# DOW
# 4Q 2020 RESULTS

*January 28, 2021*

# AGENDA

- Quarterly & Full Year Highlights
- Operating Segment Performance
- Outlook
- Accelerating Our Competitive Advantage

# 4Q 2020 HIGHLIGHTS

- Net Sales of $10.7B – **YoY increase of 5%** and sequential increase of 10%
- Volume increased 1% YoY **reaching pre-pandemic levels** in all operating segments
- **Generated $1.7B of cash flow** from operating activities – continuing operations and **FCF of $1.4B**, consistent YoY
- Equity earnings of $106MM, up $127MM YoY, primarily driven by **improved financial results at Sadara**
- Delivered GAAP net income of $1.3B and **operating EBIT of $1.1B**
- Completed the sale of select U.S. Gulf Coast marine and terminal operations assets – received **cash proceeds of $620MM**

**$1.4B**
Free cash flow generation

**93%**
Op. EBITDA-to-CFFO cash conversion

Net debt reduced
**>$2.6B**
year-to-date

**$519MM**
Returned to shareholders

# 2020 Year in Review: Advancing our Priorities & our Ambition

## Our Financial Priorities

| PROFITABLE GROWTH | DISCIPLINED CAPITAL ALLOCATION | LOW-COST OPERATING MODEL | BEST-OWNER MINDSET |
|---|---|---|---|
| >2% demand growth year-over-year in packaging applications | Achieved reduced CapEx target of $1.25 billion | $500 million reduction in operating expenses | >$300 million in proceeds from sale of rail infrastructure assets |
| $6.3 billion in cash flow from operations; free cash flow of $5 billion, up $1.2 billion year-over-year | Reduced net debt by >$2.6 billion and interest expense by >$100 million | >$600 million release of cash from working capital | >$600 million in proceeds from sale of marine and terminal assets |
| Completed TX9 expansion & >10 debottlenecking projects to enable higher margin mix | $2.1 billion returned to shareholders through industry-leading dividend | ~$300 million EBITDA benefit run rate from restructuring program by YE21 | Evaluating additional non-core infrastructure divestitures |

## Our Ambition



### INNOVATIVE

Hosted >1200 product and technical webinars to support customer innovation during the pandemic



### CUSTOMER-CENTRIC

Enhanced automotive customer experience with MobilityScience platform



### INCLUSIVE

Launched ACT framework to help accelerate efforts to address racial inequality



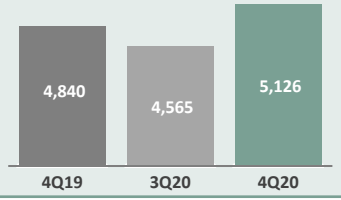
### SUSTAINABLE

Announced new ambitious targets to achieve carbon neutrality and eliminate plastic waste

# 4Q20 Operating Segment Performance

## Packaging & Specialty Plastics

**REVENUE** ($MM)




**Y-o-Y**

***Sales ↑ 6%; Volume ↑ 2%***

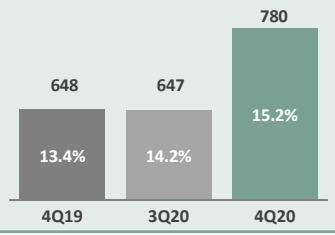
Improved supply/demand fundamentals in polyethylene, partly offset by lower ethylene and hydrocarbon co-product prices

**Q-o-Q**

***Sales ↑ 12%; Volume ↑ 4%***

Strong pricing momentum across all regions and most applications, particularly in consumer packaging

**Op. EBIT** ($MM) **& Op. EBIT Margin %**




**Y-o-Y**

***Op. EBIT ↑ 20%; Margin ↑ 180bps***

Disciplined price and volume management enabled strong polyethylene price momentum & margin expansion

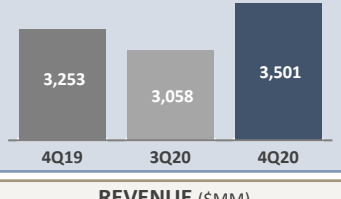
**Q-o-Q**

***Op. EBIT ↑ 21%; Margins ↑ 100bps***

Continued recovery in consumer packaging and industrial sectors

## Ind. Intermediates & Infrastructure

**REVENUE** ($MM)




**Y-o-Y**

***Sales ↑ 8%; Volume flat***

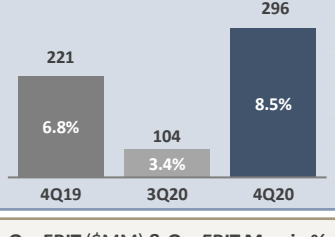
Strong construction and manufacturing demand, offset by downward pressure from supply limitations

**Q-o-Q**

***Sales ↑ 14%; Volume ↑ 2%***

Significant price improvement in Polyurethanes & robust demand in Industrial Solutions, driven by macro recovery

**Op. EBIT** ($MM) **& Op. EBIT Margin %**




**Y-o-Y**

***Op. EBIT ↑ 34%; Margin ↑ 170bps***

Strong supply and demand fundamentals in Polyurethanes & Construction Chemicals and Sadara

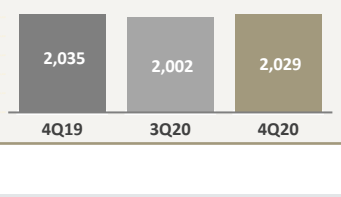
**Q-o-Q**

***Op. EBIT ↑ 185%; Margins ↑ 510bps***

Significant improvement in margin-over-raw materials costs across both businesses

## Perf. Materials & Coatings

**REVENUE** ($MM)




**Y-o-Y**

***Sales flat; Volume ↑ 2%***

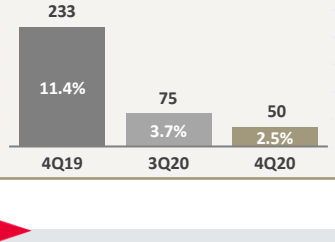
Volume growth in DIY and home care, partially offset by declines in siloxanes

**Q-o-Q**

***Sales ↑ 1%; Volume ↓ 2%***

Strong demand for silicones and acrylic monomers pricing momentum, more than offset by coatings seasonal demand declines

**Op. EBIT** ($MM) **& Op. EBIT Margin %**




**Y-o-Y**

***Op. EBIT ↓ 79%; Margin ↓ 890bps***

Volume growth in silicones and coatings applications, more than offset by price and volume declines in siloxanes

