

BUY					HOLD					SELL					BUY	RATING SINCE TARGET PRICE	11/09/2011 \$36.57
A+	A	A-	B+	B	B-	C+	C	C-	D+	D	D-	E+	E	E-			
Annual Dividend Rate \$1.00		Annual Dividend Yield 3.15%			Beta 2.31			Market Capitalization \$37.8 Billion			52-Week Range \$20.61-\$37.30		Price as of 7/5/2012 \$31.66				

Sector: **Materials** | Sub-Industry: **Diversified Chemicals** | Source: **S&P**

DOW BUSINESS DESCRIPTION

The Dow Chemical Company manufactures and supplies chemical products used as raw materials in the manufacture of customer products and services worldwide.

STOCK PERFORMANCE (%)

	3 Mo.	1 Yr.	3 Yr (Ann)
Price Change	-5.27	-12.79	27.93

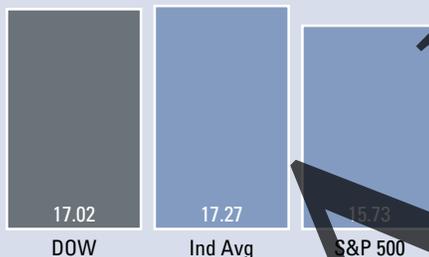
GROWTH (%)

	Last Qtr	12 Mo.	3 Yr CAGR
Revenues	-0.10	9.05	5.13
Net Income	-30.00	2.43	111.66
EPS	-35.19	0.00	85.94

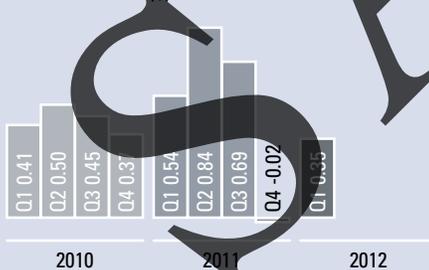
RETURN ON EQUITY (%)

	DOW	Ind Avg	S&P 500
Q1 2012	9.51	28.49	14.55
Q1 2011	9.25	23.07	13.57
Q1 2010	3.33	16.96	10.39

P/E COMPARISON



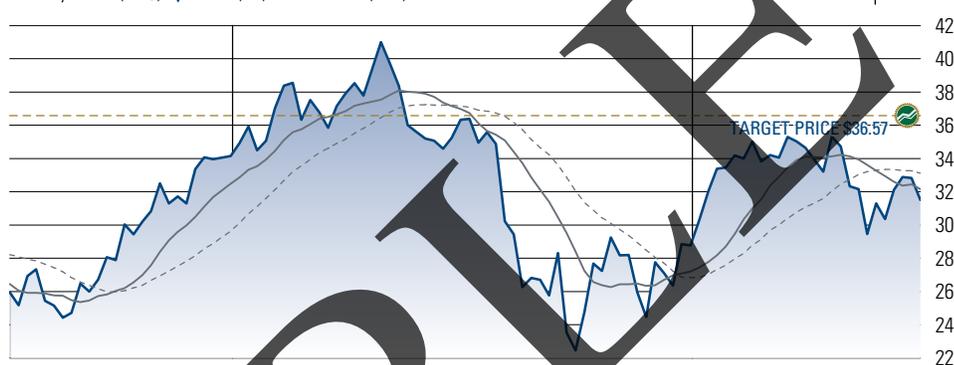
EPS ANALYSIS¹ (\$)



NA = not available NM = not meaningful

¹ Compustat fiscal year convention is used for all fundamental data items.

