except for share amounts

Pension Plans and Postretirement Benefits (continued)

The Company also has an unfunded pension plan for those U.S. employees whose benefits under the plan described above are limited by provisions of the Internal Revenue Code. The projected benefit obligation is $68 for 1988, $29 for 1987. Pension cost of $31 under the plan ($29 in 1987) has been fully accrued.

Combined costs for the two U.S. plans are as follows:

Net Periodic U.S. Pension Cost

	1988	1987
Service cost—benefits earned during the period	$ 49	$ 55
Interest cost on projected benefit obligation	176	171
Return on assets	(257)	(142)
Amortization and deferred amounts	104	1
Net periodic pension cost	$ 72	$ 85

In addition to the net periodic pension cost, a pre-tax charge of $62 for the present value of increased monthly pension benefits to certain current Dow retirees in the United States and Canada was included in sundry expense.

Net pension cost of $124 was reported for 1986 under APB 8, the accounting rules preceding SFAS 87.

The Company has pension plans covering employees in a number of foreign countries as well. The Company has elected to apply Statement of Financial Accounting Standards No. 87 for these pension plans for 1988, using assumptions that are consistent with (but not identical to) those of the U.S. plans (Adoption for the Canadian plans was effective January 1, 1987). The funded status of fully funded, significant defined benefit plans outside the U.S. is:

Foreign Fully Funded Plans at December 31

	1988	1987
Accumulated benefit obligation including vested benefits of $(343) in 1988 and $(319) in 1987	$(349)	$(325)
Projected benefit obligation for services rendered to date	(565)	(555)
Plan assets at market value	651	594
Plan assets in excess of projected benefit obligation	86	39
Unrecognized transition asset	(61)	(53)
Unrecognized loss (gain) from experience unfavorable (favorable) to assumptions	(12)	4
Currency remeasurement		3
Accrued pension (cost) asset	$ 13	$ (7)

Due to differences in pension laws and economics, Company subsidiaries in several countries have defined benefit plans that are at least partially unfunded. These include a supplemental plan in Canada, and plans in Germany, Japan, and Switzerland. The funded status of these plans is as follows:

Pension Plans and Postretirement Benefits (continued)

Foreign Partially Funded Plans at December 31

	1988	1987
Accumulated benefit obligation including vested benefits of $(45) in 1988 and $(40) in 1987	$ (50)	$ (45)
Projected benefit obligation for services rendered to date	(110)	(103)
Plan assets at market value	10	9
Projected benefit obligation in excess of plan assets	(100)	(94)
Unrecognized transition obligation	37	41
Unrecognized gain from experience favorable to assumptions	(8)	(10)
Accrued pension cost	$ (71)	$ (63)

Total net periodic pension cost for both groups of foreign pension plans in 1988 is as follows:

Net Periodic Foreign Pension Cost

	1988
Service cost—benefits earned during the period	$ 42
Interest cost on projected benefit obligation	42
Return on assets	(42)
Amortization and deferred amounts	(2)
Employee contributions to the plans	(6)
Net periodic pension cost	$ 34

The cost of the foreign retirement plans for 1987 and 1986 was $41 and $25, respectively, under APB 8 rules.

Pension plans in the nature of defined contribution plans now cover employees in Spain and United Kingdom. In addition, employees of the Company in the U.S. continue to be eligible to participate in defined contribution plans (Employee Savings Plans) by contributing a portion of their compensation. The Company matches contributions up to specified percentages of covered salaried employees' compensation, depending on Company profit levels. Contributions charged to income for defined contribution plans were $33 in 1988, $21 in 1987, $20 in 1986.

In addition to providing pension benefits, the Company and its subsidiaries provide certain health care and life insurance benefits to retired employees. The Company may modify these benefits at any time. The cost of retiree health care and life insurance benefits is recognized as an expense as benefits are paid; in 1988, 1987 and 1986, those costs totaled $39, $35, and $31, respectively.