**Q-o-Q**

***Op. EBIT ↓ 33%; Margins ↓ 120bps***

Margin expansion in silicone applications, more than offset by seasonality in coatings end-markets

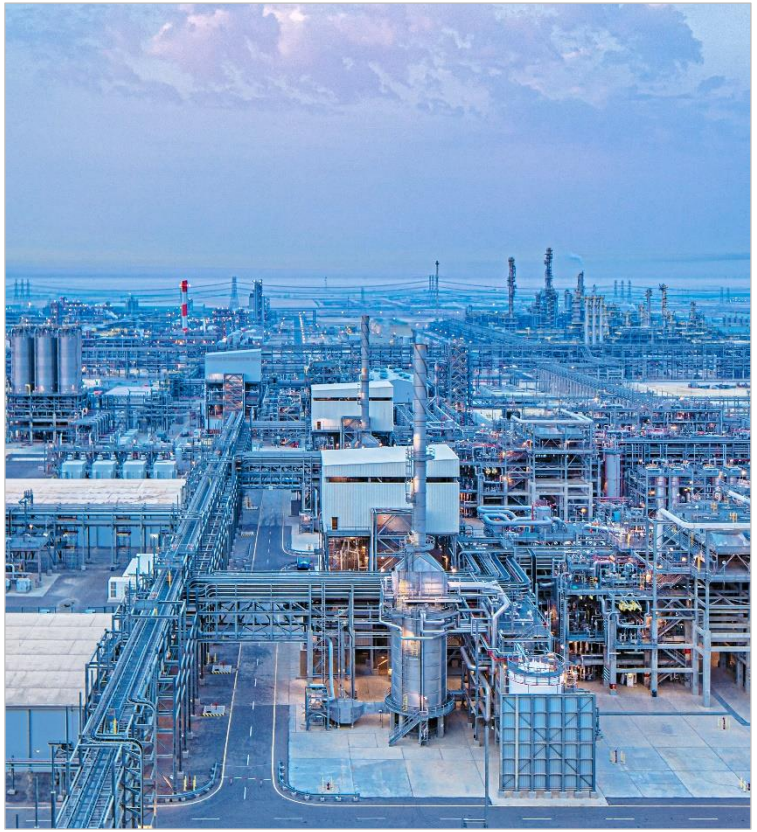
# Sadara Operational and Financial Improvements

## Improving Operating Results

- **Strong supply/demand trends** that benefitted our Packaging and Polyurethanes businesses also supported improvement at Sadara
- Substantially **improved full year results;** delivered **improved quarterly equity earnings**, up >$130 million YoY

## Project Completion and Debt Reprofiling

- Sadara declared **project completion in 4Q20**
- Reached an **agreement in principle on key terms for Sadara debt reprofiling** with all lenders; signing expected before end of 1Q21
- Sadara is projected to be **cash flow self-sufficient** going forward



# 1Q21 Modeling Guidance

## Continuation of Recovery and Strong Fundamentals Support Sequential Growth

| | |
|---|---|
| Net Sales | ~$10.7 – $11.2B |
| Quarterly Operational Tax Rate | ~23 – 27% |
| Net Income Attrib. to Non-Controlling Int. | ~$20MM |

| | |
|---|---|
| Depreciation & Amortization | ~$715MM |
| Net Interest Expense (Net of Int. Income) | ~$200MM |
| Share Count | ~750MM |

| | ***Top-Line Ranges (1Q21 vs. 4Q20)*** | | ***Base Case Op. EBIT Drivers (1Q21 vs. 4Q20)*** |
|---|---|---|---|
| | **Sales % Δ QoQ** | | |
| | **Low** | **High** | ***Market fundamentals support a continued economic and industry recovery*** |
| **Packaging & Specialty Plastics** | *+2%* | +5% | ▪ Polyethylene pricing strength supported by continued tight supply<br>▪ Demand for consumer packaging applications remains robust as vaccine roll-out ramps up<br>▪ Add back: Sabine ethylene cracker and co-polymer facility turnarounds (~$70MM tailwind) |
| **Industrial Intermediates & Infrastructure** | *Flat* | + 2% | ▪ Robust durable goods end-market demand and industry supply issues support isocyanate pricing, moderated by rising propylene costs<br>▪ Industrial and automotive end-market demand continue to move toward pre-COVID levels<br>▪ Taft EO/EG turnaround in Industrial Solutions (~$30MM headwind) |
| **Performance Materials & Coatings** | *Flat* | +3% | ▪ Continued demand growth in silicones as mobility, consumer and construction markets gradually improve<br>▪ Turnaround in Zhangjiagang siloxane facility to complete COVID-shortened turnaround from 2020 (~$50MM headwind)<br>▪ Deer Park methacrylates turnaround in Coatings & Performance Monomers (~$40MM headwind) |
| **Corporate** | *Sales of $50MM* | | ▪ Op. EBIT of $(75)MM and Op. EBITDA of $(65)MM |

# FY 2021 Modeling Considerations

| *Operational EBIT Drivers vs. FY20* | |
|---|---|
| Equity Earnings | Flat, margin increases offset by planned T/A's |
| Pension Expense | Flat YoY |
| Corporate | Op. EBIT of ~$(275)MM and Op. EBITDA of ~$(250)MM |
| Turnaround Costs | Up ~$400MM YoY incl. JVs; higher spend in 2Q and 3Q |
| Restructuring | ~$300MM expected to be substantially complete by YE21; ~50% by mid-2021 |

| *Other Income Statement Considerations* | |
|---|---|
| Net Interest Expense | ~$800MM |
| D&A | ~$2.9B |
| Net Income Attrib. to Non-Controlling Int. | ~$75MM (reduction to reported Net Income) |
| Share Count | ~750MM |
| Op. Tax Rate | 23% – 27% |

| *Cash Flow Considerations in 2021* | |
|---|---|
| CapEx | ~$1.6B (~350MM higher YoY) |
| Mandatory Pension Contributions | ~$300MM cash outflow (flat YoY) |
| 2020 Restructuring Program | ~$350MM cash outflow |
| DWDP Integration, Separation and Synergy Costs | No cash outflow ($350MM tailwind YoY) |
| Digital Initiative | ~$150MM cash outflow |
| Liability Management | ~$1.0B deleveraging |
| Sadara | No cash outflow (~$350MM tailwind YoY) |
| Dividends from Equity Companies | ~$200MM (down ~$200MM YoY) |

# Digital Acceleration Drives Growth & Competitive Advantage

## Advancing & Expanding our Digital Platforms to Deliver Enhanced Value Creation

### Faster materials science innovation & commercialization

- **Expedite product development** by further integrating high throughput research and exploiting **machine learning & advanced modeling techniques**
- **Quicken our speed-to-market** through increased use of digital collaboration platforms and sentiment analysis via market listening capabilities