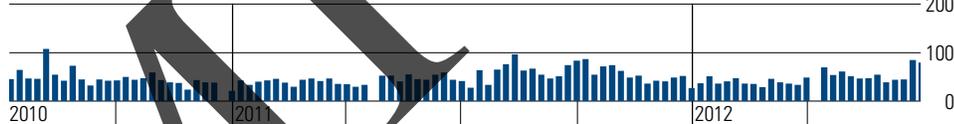
Weekly Price: (US\$) | SMA (50) — SMA (100) --- 1 Year | 2 Years



Rating History



Volume in Millions



COMPUSTAT for Price and Volume, TheStreet.com Ratings, Inc. for Rating History

RECOMMENDATION

We rate DOW CHEMICAL (DOW) a **BUY**. This is driven by a few notable strengths, which we believe should have a greater impact than any weaknesses, and should give investors a better performance opportunity than most stocks we cover. The company's strengths can be seen in multiple areas, such as its good cash flow from operations, largely solid financial position with reasonable debt levels by most measures and notable return on equity. We feel these strengths outweigh the fact that the company has had lackluster performance in the stock itself.

HIGHLIGHTS

Net operating cash flow has significantly increased by 70.85% to -\$51.00 million when compared to the same quarter last year. In addition, DOW CHEMICAL has also vastly surpassed the industry average cash flow growth rate of -14.86%.

DOW CHEMICAL's earnings per share declined by 35.2% in the most recent quarter compared to the same quarter a year ago. This company has reported somewhat volatile earnings recently. But, we feel it is poised for EPS growth in the coming year. During the past fiscal year, DOW CHEMICAL increased its bottom line by earning \$2.05 versus \$1.73 in the prior year. This year, the market expects an improvement in earnings (\$2.45 versus \$2.05).

DOW, with its decline in revenue, slightly underperformed the industry average of 2.0%. Since the same quarter one year prior, revenues slightly dropped by 0.1%. Weakness in the company's revenue seems to have hurt the bottom line, decreasing earnings per share.

DOW's debt-to-equity ratio of 0.89 is somewhat low overall, but it is high when compared to the industry average, implying that the management of the debt levels should be evaluated further. Regardless of the somewhat mixed results with the debt-to-equity ratio, the company's quick ratio of 1.05 is sturdy.

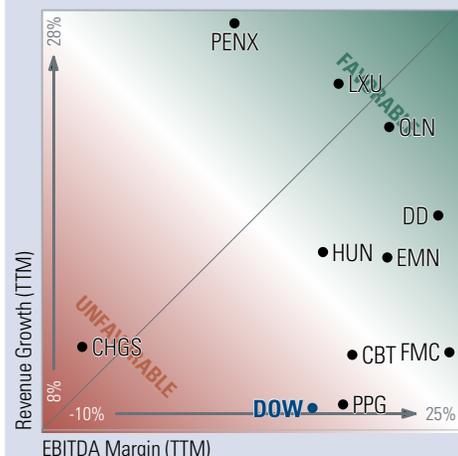
The return on equity has improved slightly when compared to the same quarter one year prior. This can be construed as a modest strength in the organization. In comparison to the other companies in the Chemicals industry and the overall market, DOW CHEMICAL's return on equity is significantly below that of the industry average and is below that of the S&P 500.

Sector: Materials | Diversified Chemicals | Source: S&P

Annual Dividend Rate \$1.00	Annual Dividend Yield 3.15%	Beta 2.31	Market Capitalization \$37.8 Billion	52-Week Range \$20.61-\$37.30	Price as of 7/5/2012 \$31.66
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PEER GROUP ANALYSIS

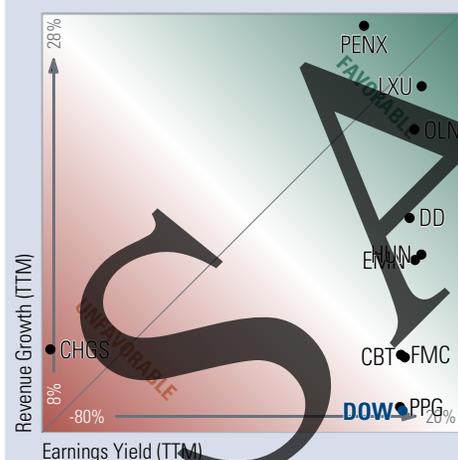
REVENUE GROWTH AND EBITDA MARGIN*



Companies with higher EBITDA margins and revenue growth rates are outperforming companies with lower EBITDA margins and revenue growth rates. Companies for this scatter plot have a market capitalization between \$13.4 Million and \$46.7 Billion. Companies with NA or NM values do not appear.

*EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization.

REVENUE GROWTH AND EARNINGS YIELD



Companies that exhibit both a high earnings yield and high revenue growth are generally more attractive than companies with low revenue growth and low earnings yield. Companies for this scatter plot have revenue growth rates between 9.1% and 27.4%. Companies with NA or NM values do not appear.

INDUSTRY ANALYSIS

The chemicals industry is comprised of companies that produce commodity chemicals, diversified chemicals, fertilizers and agricultural chemicals, industrial gases, and specialty chemicals. The industry is concentrated in areas where a few large manufacturers hold significant market share. The larger manufacturers benefit from supply chain integration and economies of scale, whereas smaller manufacturers utilize product specialization and efficient operations in order to compete.

The industry includes around 10,000 companies. Major players are Dow Chemical Company (DOW), Exxon Mobil (XOM), DuPont (DD), LyondellBasell, Huntsman (HUN), and Chevron (CVX). According to the American Chemistry Council, or ACC, the industry is a \$689 billion enterprise in the US, employing over 850 thousand people.

The industry is capital-intensive. As of June 2009, the industry annually spends about \$48 billion on research and development. The industry is cyclical and affected by costs for basic commodities, especially oil and gas. Price fluctuations impact dependent industries such as resins, plastics, synthetic fibers, pesticides, lubricants, paints, coatings, adhesives, soaps and cleaners, pharmaceuticals, and many other products with special applications.

The correlation with other industries is high. For example, the severe construction downturn has adversely impacted demand for insulation, plastic pipes, paints, windows, and hundreds of other basic building materials.

Global annual plastics consumption is in excess of 180 million metric tons. Total world plastic materials consumption is forecasted to double by 2015 from 2003 levels, with annual demand growth of more than 5%. This is due to growing global demand for processed foods and beverages, which implies higher demand for packaging materials. Demand is expected to come from multiple industries as manufacturers across business lines switch to lighter and more durable plastic alternatives.

The industry is the second-largest consumer of energy and efforts are underway to improve efficiency. ACC reported that the energy consumption per unit of output has declined by nearly half since 1974. Apart from energy consumption, there is growing concern about excessive usage of non-biodegradable plastic bags. In the US alone, plastic bags form a \$4 billion industry, with about 110 billion units used yearly. Such environmental concerns and an increased focus on sustainable development are driving extensive application of technology to produce biodegradable alternatives. Another area of focus is nanotechnology, which is being employed in the development of composites, coatings, and specialty materials.

The industry is evolving and manufacturers are moving up the value chain by including engineering, design, and logistics support services, in addition to core manufacturing. In order to improve margins, chemical companies are looking at outsourcing and off-shoring options.

Looking ahead, the chemicals industry is expected to recover along with the overall economic condition. However, high crude oil prices may raise production costs and lackluster demand in emerging economies may offset certain positives. The industry may see increased consolidation due to intense competition, the need for cost efficiencies, and economies of scale.