O Stock Option and Award Plans

Stock option plans and management incentive awards are described in the Company's Proxy Statement of March 1989, including the 1988 Award and Option plan adopted by the Shareholders at the 1988 Annual Meeting. Options under all plans are granted at market price of the shares on the date of the grants. Stock options granted in 1988 were 1,696 thousand shares and none were granted in 1987.

Summarized information regarding the Company's award and option plans at December 31 is as follows:

Stock Transactions

In thousands	1988		1987	
	Number Shares	Price Range	Number Shares	Price Range
Outstanding at year end:				
Stock options	3,549	$22.31-$89.63	2,371	$22.31-$54.06
Deferred stock	560		694	
Stock options exercisable currently	1,866		2,371	
Total shares reserved	7,075		5,544	
Shares available for future grant	2,966		2,479	
Stock options exercised during year	518	$22.31-$54.06	1,640	$22.31-$54.06

Notes to Financial Statements

In millions, except for share amounts

Stock Option and Award Plans (continued)

The expense accruals for the various incentive plans relate to the net earnings performance of the Company against predetermined targets and/or the market value per share of the Company's common stock at year-end. Aggregate amounts charged to expense for management incentive awards were $55 in 1988, $96 in 1987, and $22 in 1986. The lower expense in 1988 was the result of adjusting accruals to reflect lower stock prices at 1988 measurement dates, as compared with 1987.

The Company made offerings of common stock to its employees, excluding directors, in 1988 and 1987 at $73.00 and $68.00 per share, respectively, payable generally through payroll deductions. Unfilled subscriptions (in thousands), cancellable at the option of the employee, were 682 and 792 shares at December 31, 1988 and 1987, respectively. Partial payments on these subscriptions aggregating $32 and $37 at December 31, 1988 and 1987, respectively, are included in current liabilities.

P Commitments and Contingent Liabilities

The Company and its subsidiaries are parties to a number of claims and lawsuits arising out of the normal course of business with respect to commercial matters including product liabilities, governmental regulation including environmental matters 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. The amounts of ultimate liability thereunder are indeterminable at December 31, 1988. The Company is also a party to several lawsuits arising out of insurance policies issued to the Company and its subsidiaries. These lawsuits involve the recoverability under these insurance policies of certain losses and expenses incurred by the Company. In the opinion of management, resolution of these matters will not materially affect the consolidated financial position or results of operations of the Company and its subsidiaries.

As a general partner of several partnerships, the Company may be liable for any deficiencies which may arise in meeting the terms of loan obligations incurred by the partnerships. Assets of the partnerships which have been pledged as security for these loans are currently in excess of the loan obligations.

The Company designs and builds most of its capital projects in-house, and hence does not have major capital commitments, other than for the purchase of materials from fabricators. Similarly, the Company has various purchase commitments for materials and supplies used in production. In general such commitments are at prices not in excess of current market. While certain of these commitments are for quantities in excess of the Company's present requirements, they are not expected to have any material adverse effect on the consolidated financial position or results of operations of the Company.

An English unlimited company, successor to a Scottish partnership, is a party to a 15 year operating lease agreement for a semi-submersible drilling rig to be used for oil and gas drilling operations. The Company is a 50% owner of the English unlimited company, and the Company has severally guaranteed the lease payments to be made by the English unlimited company. The guarantee amounted to $84 at December 31, 1988.

The Company has an equity investment in a hydrocracker in the Netherlands through which it tolls hydrocarbon raw materials. The Company also guarantees a portion of the debt of the venture, proportional to its ownership. The guarantee amounted to $105 at December 31, 1988.

A Canadian subsidiary has entered into two 20-year agreements to purchase substantially all the output of an ethylene plant (Plant No. 1) and 40% of the output of a second ethylene plant (Plant No. 2). The purchase price of the output is determined on a cost-of-service basis which, in addition to covering all operating expenses and debt service costs, provides the

Commitments and Contingent Liabilities (continued)

owner of the plants with a specified return on capital. Total purchases under the agreements were $248, $215 and $160 in 1988, 1987 and 1986, respectively. The following table shows the fixed and determinable portion of obligations under such purchase commitments (at December 31, 1988 exchange rates) net of noncancelable sales commitments and interest.