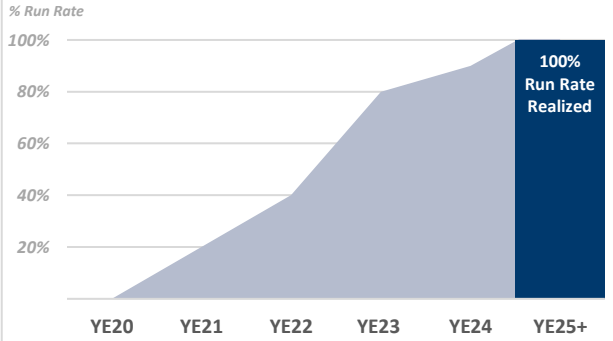
### Frictionless e-commerce buying experience

- Extend customer reach with **virtual experience platforms** linked to dow.com transaction capability
- **Infuse smart and responsive technologies** to improve the online buying experience

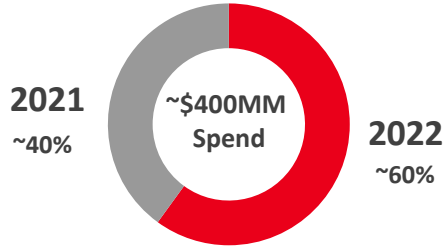
### Real-time manufacturing insights & operational data intelligence

- Advance **robotics, AI & analytics** to integrate multi-source data for intuitive decision making, **increased safety & operational efficiency**
- Enhance **dynamic data visibility** across the global business portfolio for **efficient operations**

## Target Additional >$300MM Annual EBITDA Benefit[1]




## <3-Year Payback on Investment




***Accelerating our digital transformation increases efficiency, improves customer experience & drives breakthrough growth***

[1] Gross EBITDA benefit excludes investment

# Solid Pathway to Achieving our Sustainability Targets

## CIRCULAR ECONOMY

**Innovation & Partnership to**
**Stop the Waste and Close the Loop**

**Collaborating to drive innovation and action**

ALLIANCE TO END PLASTIC WASTE
CLOSED LOOP partners
CIRCULATE CAPITAL

**Finding innovative new outlets for plastics waste**



**#PullingOurWeight to help stop the waste**



**Enabling RecycleReady solutions**



**Innovating new products made with post-consumer material**



**Integrated recycled and bio-based feedstocks**

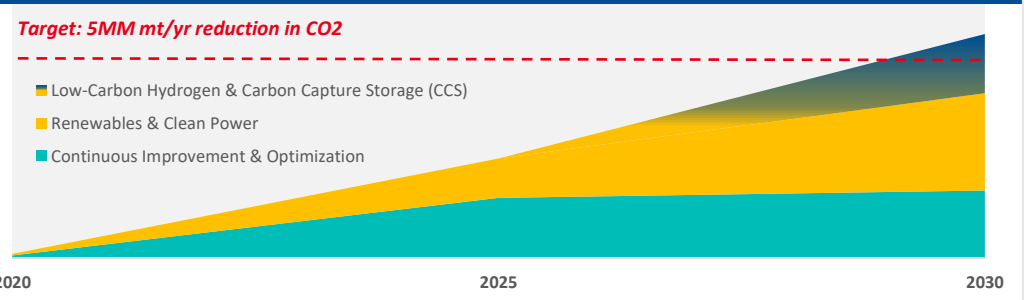


## CLIMATE PROTECTION

**Clear Focus Areas to Drive Carbon Reduction**

- Optimizing our facilities & processes
- Increasing renewables
- Investments in carbon capture
- Deploying materials to help our customers reduce their emissions
- Innovating low-carbon technologies

**Viable Roadmap to 2030 Carbon Reduction Target[1]**




**"Ready now"** technologies being deployed in a cost-competitive manner

**Innovation & advocacy** – carbon reduction requires innovation, partnership and advocacy

***Track record of sustainability leadership and action, coupled with a clear roadmap, positions Dow for success***

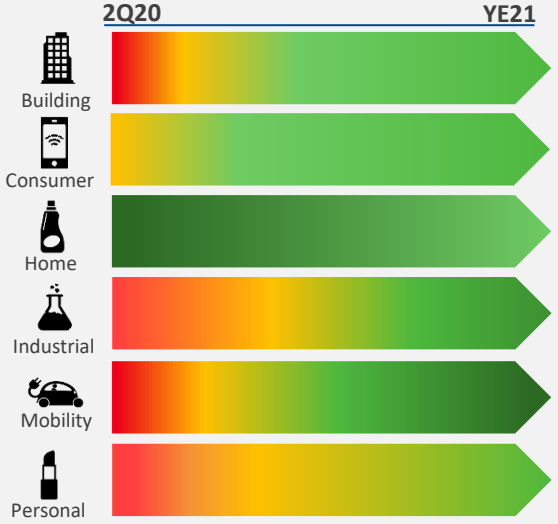
[1] Estimate only

# WELL-POSITIONED FOR PROFITABLE GROWTH IN 2021 AND BEYOND

## Consumer-Led Portfolio Benefits from Recent Behavior Trends

- FOOD & CONSUMER PACKAGING
- DIY ARCHITECTURAL COATINGS
- HOME & HYGIENE CARE
- DURABLE GOODS: FURNITURE & APPLIANCES

## Consumer Solutions End-Market Demand Improvement Underway




## Global Megatrends Support Higher Margin Growth Opportunities


Clean & Renewable Energy


Post-Consumer Recycled Products


Electric, Hybrid & Autonomous Vehicles


5G Broadband Network

## Foundational Advantages and Operational Discipline

| Unmatched Technology & Materials Platforms | Global Scale & Reach | Financial Strength & Flexibility | Improved Cost Structure | Industry-Leading Feedstock Flexibility |
|---|---|---|---|---|