PEER GROUP: Chemicals

Ticker	Company Name	Recent Price (\$)	Market Cap (\$M)	Price/Earnings	Net Sales TTM (\$M)	Net Income TTM (\$M)
DOW	DOW CHEMICAL	31.66	37,846	17.02	59,971.00	2,529.00
EMN	EASTMAN CHEMICAL CO	50.26	7,671	11.29	7,241.00	634.00
FMC	FMC CORP	53.70	7,364	18.05	3,523.60	391.00
LXU	LSB INDUSTRIES INC	31.44	702	9.56	818.01	77.24
DD	DU PONT (E I) DE NEMOURS	49.61	46,724	13.26	39,620.00	3,531.00
HUN	HUNTSMAN CORP	13.43	3,214	9.66	11,455.00	348.00
CBT	CABOT CORP	41.57	2,636	15.63	3,275.00	396.00
OLN	OLIN CORP	20.80	1,666	11.49	2,032.30	146.70
PPG	PPG INDUSTRIES INC	105.49	16,096	19.01	15,104.00	880.00
CHGS	CHINA GENGSHENG MINERALS INC	0.50	13	NM	74.46	-10.34

Sector: Materials| Diversified Chemicals| Source: S&P

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COMPANY DESCRIPTION

The Dow Chemical Company engages in the manufacture and sale of chemicals, plastic materials, agricultural, and other products and services worldwide. The company's Electronic and Specialty Materials segment offers materials for chemical mechanical planarization pads and slurries, chemical processing and intermediates, electronic displays, food and pharmaceutical processing and ingredients, PCB materials, semiconductor packaging, connectors and industrial finishing, and water purification. It's Coatings and Infrastructure segment provides sticking and bonding solutions; insulation, housewrap, sealant, adhesive products and systems, and construction chemicals; and other coating materials. The Health and Agricultural Sciences segment provides agricultural and plant biotechnology products, pest management solutions, and healthy oils. The company's Performance Systems segment provides plastics, adhesives, glass bonding systems, emissions control technology, films, fluids, structural enhancement, and acoustical management solutions. This segment also offers elastomers, specialty films, plastic additive products, polymers, additives, and specialty oil technology-based solutions, as well as skin and microcellular polyurethane foams and systems, and epoxy solutions and systems. Its Performance Products segment provides amines, emulsion polymers, epoxy resins, oxygenated solvents, polyurethane, and specialty monomer products. The company's Basic Plastics segment offers polyethylene, polypropylene, equipolymers, and polystyrene resins. Its Basic Chemicals segment provides ethylene dichloride, vinyl chloride monomer, caustic soda, and ethylene oxide. The Hydrocarbons and Energy segment procures fuels, natural gas liquids, and crude oil-based raw materials, as well as supplies monomers, power, and steam. The company was founded in 1897 and is based in Midland, Michigan.

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<http://www.dow.com>
Employees: 52000

STOCK-AT-A-GLANCE

Below is a summary of the major fundamental and technical factors we consider when determining our overall recommendation of DOW shares. It is provided in order to give you a deeper understanding of our rating methodology as well as to paint a more complete picture of a stock's strengths and weaknesses. It is important to note, however, that these factors only tell part of the story. To gain an even more comprehensive understanding of our stance on the stock, these factors must be assessed in combination with the stock's valuation. Please refer to our Valuation section on page 5 for further information.

FACTOR	SCORE					
Growth	3.5 out of 5 stars	★	★	★	★	★
Measures the growth of both the company's income statement and cash flow. On this factor, DOW has a growth score better than 60% of the stocks we rate.		weak				strong
Total Return	3.0 out of 5 stars	★	★	★	★	★
Measures the historical price movement of the stock. The stock performance of this company has beaten 50% of the companies we cover.		weak				strong
Efficiency	3.0 out of 5 stars	★	★	★	★	★
Measures the strength and historic growth of a company's return on invested capital. The company has generated more income per dollar of capital than 50% of the companies we review.		weak				strong
Price volatility	2.5 out of 5 stars	★	★	★	★	★
Measures the volatility of the company's stock price historically. The stock is less volatile than 40% of the stocks we monitor.		weak				strong
Solvency	4.0 out of 5 stars	★	★	★	★	★
Measures the solvency of the company based on several ratios. The company is more solvent than 70% of the companies we analyze.		weak				strong
Income	4.5 out of 5 stars	★	★	★	★	★
Measures dividend yield and payouts to shareholders. The company's dividend is higher than 80% of the companies we track.		weak				strong