Fixed and Determinable Obligations

1989	$ 65
1990	61
1991	60
1992	73
1993	81
1994 through expiration of contracts	492
Total	$832

Additionally, the owner of these plants, the Alberta Gas Ethylene Company Ltd. (AGEC), has borrowings outstanding of $144 which were used for the construction of Plant No. 1 and are guaranteed as to principal and interest by the Company. The Company has severally guaranteed the performance of its subsidiaries under agreements to purchase 40% of the output of Plant No. 2 and to fund its share of any cash deficiencies (as defined in the agreement) in the plant's operating and debt service costs.

Q Combined Financial Statements of Principal 50% Owned Companies

The summarized financial statements represent the combined accounts of principal companies in which Dow owns a 50% interest. Amounts presented include the assets, liabilities, revenues and expenses of the following major international companies: Dow Corning Corporation, a manufacturer of silicone and silicone products, Dowell Schlumberger companies, which perform services for oil and gas wells, and Gurit-Essex AG, a Swiss company acquired in October 1988, which supplies European automobile manufacturers with proprietary specialty products. MT Partnership, a Canadian investment engaged in oil and gas activities, was dissolved as of June 1, 1988. The summarized financial statements of 1987 and 1986 include MT Partnership amounts.

The Company's equity interest in these companies was $627 and $764 in 1988 and 1987, respectively, and its interest in earnings was $89, $29, and $(8) in 1988, 1987, and 1986, respectively.

Combined Balance Sheet

	1988	1987
Current assets	$1,130	$ 997
Plant property—net	1,096	2,320
Other assets	80	89
Total assets	$2,306	$3,406
Current liabilities	$ 529	$ 709
Long-term debt	215	492
Other liabilities	304	262
Stockholders' equity	1,258	1,943
Total liabilities and stockholders' equity	$2,306	$3,406

Statement of Combined Income and Retained Earnings

	1988	1987	1986
Sales	$2,231	$2,110	$1,977
Cost of sales	1,601	1,844	1,557
Other expenses—net	367	123	358
Income before provision for taxes	263	143	62
Taxes on income	85	78	73
Net income (loss)	178	65	(11)
Retained earnings at Jan. 1*	618	786	946
Dividends declared	(72)	(62)	(149)
Retained earnings, end of year	$ 724	$ 789	$ 786

*October 1988 for Gurit-Essex AG

Notes to Financial Statements

In millions, except for share amounts

R Industry Segments and Geographic Areas

The Company conducts its worldwide operations through separate geographic area organizations which represent major markets or combinations of related markets. Transfers between areas are valued at cost plus a markup.

Aggregation of products is generally made on the basis of process technology, end-use markets and channels of distribution. The industry segment results have been revised in 1988 to reflect better the way the Company business is organized and managed. The Chemicals and Performance Products and Hydrocarbons segments are described in the Corporate Profile section on pages 6 and 7. The Plastic Products segment, also described in the same section, is comprised of thermoplastics, thermosets, and fabricated products. Consumer Specialties include agricultural chemicals, pharmaceuticals, and food protection, cleaning, and personal care products.

The Unallocated segment includes activities of the insurance companies, the banking operations (in first half of 1986), and unallocated overhead cost variances beginning in 1987.

Transfers between industry segments are generally valued at standard cost.