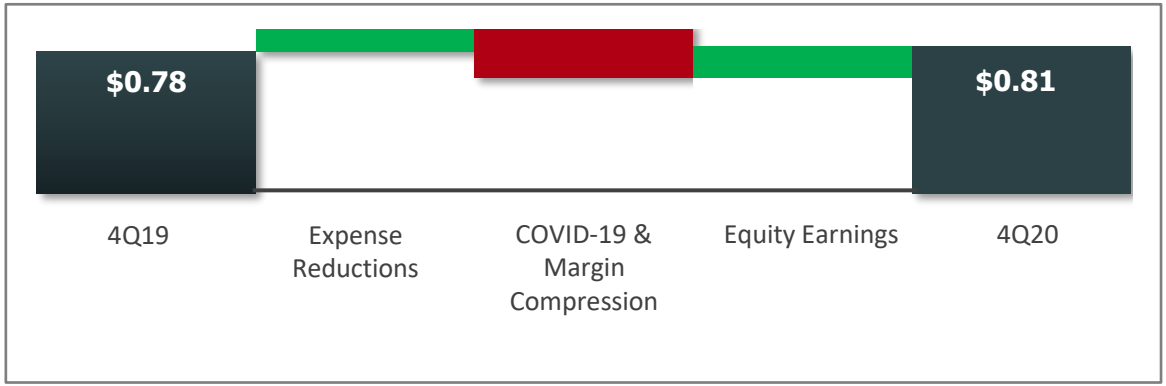
***Advantaged portfolio and operational discipline accelerate Dow's unmatched innovation and growth potential***




Seek

Together™

# 4Q 2020 FINANCIAL HIGHLIGHTS




| Financial Summary<br>*($ millions, unless otherwise noted)* | 4Q20 | 4Q19 | YoY B(W) | 3Q20 | QoQ B(W) |
|---|---|---|---|---|---|
| **Net Sales** | $ 10,706 | $ 10,204 | $ 502 | $ 9,712 | $ 994 |
| **Equity Earnings (Losses)** | $ 106 | $ (21) | $ 127 | $ 60 | $ 46 |
| **Income (loss) from Continuing Ops., Net of Tax** | $ 1,254 | $ (2,310) | $ 3,564 | $ (1) | $ 1,255 |
| **Operating EBIT** | $ 1,054 | $ 1,033 | $ 21 | $ 761 | $ 293 |
| *Op. EBIT Margin (%)* | *9.8%* | *10.1 %* | *(30) Bps* | *7.8 %* | *200 bps* |
| *Adj. Op. EBIT Margin (ex. Eq. Earnings (%))* | *8.9%* | *10.3 %* | *(140) bps* | *7.2 %* | *170 bps* |
| **Earnings (Loss) per Share - GAAP** | $ 1.65 | $ (3.14) | $ 4.79 | $ (0.04) | $ 1.69 |
| **Operating Earnings (Loss) per Share** | $ 0.81 | $ 0.78 | $ 0.03 | $ 0.50 | $ 0.31 |
| **Cash Provided by Op. Activities - Cont. Ops.** | $ 1,656 | $ 1,920 | $ (264) | $ 1,761 | $ (105) |
| *Op. EBITDA to CFFO (Cash Flow Conversion, %)* | *93%* | *110 %* | *(170) Bps* | *119 %* | *(260) bps* |

## Key Drivers in the Quarter

- Pricing strength in polyethylene and polyurethanes on improved supply/demand dynamics
- Higher JV equity earnings driven by continued financial and operational improvements at Sadara
- Achieved expense control targets
- Favorable YoY tax rate offset by D&A
- Lower demand and prices in industrial sectors, including automotive
- Weaker demand in energy and personal care end-markets on continued impact of COVID

# PRINCIPAL JOINT VENTURE DETAIL

## Dow's Proportionate Share of Principal JV Financial Results

| *$ millions (unaudited)* | 4Q 2020 | | | 4Q 2019 | | |
|---|---|---|---|---|---|---|
| | **Sadara** | **Kuwait JVs** | **Thai JVs** | **Sadara** | **Kuwait JVs** | **Thai JVs** |
| EBITDA | $ 117 | $ 152 | $ 28 | $ 21 | $ 142 | $ 70 |
| EBIT | $ 34 | $ 104 | $ 19 | $ (76) | $ 110 | $ 60 |
| **Net Income** *Equity Earnings (Losses) to Dow* | **$ 3** | **$ 86** | **$ 15** | **$ (132)** | **$ 95** | **$ –** |
| EBITDA in Excess of Eq. Earnings | $ 114 | $ 66 | $ 13 | $ 153 | $ 47 | $ 70 |
| Net Debt | $ 4,658 | $ 1,667 | $ 273 | $ 4,597 | $ 1,666 | $ 308 |

## Drivers of YoY Changes

- **Kuwait JVs:** Margin pressure in MEG on supply/demand dynamics
- **Thai JVs:** Improved naphtha margins supported by higher price; EBIT declined partly due to higher turnaround costs
- **Sadara:** Cost-out efforts and continued margin expansion across portfolio

Note: 4Q2019 values were revised to reflect audited financial statements for Sadara, Equate, and TKOC

# GENERAL COMMENTS

**Background**
On April 1, 2019, DowDuPont completed the separation of its materials science business and Dow Inc. became the direct parent company of TDCC, owning all of the outstanding common shares of TDCC. For filings related to the period commencing April 1, 2019 and thereafter, TDCC was deemed the predecessor to Dow Inc., and the historical results of TDCC are deemed the historical results of Dow Inc. for periods prior to and including March 31, 2019.

The separation was contemplated by the merger of equals transaction effective August 31, 2017, under the Agreement and Plan of Merger, dated as of December 11, 2015, as amended on March 31, 2017. TDCC and Historical DuPont each merged with subsidiaries of DowDuPont and, as a result, TDCC and Historical DuPont became subsidiaries of DowDuPont (the "Merger"). Subsequent to the Merger, TDCC and Historical DuPont engaged in a series of internal reorganization and realignment steps to realign their businesses into three subgroups: agriculture, materials science and specialty products. Dow Inc. was formed as a wholly owned subsidiary of DowDuPont to serve as the holding company for the materials science business.

**Unaudited Pro Forma Financial Information**
In order to provide the most meaningful comparison of results of operations and results by segment, supplemental unaudited pro forma financial information has been included in the following financial schedules. The unaudited pro forma financial information is based on the consolidated financial statements of TDCC, adjusted to give effect to the separation from DowDuPont as if it had been consummated on January 1, 2017. For the twelve months ended December 31, 2019, pro forma adjustments have been made for (1) the margin impact of various manufacturing, supply and service related agreements entered into with DuPont and Corteva in connection with the separation which provide for different pricing than the historical intercompany and intracompany pricing practices of TDCC and Historical DuPont, and (2) the elimination of the impact of events directly attributable to the Merger, internal reorganization and business realignment, separation, distribution and other related transactions (e.g., one-time transaction costs). The results for the three and twelve months ended December 31, 2020 and the three months ended December 31, 2019, are presented under accounting principles generally accepted in the United States of America ("U.S. GAAP").