THE STREET RATINGS RESEARCH METHODOLOGY

TheStreet Ratings' stock model projects a stock's total return potential over a 12-month period including both price appreciation and dividends. Our Buy, Hold or Sell ratings designate how we expect these stocks to perform against a general benchmark of the equities market and interest rates. While our model is quantitative, it utilizes both subjective and objective elements. For instance, subjective elements include expected equities market returns, future interest rates, implied industry outlook and forecasted company earnings. Objective elements include volatility of past operating revenues, financial strength, and company cash flows.

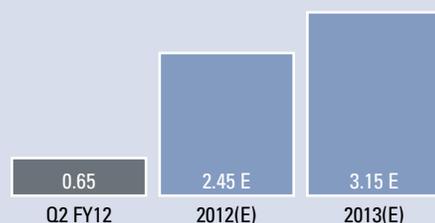
Our model gauges the relationship between risk and reward in several ways, including: the pricing drawdown as compared to potential profit volatility, i.e. how much one is willing to risk in order to earn profits; the level of acceptable volatility for highly performing stocks; the current valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's performance. These and many more derived observations are then combined, ranked, weighted, and scenario-tested to create a more complete analysis. The result is a systematic and disciplined method of selecting stocks.

Sector: Materials | Diversified Chemicals | Source: S&P

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Consensus EPS Estimates² (\$)

IBES consensus estimates are provided by Thomson Financial



FINANCIAL ANALYSIS

DOW CHEMICAL's gross profit margin for the first quarter of its fiscal year 2012 has decreased when compared to the same period a year ago. Sales and net income have dropped, underperforming the average competitor within its industry. DOW CHEMICAL has average liquidity. Currently, the Quick Ratio is 1.05 which shows that technically this company has the ability to cover short-term cash needs. The company's liquidity has decreased from the same period last year.

During the same period, stockholders' equity ("net worth") has remained unchanged from the same quarter last year. Together, the key liquidity measurements indicate that it is relatively unlikely that the company will face financial difficulties in the near future.

INCOME STATEMENT

	Q1 FY12	Q1 FY11
Net Sales (\$mil)	14,719.00	14,733.00
EBITDA (\$mil)	1,847.00	2,092.00
EBIT (\$mil)	1,200.00	1,387.00
Net Income (\$mil)	497.00	710.00

BALANCE SHEET

	Q1 FY12	Q1 FY11
Cash & Equiv. (\$mil)	3,610.00	3,562.00
Total Assets (\$mil)	69,598.00	68,442.00
Total Debt (\$mil)	20,577.00	21,394.00
Equity (\$mil)	23,026.00	23,021.00

PROFITABILITY

	Q1 FY12	Q1 FY11
Gross Profit Margin	20.10%	21.67%
EBITDA Margin	12.55%	14.20%
Operating Margin	8.16%	9.41%
Sales Turnover	0.86	0.80
Return on Assets	3.63%	3.61%
Return on Equity	9.51%	9.25%

DEBT

	Q1 FY12	Q1 FY11
Current Ratio	1.78	1.77
Debt/Capital	0.47	0.48
Interest Expense	354.00	401.00
Interest Coverage	3.39	3.46

SHARE DATA

	Q1 FY12	Q1 FY11
Shares outstanding (mil)	1,195	1,176
Div / share	0.25	0.15
EPS	0.35	0.54
Book value / share	19.26	19.58
Institutional Own %	NA	NA
Avg Daily Volume	10,619,264	7,958,125

² Sum of quarterly figures may not match annual estimates due to use of median consensus estimates.