Industry Segment Results

(Restated)	Chemicals & Perform.	Plastics	Hydro-carbons	Consumer Specialties	Unallo-cated	Corporate and Elim.	Consoli-dated
1988							
Sales to unaffiliated customers	$5,190	$6,938	$1,502	$3,029	$ 23		$16,682
Intersegment transfers	469	258	1,886	27	10	$(2,650)	
Operating income (loss)	1,534	1,901	220	560	(61)		4,154
Identifiable assets	4,475	4,478	1,839	2,759	679	2,009	16,239
Depreciation	353	254	214	109	3		933
Capital expenditures	349	471	268	179			1,267
1987							
Sales to unaffiliated customers	$4,054	$5,301	$1,449	$2,530	$ 43		$13,377
Intersegment transfers	477	230	1,423	9		$(2,139)	
Operating income (loss)	713	1,044	173	399	(37)		2,292
Identifiable assets	3,966	3,676	1,737	2,175	591	2,211	14,356
Depreciation	351	247	134	72	10		814
Capital expenditures	285	306	264	140			995
1986							
Sales to unaffiliated customers	$3,518	$4,240	$1,066	$2,250	$ 39		$11,113
Intersegment transfers	389	243	1,287	2	1	$(1,922)	
Operating income (loss)	421	553	4	311	50		1,339
Identifiable assets	3,625	2,843	1,671	2,000	311	2,103	12,553
Depreciation	370	158	131	80	5		744
Capital expenditures	308	182	278	122			890

In millions, except for share amounts

Geographic Area Results

(Restated)	United States	Europe	Rest of World	Corporate Elimination	Consoli-dated
1988					
Sales to unaffiliated customers	$7,497	$5,147	$4,038		$16,682
Transfers between areas	1,109	323	381	$(1,813)	
Operating income	1,746	1,291	1,117		4,154
Identifiable assets	7,557	4,229	4,453		16,239
Gross plant properties	8,083	3,970	3,307		15,360
Capital expenditures	724	345	198		1,267
1987					
Sales to unaffiliated customers	$5,946	$4,307	$3,124		$13,377
Transfers between areas	978	249	289	$(1,516)	
Operating income	1,037	717	538		2,292
Identifiable assets	6,728	4,200	3,428		14,356
Gross plant properties	7,508	3,473	2,521		13,502
Capital expenditures	617	260	118		995
1986					
Sales to unaffiliated customers	$5,165	$3,357	$2,591		$11,113
Transfers between areas	904	206	264	$(1,374)	
Operating income	601	412	326		1,339
Identifiable assets	6,193	3,395	2,965		12,553
Gross plant properties	7,162	3,152	2,401		12,715
Capital expenditures	520	248	122		890

Supplemental Segment Information

Former Industry Segment Structure

	Basics[1]	Specialties[2]	Total
1988			
Sales	$ 9,163	$ 7,519	$16,682
Operating income	3,054	1,100	4,154
1987			
Sales	$ 6,994	$ 6,383	$13,377
Operating income	1,480	812	2,292
1986			
Sales	$ 5,524	$ 5,589	$11,113
Operating income	675	664	1,339