The unaudited pro forma financial information has been presented for informational purposes only and is not necessarily indicative of what Dow's results of operations actually would have been had the separation from DowDuPont been completed as of January 1, 2017, nor is it indicative of the future operating results of Dow. The unaudited pro forma information does not reflect restructuring or integration activities or other costs following the separation from DowDuPont that may be incurred to achieve cost or growth synergies of Dow. For further information on the unaudited pro forma financial information, please refer to the Company's Current Report on Form 8-K dated June 3, 2019.

**General Comments**
Unless otherwise specified, all financial measures in this presentation, where applicable, exclude significant items.

# SAFE HARBOR

**Cautionary Statement about Forward-Looking Statements**

This presentation contains “forward-looking statements” within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In this context, forward-looking statements often address expected future business and financial performance, financial condition, and other matters, and often contain words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “opportunity,” “outlook,” “plan,” “project,” “seek,” “should,” “strategy,” "target," “will,” “will be,” “will continue,” “will likely result,” “would” and similar expressions, and variations or negatives of these words. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements.

Forward-looking statements include, but are not limited to: expectations as to future sales of Dow’s products; the ability to protect Dow’s intellectual property in the United States and abroad; estimates regarding Dow’s capital requirements and need for and availability of financing; estimates of Dow’s expenses, future revenues and profitability; estimates of the size of the markets for Dow’s products and services and Dow’s ability to compete in such markets; expectations related to the rate and degree of market acceptance of Dow’s products; the outcome of certain Dow contingencies, such as litigation and environmental matters; estimates of the success of competing technologies that may become available; the continuing global and regional economic impacts of the coronavirus disease 2019 ("COVID-19") pandemic; estimates regarding benefits achieved through contemplated restructuring activities, such as workforce reduction, manufacturing facility and/or asset closure and related exit and disposal activities; and expectations regarding the benefits and costs associated with each of the foregoing.

Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Forward-looking statements are based on certain assumptions and expectations of future events which may not be realized and speak only as of the date the statements were made. In addition, forward-looking statements also involve risks, uncertainties and other factors that are beyond Dow’s control that could cause Dow’s actual results to differ materially from those projected, anticipated or implied in the forward-looking statements. These factors include, but are not limited to: fluctuations in energy and raw material prices; failure to develop and market new products and optimally manage product life cycles; significant litigation and environmental matters; failure to appropriately manage process safety and product stewardship issues; changes in laws and regulations or political conditions; global economic and capital markets conditions, such as inflation, market uncertainty, interest and currency exchange rates, and equity and commodity prices; business or supply disruptions; security threats, such as acts of sabotage, terrorism or war; weather events and natural disasters; ability to protect, defend and enforce Dow’s intellectual property rights; increased competition; changes in relationships with Dow’s significant customers and suppliers; unanticipated expenses such as litigation or legal settlement expenses; unanticipated business disruptions; Dow’s ability to predict, identify and interpret changes in consumer preferences and demand; Dow’s ability to complete proposed divestitures or acquisitions; Dow’s ability to realize the expected benefits of acquisitions if they are completed; the availability of financing to Dow in the future and the terms and conditions of such financing; disruptions in Dow’s information technology networks and systems; the continuing risks related to the COVID-19 pandemic; and Dow's ability to realize the expected benefits of restructuring activities, such as manufacturing facility and/or asset closure and related exit and disposal activities. Additionally, there may be other risks and uncertainties that Dow is unable to identify at this time or that Dow does not currently expect to have a material impact on its business.

Risks related to achieving the anticipated benefits of Dow's separation from DowDuPont, Inc. (“DowDuPont”) include, but are not limited to, a number of conditions outside the control of Dow, including risks related to: (i) Dow's inability to achieve some or all of the benefits that it expects to receive from the separation from DowDuPont; (ii) certain tax risks associated with the separation; (iii) the failure of Dow's pro forma financial information to be a reliable indicator of Dow's future results; (iv) Dow's inability to receive third-party consents required under the separation agreement; (v) non-compete restrictions under the separation agreement; (vi) receipt of less favorable terms in the commercial agreements Dow entered into with DuPont de Nemours, Inc (“DuPont”) DuPont and Corteva, Inc. ("Corteva"), including restrictions under intellectual property cross-license agreements, than Dow would have received from an unaffiliated third party; and (vii) Dow's obligation to indemnify DuPont and/or Corteva for certain liabilities.

Where, in any forward-looking statement, an expectation or belief as to future results or events is expressed, such expectation or belief is based on the current plans and expectations of management and expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. For a more detailed discussion of Dow’s risks and uncertainties, see the section titled “Risk Factors” contained in Part II, Item 1A of the combined Dow Inc. and TDCC Quarterly Report on Form 10-Q for the quarters ended March 31, 2020 and June 30, 2020, and Part I, Item 1A of the combined Dow Inc. and TDCC Annual Report on Form 10-K for the fiscal year ended December 31, 2019. Dow Inc. and TDCC assume no obligation to update or revise publicly any forward-looking statements whether because of new information, future events or otherwise, except as required by securities and other applicable laws.

# NON-GAAP & DEFINITIONS

**Non-GAAP Financial Measures**

This presentation includes information that does not conform to U.S. GAAP and are considered non-GAAP measures. These measures include the Company's pro forma consolidated results and pro forma earnings per share on an adjusted basis. Management uses these measures internally for planning, forecasting and evaluating the performance of the Company's segments, including allocating resources. Dow's management believes that these non-GAAP measures best reflect the ongoing performance of the Company during the periods presented and provide more relevant and meaningful information to investors as they provide insight with respect to ongoing operating results of the Company and a more useful comparison of year-over-year results. These non-GAAP measures supplement the Company's U.S. GAAP disclosures and should not be viewed as alternatives to U.S. GAAP measures of performance. Furthermore, such non-GAAP measures may not be consistent with similar measures provided or used by other companies. Dow does not provide forward-looking U.S. GAAP financial measures or a reconciliation of forward-looking non-GAAP financial measures to the most comparable U.S. GAAP financial measures on a forward-looking basis because the Company is unable to predict with reasonable certainty the ultimate outcome of pending litigation, unusual gains and losses, foreign currency exchange gains or losses and potential future asset impairments, as well as discrete taxable events, without unreasonable effort. These items are uncertain, depend on various factors, and could have a material impact on U.S. GAAP results for the guidance period.