Sector: Materials | Diversified Chemicals | Source: S&P

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RATINGS HISTORY

Our rating for DOW CHEMICAL has not changed since 11/9/2011. As of 7/5/2012, the stock was trading at a price of \$31.66 which is 15.1% below its 52-week high of \$37.30 and 53.6% above its 52-week low of \$20.61.

2 Year Chart



MOST RECENT RATINGS CHANGES

Date	Price	Action	From	To
11/9/11	\$27.18	Upgrade	Hold	Buy
9/30/11	\$22.46	Downgrade	Buy	Hold
8/16/10	\$25.18	Upgrade	Hold	Buy
7/2/10	\$22.97	No Change	Hold	Hold

Price reflects the closing price as of the date listed, if available

RATINGS DEFINITIONS & DISTRIBUTION OF THESTREET.COM RATINGS

(as of 7/5/2012)

41.80% Buy- We believe that this stock has the opportunity to appreciate and produce a total return of more than 10% over the next 12 months.

32.74% Hold- We do not believe this stock offers conclusive evidence to warrant the purchase or sale of shares at this time and that its likelihood of positive total return is roughly in balance with the risk of loss.

25.45% Sell- We believe that this stock is likely to decline by more than 10% over the next 12 months, with the risk involved too great to compensate for any possible returns.

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VALUATION

BUY. DOW CHEMICAL's P/E ratio indicates a discount compared to an average of 17.27 for the Chemicals industry and a value on par with the S&P 500 average of 15.73. To use another comparison, its price-to-book ratio of 1.64 indicates a discount versus the S&P 500 average of 2.20 and a significant discount versus the industry average of 3.89. The price-to-sales ratio is well below both the S&P 500 average and the industry average, indicating a discount. Upon assessment of these and other key valuation criteria, DOW CHEMICAL proves to trade at a discount to investment alternatives within the industry.

Price/Earnings	1	2	3	4	5
			premium		discount

DOW 17.02 Peers 17.27

- Average. An average P/E ratio can signify an industry neutral price for a stock and an average growth expectation.
- DOW is trading at a valuation on par with its peers.

Price/Projected Earnings	1	2	3	4	5
			premium		discount

DOW 10.05 Peers 16.39

- Discount. A lower price-to-projected earnings ratio than its peers can signify a less expensive stock or lower future growth expectations.
- DOW is trading at a discount to its peers.

Price/Book	1	2	3	4	5
			premium		discount

DOW 1.64 Peers 3.89

- Discount. A lower price-to-book ratio makes a stock more attractive to investors seeking stocks with lower market values per dollar of equity on the balance sheet.
- DOW is trading at a significant discount to its peers.

Price/Sales	1	2	3	4	5
			premium		discount

DOW 0.63 Peers 2.04

- Discount. In the absence of P/E and P/B multiples, the price-to-sales ratio can display the value investors are placing on each dollar of sales.
- DOW is trading at a significant discount to its industry on this measurement.

Price/CashFlow	1	2	3	4	5
			premium		discount

DOW 9.36 Peers 12.75

- Discount. The P/CF ratio, a stock's price divided by the company's cash flow from operations, is useful for comparing companies with different capital requirements or financing structures.
- DOW is trading at a significant discount to its peers.

Price to Earnings/Growth	1	2	3	4	5
			premium		discount

DOW 0.87 Peers 1.19

- Discount. The PEG ratio is the stock's P/E divided by the consensus estimate of long-term earnings growth. Faster growth can justify higher price multiples.
- DOW trades at a significant discount to its peers.

Earnings Growth	1	2	3	4	5
	lower				higher

DOW 0.00 Peers 21.43

- Neutral. Higher earnings growth rates can lead to capital appreciation and justify higher price-to-earnings ratios.
- The growth rate for DOW is not available.

Sales Growth	1	2	3	4	5
	lower				higher

DOW 9.05 Peers 17.57

- Lower. A sales growth rate that trails the industry implies that a company is losing market share.
- DOW significantly trails its peers on the basis of sales growth

DISCLAIMER:

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