1 Basic chemicals/plastics
2 Industrial/consumer specialties

Eleven-Year Summary of Selected Financial Data

In millions, except for share amounts	(Unaudited)	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978
Summary of operations	Net sales	$16,682	$13,377	$11,113	$10,500	$10,679	$10,442	$ 9,895	$11,125	$10,272	$ 9,121	$ 6,821
	Cost of sales	9,744	8,660	7,727	8,031	8,282	8,460	8,209	8,921	7,980	6,827	4,985
	Insurance and banking operations—net expense (income)	(28)	20	(57)	(55)	(28)	(16)	(14)	(18)	(30)	(22)	(19)
	Research and development expenses	772	670	605	547	507	492	460	404	314	269	232
	Promotion and advertising expenses	415	329	309	318	195	164					
	Selling and administrative expenses	1,625	1,406	1,190	969	860	826	953	939	766	691	552
	Restructuring charge				592	157	58					
	Operating income	4,154	2,292	1,339	98	706	458	287	879	1,242	1,356	1,071
	Investment and sundry income (expense)	(3)	118	166	243	304	291	350	241	292	218	130
	Interest expense—net	(284)	(279)	(269)	(306)	(343)	(318)	(406)	(430)	(298)	(272)	(237)
	Income before provision for taxes	3,867	2,131	1,236	35	667	431	231	690	1,236	1,302	964
	Taxes on income	1,457	886	495	(23)	143	144	(33)	160	431	518	389
	Income before extraordinary items and cumulative effect of accounting change	$ 2,410[3]	$ 1,245[3]	$ 741[3]	$ 58	$ 524[3]	$ 287[3]	$ 264[3]	$ 530	$ 805	$ 784	$ 575
	Per share of common stock (dollars)[1]:											
	Income before extraordinary items and cumulative effect of accounting change	$ 12.82[3]	$ 6.50[3]	$ 3.87[3]	$ .31	$ 2.70[3]	$ 1.47[3]	$ 1.36[3]	$ 2.82	$ 4.42	$ 4.33	$ 3.16
	Cash dividends declared per share	$ 2.60	$ 2.15	$ 1.90	$ 1.80	$ 1.80	$ 1.80	$ 1.80	$ 1.80	$ 1.65	$ 1.50	$ 1.30
	Cash dividends paid per share	$ 2.45	$ 2.10	$ 1.85	$ 1.80	$ 1.80	$ 1.80	$ 1.80	$ 1.80	$ 1.60	$ 1.45	$ 1.25
	Average common shares outstanding (thousands)[1]	187,927	191,669	191,392	190,386	193,795	194,999	193,224	187,961	182,162	181,149	182,091
Year-end financial position	Total assets	$16,239	$14,356	$12,553	$14,405	$13,194	$13,869	$13,521	$14,128	$12,817	$11,306	$ 9,729
	Working capital	2,188	2,297	1,749	1,281	1,193	1,283	1,780	1,959	1,730	1,235	1,260
	Property, plant and equipment—gross	15,360	13,502	12,715	11,875	11,256	11,524	11,199	10,984	9,873	8,909	8,038
	Property, plant and equipment—net	6,576	5,551	5,347	5,127	5,173	5,695	5,961	6,174	5,672	5,236	4,762
	Long-term debt	3,338	3,779	3,404	3,198	2,670	2,734	3,409	3,864	3,438	3,055	2,937
	Total debt	3,770	3,958	3,683	3,661	3,154	3,498	3,685	4,360	4,174	3,656	3,398
	Stockholders' equity	7,255	5,769	5,178	4,806	5,040	5,051	5,051	4,980	4,563	3,897	3,395
Financial ratios	Research and development expense as percent of sales	4.6%	5.0%	5.4%	5.2%	4.7%	4.7%	4.6%	3.6%	3.1%	2.9%	3.4%
	Income before provision for taxes as percent of sales	23.2%	15.9%	11.1%	.3%	6.2%	4.1%	2.3%	6.2%	12.0%	14.2%	14.1%
	Return on average stockholders' equity	36.8%	22.7%	14.7%	1.2%	11.1%	6.5%	6.4%	11.1%	19.0%	21.5%	17.7%
	Book value per common share[1]	$ 39.53	$ 30.46	$ 27.07	$ 25.27	$ 26.51	$ 25.79	$ 26.01	$ 26.29	$ 24.98	$ 21.51	$ 18.74
	Debt as a percentage of total capitalization	34.0%	40.5%	41.4%	43.1%	38.4%	40.6%	41.8%	46.3%	47.3%	48.2%	49.7%
General	Capital expenditures	$ 1,267	$ 995	$ 890	$ 806	$ 781	$ 630	$ 829	$ 1,176	$ 1,184	$ 1,268	$ 1,075
	Depreciation	933	814	744	977	908	841	870	806	728	634	562
	Total taxes[2]	1,863	1,237	782	275	400	444	271	464	686	751	577
	Wages and salaries paid	2,314	2,045	1,800	1,663	1,548	1,627	1,668	1,675	1,468	1,301	1,113
	Cost of employee benefits[2]	518	474	464	387	382	381	390	361	339	297	263
	Number of employees at year-end (thousands)	55.5	53.1	51.3	53.2	49.8	54.5	56.6	63.8	56.8	55.9	53.5
	Number of stockholders at year-end (thousands)	105.8	99.0	106.3	122.6	133.7	136.4	144.9	143.6	137.0	141.5	136.7