**Trademarks**

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**Definitions**

Pro Forma Operating EBIT is defined as pro forma earnings (i.e., pro forma "Income from continuing operations before income taxes") before interest, excluding the impact of significant items.
Pro forma Operating EBITDA is defined as pro forma earnings (i.e., pro forma "Income from continuing operations before income taxes") before interest, depreciation and amortization, excluding the impact of significant items.
Pro forma Operating EBIT Margin is defined as Pro Forma Operating EBIT, divided by pro forma net sales.
Adjusted Pro Forma Operating EBIT is defined as Pro Forma Operating EBIT less equity earnings.
Adjusted Pro Forma Operating EBIT Margin is defined as Pro Forma Operating EBIT less equity earnings, divided by pro forma net sales.
Pro forma operating earnings per share is defined as "Pro Forma earnings per common share from continuing operations – diluted" excluding the after-tax impact of significant items.
Operating EBIT is defined as earnings (i.e. "Income (loss) from continuing operations before taxes") before interest, excluding the impact of significant items.
Operating EBITDA is defined as earnings (i.e. "Income (loss) from continuing operations before taxes") before interest, depreciation and amortization, excluding the impact of significant items.
Operating EBIT Margin is defined as Operating EBIT, divided by net sales.
Adjusted Operating EBIT is defined as Operating EBIT less equity earnings.
Adjusted Operating EBIT Margin is defined as Operating EBIT less equity earnings, divided by net sales.
Operating earnings per share is defined as "Earnings (loss) per common share from continuing operations - diluted", excluding the after-tax impact of significant items.
Operational Tax Rate is defined as the effective tax rate (i.e., GAAP "Provision for income taxes" divided by "Income (loss) from continuing operations before income taxes"), excluding the impact of significant items.
Free cash flow (FCF) is defined as "Cash provided by operating activities - continuing operations", less capital expenditures. Under this definition, free cash flow represents the cash generated by the Company from operations after investing in its asset base. Free cash flow, combined with cash balances and other sources of liquidity, represent the cash available to fund obligations and provide returns to shareholders. Free cash flow is an integral financial measure used in the Company's financial planning process.
Cash Flow Conversion is defined as "Cash provided by operating activities – continuing operations" divided by Operating EBITDA or Pro Forma Operating EBITDA. Management believes cash flow conversion is an important financial metric as it helps the Company determine how efficiently it is converting its earnings to cash flow.
Net Debt is defined as "Notes payable" plus "Long-term debt due within one year" plus "Long-term debt" less "Cash and cash equivalents" and "Marketable securities."
Kuwait Joint Ventures (JVs) refers to EQUATE Petrochemical Company K.S.C.C., The Kuwait Olefins Company K.S.C.C., and The Kuwait Styrene Company K.S.C.C.
Thai Joint Ventures (JVs) refers to Map Ta Phut Olefins Company Limited and The SCG-Dow Group (Siam Polyethylene Company Limited, Siam Polystyrene Company Limited, Siam Styrene Monomer Co., Ltd., Siam Synthetic Latex Company Limited).

# OPERATING AND PRO FORMA OPERATING EARNINGS (LOSS) PER SHARE (EPS) RECONCILIATION

| Significant Items Impacting Results for the Three Months Ended Dec 31, 2020 | | | |
|---|---|---|---|
| In millions, except per share amounts (Unaudited) | *Pretax* [1] | *Net Income* [2] | *EPS* [3] |
| Reported results | $ 1,816 | $ 1,236 | $ 1.65 |
| Less: Significant items | | | |
| Integration and separation costs | (65) | (50) | (0.07) |
| Restructuring and asset related credits - net | 11 | 10 | 0.01 |
| Warranty accrual adjustment of exited business | 11 | 8 | 0.01 |
| Restructuring implementation costs | (10) | (8) | (0.01) |
| Net gain on divestiture and asset sale | 497 | 469 | 0.63 |
| Litigation related charges, awards and adjustments | 538 | 481 | 0.65 |
| Indemnifications and other transaction related costs | (21) | (21) | (0.03) |
| Income tax related items | — | (260) | (0.35) |
| Total significant items | $ 961 | $ 629 | $ 0.84 |
| Operating results (non-GAAP) | $ 855 | $ 607 | $ 0.81 |

| Significant Items Impacting Results for the Three Months Ended Dec 31, 2019 | | | |
|---|---|---|---|
| In millions, except per share amounts (Unaudited) | *Pretax* [1] | *Net Income* [2] | *EPS* [3] |
| Reported results | $ (2,196) | $ (2,323) | $ (3.14) |
| Less: Significant items | | | |
| Integration and separation costs | (99) | (89) | (0.12) |
| Restructuring, goodwill impairment and asset related charges - net | (2,851) | (2,842) | (3.84) |
| Loss on divestiture | (5) | (4) | (0.01) |
| Loss on early extinguishment of debt | (58) | (49) | (0.07) |
| Indemnification and other transaction related costs | (17) | (17) | (0.02) |
| Income tax related items | — | 101 | 0.14 |
| Total significant items | $ (3,030) | $ (2,900) | $ (3.92) |
| Operating results (non-GAAP) | $ 834 | $ 577 | $ 0.78 |

1. "Income (loss) from continuing operations before income taxes."
2. "Net income (loss) available for Dow Inc. common stockholders." The income tax effect on significant items was calculated based upon the enacted tax laws and statutory income tax rates applicable in the tax jurisdiction(s) of the underlying non-GAAP adjustment.
3. "Earnings (loss) per common share from continuing operations - diluted."

# OPERATING AND PRO FORMA OPERATING EPS RECONCILIATION (CONTINUED)

| Significant Items Impacting Results for the Twelve Months Ended Dec 31, 2020 | | | |
|---|---|---|---|
| In millions, except per share amounts (Unaudited) | *Pretax [1]* | *Net Income [2]* | *EPS [3]* |
| Reported results | $ 2,071 | $ 1,225 | $ 1.64 |
| Less: Significant items | | | |
| Integration and separation costs | (239) | (186) | (0.25) |
| Restructuring and asset related charges - net | (708) | (570) | (0.78) |
| Warranty accrual adjustment of exited business | 11 | 8 | 0.01 |
| Restructuring implementation costs | (10) | (8) | (0.01) |
| Net gain on divestitures and asset sale | 717 | 664 | 0.89 |
| Litigation related charges, awards and adjustments | 544 | 487 | 0.66 |
| Loss on early extinguishment of debt | (149) | (122) | (0.16) |
| Indemnification and other transaction related costs | (21) | (21) | (0.03) |
| Income tax related items | — | (260) | (0.35) |
| Total significant items | $ 145 | $ (8) | $ (0.02) |
| Operating results (non-GAAP) | $ 1,926 | $ 1,233 | $ 1.66 |

| Significant Items Impacting Results for the Twelve Months Ended Dec 31, 2019 | | | |
|---|---|---|---|
| In millions, except per share amounts (Unaudited) | *Pretax [1]* | *Net Income [2]* | *EPS [3]* |
| Pro forma results | $ (1,180) | $ (1,739) | $ (2.35) |
| Less: Significant items | | | |
| Integration and separation costs | (1,013) | (824) | (1.11) |
| Restructuring, goodwill impairment and asset related charges - net | (3,219) | (3,160) | (4.26) |
| Warranty accrual adjustment of exited business | 39 | 30 | 0.04 |
| Environmental charges | (399) | (311) | (0.42) |
| Loss on divestitures | (49) | (47) | (0.06) |
| Loss on early extinguishment of debt | (102) | (83) | (0.11) |
| Litigation related charges, awards and adjustments | 205 | 178 | 0.24 |
| Indemnification and other transaction related costs | (144) | (257) | (0.34) |
| Income tax related items | — | 101 | 0.14 |
| Total significant items | $ (4,682) | $ (4,373) | $ (5.88) |
| Operating pro forma results (non-GAAP) | $ 3,502 | $ 2,634 | $ 3.53 |

1. "Income (loss) from continuing operations before income taxes" or pro forma "Income from continuing operations before income taxes."
2. "Net income (loss) available for Dow Inc. common stockholders" or pro forma "Net income available for Dow Inc. common stockholders." The income tax effect on significant items was calculated based upon the enacted tax laws and statutory income tax rates applicable in the tax jurisdiction(s) of the underlying non-GAAP adjustment.
3. "Earnings (loss) per common share from continuing operations - diluted" or pro forma "Earnings per common share from continuing operations - diluted."

# OPERATING AND PRO FORMA OPERATING EBIT & EBITDA RECONCILIATION

| Reconciliation of "Income (loss) from continuing operations, net of tax" to Operating EBIT and Operating EBITDA<br>*In millions (Unaudited)* | *Three Months Ended* | | | | | *Twelve Months Ended* | |
|---|---|---|---|---|---|---|---|
| | *Dec 31, 2019* | *Mar 31, 2020* | *Jun 30, 2020* | *Sep 30, 2020* | *Dec 31, 2020* | *Dec 31, 2020* | *Dec 31, 2019* |
| | *As Reported* | *As Reported* | *As Reported* | *As Reported* | *As Reported* | *As Reported* | *Pro Forma* |
| Income (loss) from continuing operations, net of tax | $ (2,310) | $ 258 | $ (217) | $ (1) | $ 1,254 | $ 1,294 | $ (1,665) |
| + Provision for income taxes on continuing operations | 114 | 138 | 34 | 43 | 562 | 777 | 485 |
| Income (loss) from continuing operations before income taxes | $ (2,196) | $ 396 | $ (183) | $ 42 | $ 1,816 | $ 2,071 | $ (1,180) |
| - Interest income | 23 | 15 | 6 | 6 | 11 | 38 | 82 |
| + Interest expense and amortization of debt discount | 222 | 215 | 200 | 202 | 210 | 827 | 932 |
| - Significant items | (3,030) | (247) | (46) | (523) | 961 | 145 | (4,682) |
| Operating EBIT [1] | $ 1,033 | $ 843 | $ 57 | $ 761 | $ 1,054 | $ 2,715 | $ 4,352 |
| + Depreciation and amortization | 713 | 724 | 700 | 724 | 726 | 2,874 | 2,938 |
| Operating EBITDA [2] | $ 1,746 | $ 1,567 | $ 757 | $ 1,485 | $ 1,780 | $ 5,589 | $ 7,290 |
| Operating EBITDA - Trailing Twelve Months ("TTM") basis | | $ 6,971 | $ 5,926 | $ 5,555 | $ 5,589 | | |

1. Operating EBIT is defined as earnings (i.e., "Income (loss) from continuing operations before income taxes") before interest, excluding the impact of significant items. Pro forma operating EBIT is defined as pro forma earnings (i.e., "Pro Forma income (loss) from continuing operations before income taxes") before interest, excluding the impact of significant items.

2. Operating EBITDA is defined as earnings (i.e., "Income (loss) from continuing operations before income taxes") before interest, depreciation and amortization, excluding the impact of significant items. Pro forma operating EBITDA is defined as pro forma earnings (i.e., "Pro Forma income (loss) from continuing operations before income taxes") before interest, depreciation and amortization, excluding the impact of significant items.

# SEGMENT INFORMATION

| Net Sales and Pro Forma Net Sales by Segment | Three Months Ended Sep 30, 2020 | Three Months Ended | | Twelve Months Ended | |
|---|---|---|---|---|---|
| | | Dec 31, 2020 | Dec 31, 2019 | Dec 31, 2020 | Dec 31, 2019 |
| In millions (Unaudited) | As Reported | As Reported | As Reported | As Reported | Pro Forma |
| Packaging & Specialty Plastics | $ 4,565 | $ 5,126 | $ 4,840 | $ 18,301 | $ 20,245 |
| Industrial Intermediates & Infrastructure | 3,058 | 3,501 | 3,253 | 12,021 | 13,449 |
| Performance Materials & Coatings | 2,002 | 2,029 | 2,035 | 7,951 | 8,961 |
| Corporate | 87 | 50 | 76 | 269 | 343 |
| Total | $ 9,712 | $ 10,706 | $ 10,204 | $ 38,542 | $ 42,998 |

| Operating and Pro Forma Operating EBIT by Segment | Three Months Ended Sep 30, 2020 | Three Months Ended | | Twelve Months Ended | |
|---|---|---|---|---|---|
| | | Dec 31, 2020 | Dec 31, 2019 | Dec 31, 2020 | Dec 31, 2019 |
| In millions (Unaudited) | As Reported | As Reported | As Reported | As Reported | Pro Forma |
| Packaging & Specialty Plastics | $ 647 | $ 780 | $ 648 | $ 2,325 | $ 2,904 |
| Industrial Intermediates & Infrastructure | 104 | 296 | 221 | 355 | 845 |
| Performance Materials & Coatings | 75 | 50 | 233 | 314 | 918 |
| Corporate | (65) | (72) | (69) | (279) | (315) |
| Total | $ 761 | $ 1,054 | $ 1,033 | $ 2,715 | $ 4,352 |

| Equity in Earnings (Losses) of Nonconsolidated Affiliates by Segment | Three Months Ended Sep 30, 2020 | Three Months Ended | | Twelve Months Ended | |
|---|---|---|---|---|---|
| | | Dec 31, 2020 | Dec 31, 2019 | Dec 31, 2020 | Dec 31, 2019 |
| In millions (Unaudited) | As Reported | As Reported | As Reported | As Reported | Pro Forma |
| Packaging & Specialty Plastics | $ 71 | $ 77 | $ 27 | $ 173 | $ 162 |
| Industrial Intermediates & Infrastructure | (13) | 36 | (45) | (166) | (241) |
| Performance Materials & Coatings | 1 | 2 | 2 | 6 | 5 |
| Corporate | 1 | (9) | (5) | (31) | (20) |
| Total | $ 60 | $ 106 | $ (21) | $ (18) | $ (94) |