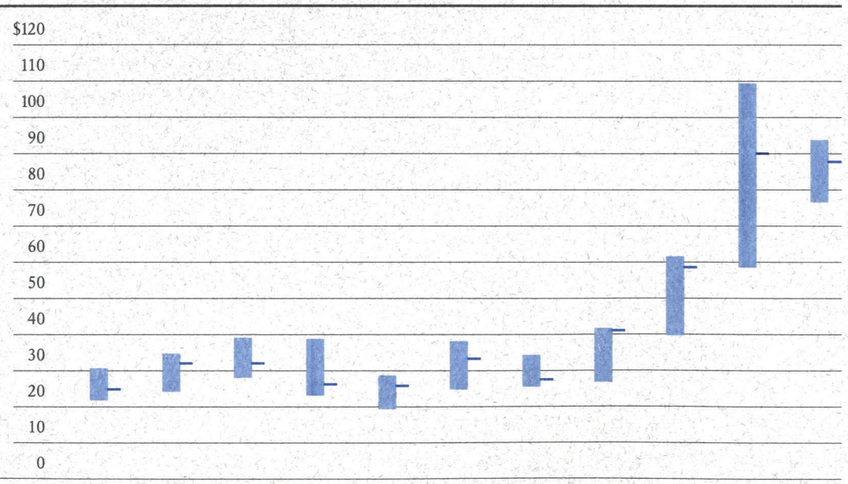
[1]Adjusted for stock splits.
[2]FICA tax is included in total taxes and cost of employee benefits.
[3]Extraordinary items, net of tax, were deductions from net earnings of $12 or $.06 per share in 1988; $5 or $.03 per share in 1987; and $9, or $.05 per share, in 1986; additions to net income of $36, or $.19 per share, in 1984; $41, or $.21 per share, in 1983; $57, or $.30 per share, in 1982.

Product Segment Sales Analysis and Review of Market Price Per Share of Common Stock

In millions	(Unaudited)	1988	1987	1986
	Sales of Principal Products and Services			
Chemicals and Performance Products	Chemicals	$ 3,721	$ 2,838	$ 2,509
	Performance Products	1,469	1,216	1,009
	Total Chemicals and Performance Products	$ 5,190	$ 4,054	$ 3,518
Plastic Products	Thermoplastics	$ 4,060	$ 2,791	$ 2,003
	Thermosets	2,059	1,794	1,605
	Fabricated Products	819	716	632
	Total Plastic Products	$ 6,938	$ 5,301	$ 4,240
Hydrocarbons	Hydrocarbons	$ 1,502	$ 1,449	$ 1,066
Consumer Specialties	Agricultural Products	$ 959	$ 819	$ 770
	Pharmaceuticals	1,273	1,114	934
	Consumer Products	797	597	546
	Total Consumer Specialties	$ 3,029	$ 2,530	$ 2,250
Unallocated	Miscellaneous	$ 23	$ 43	$ 39
	Total	$16,682	$13,377	$11,113

Eleven-Year Review of Market Price Per Share of Common Stock[1]

In dollars



	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
High	$30.88	$34.88	$39.25	$39.00	$28.88	$38.38	$34.50	$41.88	$61.75	$109.63	$94.00
Close on December 31	24.88	32.13	32.13	26.25	25.88	33.38	27.50	41.00	58.50	90.00	87.75
Low	22.00	24.38	28.25	23.38	19.63	25.00	25.75	27.00	39.88	58.75	76.75

[1]Adjusted for stock splits.