# SEGMENT INFORMATION (CONTINUED)

| Adjusted Operating and Pro Forma Operating EBIT by Segment | Three Months Ended Sep 30, 2020 | Three Months Ended | | Twelve Months Ended | |
|---|---|---|---|---|---|
| | | Dec 31, 2020 | Dec 31, 2019 | Dec 31, 2020 | Dec 31, 2019 |
| In millions (Unaudited) | As Reported | As Reported | As Reported | As Reported | Pro Forma |
| Packaging & Specialty Plastics | $ 576 | $ 703 | $ 621 | $ 2,152 | $ 2,742 |
| Industrial Intermediates & Infrastructure | 117 | 260 | 266 | 521 | 1,086 |
| Performance Materials & Coatings | 74 | 48 | 231 | 308 | 913 |
| Corporate | (66) | (63) | (64) | (248) | (295) |
| Total | $ 701 | $ 948 | $ 1,054 | $ 2,733 | $ 4,446 |

| Operating and Pro Forma Operating EBIT Margin by Segment | Three Months Ended Sep 30, 2020 | Three Months Ended | | Twelve Months Ended | |
|---|---|---|---|---|---|
| | | Dec 31, 2020 | Dec 31, 2019 | Dec 31, 2020 | Dec 31, 2019 |
| In millions (Unaudited) | As Reported | As Reported | As Reported | As Reported | Pro Forma |
| Packaging & Specialty Plastics | 14.2 % | 15.2 % | 13.4 % | 12.7 % | 14.3 % |
| Industrial Intermediates & Infrastructure | 3.4 % | 8.5 % | 6.8 % | 3.0 % | 6.3 % |
| Performance Materials & Coatings | 3.7 % | 2.5 % | 11.4 % | 3.9 % | 10.2 % |
| Total | 7.8 % | 9.8 % | 10.1 % | 7.0 % | 10.1 % |

| Adjusted Operating and Pro Forma Operating EBIT Margin by Segment | Three Months Ended Sep 30, 2020 | Three Months Ended | | Twelve Months Ended | |
|---|---|---|---|---|---|
| | | Dec 31, 2020 | Dec 31, 2019 | Dec 31, 2020 | Dec 31, 2019 |
| In millions (Unaudited) | As Reported | As Reported | As Reported | As Reported | Pro Forma |
| Packaging & Specialty Plastics | 12.6 % | 13.7 % | 12.8 % | 11.8 % | 13.5 % |
| Industrial Intermediates & Infrastructure | 3.8 % | 7.4 % | 8.2 % | 4.3 % | 8.1 % |
| Performance Materials & Coatings | 3.7 % | 2.4 % | 11.4 % | 3.9 % | 10.2 % |
| Total | 7.2 % | 8.9 % | 10.3 % | 7.1 % | 10.3 % |

# CASH CONVERSION AND FREE CASH FLOW RECONCILIATION

| **Reconciliation of Cash Flow Conversion (Operating EBITDA to Cash Flow From Operations)** | *Three Months Ended* | | *Twelve Months Ended* | |
|---|---|---|---|---|
| *In millions* | *Dec 31, 2020* | *Dec 31, 2019* | *Dec 31, 2020* | *Dec 31, 2019* |
| Cash provided by operating activities - continuing operations (GAAP) | $ 1,656 | $ 1,920 | $ 6,252 | $ 5,713 |
| Operating EBITDA (non-GAAP) | $ 1,780 | $ 1,746 | $ 5,589 | $ 7,290 |
| Cash flow conversion (non-GAAP) [1] | 93.0 % | 110.0 % | 111.9 % | 78.4 % |

1. Cash flow conversion is defined as "Cash provided by operating activities - continuing operations" divided by Operating EBITDA.

| **Reconciliation of Non-GAAP Cash Flow Measures** | *Three Months Ended* | | | | | *Twelve Months Ended* | |
|---|---|---|---|---|---|---|---|
| *In millions* | *Dec 31, 2019* | *Mar 31, 2020* | *Jun 30, 2020* | *Sep 30, 2020* | *Dec 31, 2020* | *Dec 31, 2020* | *Dec 31, 2019* |
| Cash provided by operating activities - continuing operations (GAAP) | $ 1,920 | $ 1,236 | $ 1,599 | $ 1,761 | $ 1,656 | $ 6,252 | $ 5,713 |
| Capital expenditures | (577) | (395) | (273) | (287) | (297) | (1,252) | (1,961) |
| Free cash flow (non-GAAP) [1] | $ 1,343 | $ 841 | $ 1,326 | $ 1,474 | $ 1,359 | $ 5,000 | $ 3,752 |
| Free cash flow - trailing twelve months ("TTM") basis (non-GAAP) | | | $ 4,828 | $ 4,984 | $ 5,000 | | |

1. Free cash flow is defined as "Cash provided by operating activities - continuing operations", less capital expenditures. Under this definition, free cash flow represents the cash generated by the Company from operations after investing in its asset base. Free cash flow, combined with cash balances and other sources of liquidity, represent the cash available to fund obligations and provide returns to shareholders. Free cash flow is an integral financial measure used in the Company's financial planning process.

# RECONCILIATION OF NET DEBT

| **Reconciliation of Net Debt**<br>In millions (Unaudited) | *Dec 31, 2020* | *Dec 31, 2019* |
|---|---|---|
| Notes payable | $ 156 | $ 586 |
| Long-term debt due within one year | 460 | 435 |
| Long-term debt | 16,491 | 15,975 |
| Gross debt (GAAP) | $ 17,107 | $ 16,996 |
| - Cash and cash equivalents | 5,104 | 2,367 |
| - Marketable securities | 45 | 21 |
| Net debt (non-GAAP) | $ 11,958 | $ 14,608 |