Stockholder Reference Information

Annual Meeting	The 1989 Annual Meeting of Stockholders will be conducted at 2 p.m. (EDT) Thursday, May 11, at the Midland Center for the Arts, Midland, MI.	A formal notice of the meeting, with a proxy statement and proxy form, will be mailed to each stockholder separately from this report.
Form 10-K	The Company's annual report to the Securities and Exchange Commission on Form 10-K will be provided without charge to any stockholder requesting it in writing. Please contact:	Corporate Secretary The Dow Chemical Company 2030 Willard H. Dow Center Midland, MI, U.S.A. 48674
Annual Report	The 1988 Annual Report of The Dow Chemical Company will be mailed without charge to those requesting it in writing or by telephone. Contact:	Corporate Secretary The Dow Chemical Company 2030 Willard H. Dow Center Midland, MI, U.S.A. 48674 Telephone: 517-636-3216
Transfer Agents	Ameritrust Company National Association P.O. Box 6477 Cleveland, OH, U.S.A. 44101-1477	The Royal Trust Company P.O. Box 7500, Station A Toronto, Ontario, Canada M5W 1P9
Registrars	Ameritrust Company National Association P.O. Box 6477 Cleveland, OH, U.S.A. 44101-1477	Montreal Trust Company 15 King Street West Toronto, Ontario, Canada M5H 1B4
Stock Exchange Listings and Trading Privileges	NYSE Symbol: DOW New York, Midwest, Pacific, Amsterdam, Antwerp, Basel, Bern, Brussels, Dusseldorf,	Frankfurt, Geneva, Hamburg, Lausanne, London, Paris, Tokyo, Toronto, Zurich.
Dividend Reinvestment Plan	An automatic dividend reinvestment plan is available to all Dow stockholders. Information can be obtained by writing to:	Ameritrust Company National Association P.O. Box 6477 Cleveland, OH, U.S.A. 44101-1477
Cassette Tapes Available	Audio cassette tapes of the 1988 Annual Report can be obtained for the blind by writing or telephoning:	Manager, Financial Communications The Dow Chemical Company 2030 Willard H. Dow Center Midland, MI, U.S.A. 48674 Telephone: 517-636-1463
Stockholder Inquiries	Stockholder inquiries may be directed to:	Ameritrust Company National Association P.O. Box 6477 Cleveland, OH, U.S.A. 44101-1477 Telephone: 216-737-5745

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Director since 1984

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Director since 1988

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Director since 1988

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Financial Vice President
Director since 1985

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Director since 1979

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Executive Vice President; Chairman and Chief Executive Officer, Merrell Dow Pharmaceuticals Inc.
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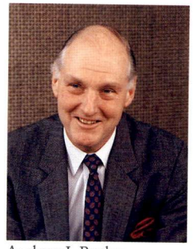
Bernard B. Butcher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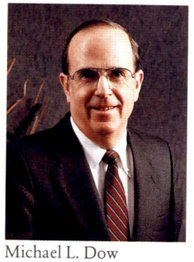
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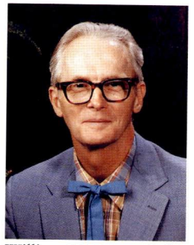
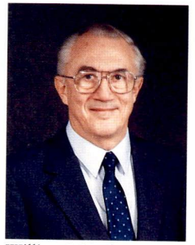

William N. Lipscomb, Jr.


Keith R. McKennon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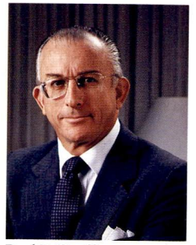
Paul F. Oreffice


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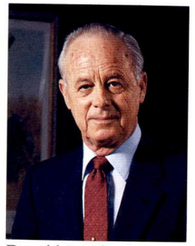
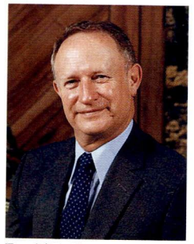

Donald A. Rikard


Harold T. Shapiro


David P. Sheetz


Joseph G. Temple, Jr.

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E. C. Falla
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President, Dow Latin America

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Midland, Michigan 48674