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

FORM 10-Q

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

For the quarterly period ended **SEPTEMBER 30, 2016**

or

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

For the transition period from __________to___________

Commission File Number: **1-1463**

UNION CARBIDE CORPORATION

(Exact name of registrant as specified in its charter)

New York	**13-1421730**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7501 STATE HIGHWAY 185 NORTH, SEADRIFT, TEXAS 77983
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 361-553-2997

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

☑ Yes ☐ No

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

☑ Yes ☐ No

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☑	Smaller reporting company ☐

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

☐ Yes ☑ No

At September 30, 2016, 935.51 shares of common stock were outstanding, all of which were held by the registrant's parent, The Dow Chemical Company.

The registrant meets the conditions set forth in General Instructions H(1)(a) and (b) for Form 10-Q and is therefore filing this form with a reduced disclosure format.

Union Carbide Corporation

QUARTERLY REPORT ON FORM 10-Q
For the quarterly period ended September 30, 2016

TABLE OF CONTENTS

		PAGE
PART I - FINANCIAL INFORMATION		
Item 1.	Financial Statements.	4
	Consolidated Statements of Income.	4
	Consolidated Statements of Comprehensive Income.	5
	Consolidated Balance Sheets.	6
	Consolidated Statements of Cash Flows.	7
	Consolidated Statements of Equity.	8
	Notes to the Consolidated Financial Statements.	9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.	19
	Results of Operations.	19
	Other Matters.	21
Item 3.	Quantitative and Qualitative Disclosures About Market Risk.	23
Item 4.	Controls and Procedures.	23
PART II - OTHER INFORMATION		
Item 1.	Legal Proceedings.	23
Item 1A.	Risk Factors.	23
Item 4.	Mine Safety Disclosures.	23
Item 6.	Exhibits.	23
SIGNATURES		24
EXHIBIT INDEX		25

Union Carbide Corporation and Subsidiaries

Throughout this Quarterly Report on Form 10-Q, except as otherwise indicated by the context, the terms "Corporation" or "UCC" as used herein mean Union Carbide Corporation and its subsidiaries.

FORWARD-LOOKING STATEMENTS

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including without limitation, the following sections: “Management's Discussion and Analysis,” and “Risk Factors.” These forward-looking statements are generally identified by the words or phrases “anticipate,” “believe,” “estimate,” “expect,” “future,” “intend,” “may,” “opportunity,” “outlook,” “plan,” “project,” “should,” “strategy,” “will,” “would,” “will be,” “will continue,” “will likely result” and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of principal risks and uncertainties which may cause actual results and events to differ materially from such forward-looking statements is included in the section titled “Risk Factors” (see Part I, Item 1A of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2015). Union Carbide Corporation undertakes no obligation to update or revise publicly any forward-looking statements whether because of new information, future events, or otherwise, except as required by securities and other applicable laws.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Union Carbide Corporation and Subsidiaries

Consolidated Statements of Income

In millions (Unaudited)	Three Months Ended Sep 30, 2016	Three Months Ended Sep 30, 2015	Nine Months Ended Sep 30, 2016	Nine Months Ended Sep 30, 2015
Net trade sales	$ 27	$ 18	$ 77	$ 61
Net sales to related companies	1,221	1,442	3,644	4,466
Total Net Sales	1,248	1,460	3,721	4,527
Cost of sales	957	1,094	2,726	3,598
Research and development expenses	5	5	14	15
Selling, general and administrative expenses	1	2	5	6
Restructuring charges	—	—	2	18
Equity in earnings of nonconsolidated affiliate	—	1	3	3
Sundry income (expense) - net	(14)	(17)	10	(28)
Interest income	4	3	10	6
Interest expense and amortization of debt discount	7	7	18	21
Income Before Income Taxes	268	339	979	850
Provision for income taxes	82	91	380	262
Net Income Attributable to Union Carbide Corporation	$ 186	$ 248	$ 599	$ 588

Depreciation	$ 39	$ 40	$ 120	$ 118
Capital Expenditures	$ 55	$ 71	$ 173	$ 185

See Notes to the Consolidated Financial Statements.

Union Carbide Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

In millions (Unaudited)	Three Months Ended Sep 30, 2016	Three Months Ended Sep 30, 2015	Nine Months Ended Sep 30, 2016	Nine Months Ended Sep 30, 2015
Net Income Attributable to Union Carbide Corporation	$ 186	$ 248	$ 599	$ 588
Other Comprehensive Income, Net of Tax				
Adjustments to pension and other postretirement benefit plans	11	14	32	38
Comprehensive Income Attributable to Union Carbide Corporation	$ 197	$ 262	$ 631	$ 626

See Notes to the Consolidated Financial Statements.

Union Carbide Corporation and Subsidiaries

Consolidated Balance Sheets

In millions (Unaudited)	Sep 30, 2016	Dec 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	$ 24	$ 23
Accounts receivable:		
Trade (net of allowance for doubtful receivables 2016: $-; 2015: $-)	15	13
Related companies	928	1,090
Other	33	36
Income taxes receivable	58	32
Notes receivable from related companies	1,540	1,296
Inventories	327	303
Other current assets	22	39
Total current assets	2,947	2,832
Investments		
Investments in related companies	639	639
Investment in nonconsolidated affiliate	16	13
Other investments	29	33
Noncurrent receivables	44	44
Noncurrent receivables from related companies	56	62
Total investments	784	791
Property		
Property	7,117	7,036
Less accumulated depreciation	5,770	5,735
Net property	1,347	1,301
Other Assets		
Intangible assets (net of accumulated amortization 2016: $77; 2015: $74)	24	22
Deferred income tax assets	865	577
Asbestos-related insurance receivables - noncurrent	36	51
Deferred charges and other assets	32	32
Total other assets	957	682
Total Assets	$ 6,035	$ 5,606
Liabilities and Equity		
Current Liabilities		
Notes payable to related companies	$ 31	$ 25
Long-term debt due within one year	1	1
Accounts payable:		
Trade	197	220
Related companies	584	476
Other	14	18
Income taxes payable	21	92
Asbestos-related liabilities - current	66	65
Accrued and other current liabilities	179	177
Total current liabilities	1,093	1,074
Long-Term Debt	476	476
Other Noncurrent Liabilities		
Pension and other postretirement benefits - noncurrent	973	1,076
Asbestos-related liabilities - noncurrent	348	387
Other noncurrent obligations	667	292
Total other noncurrent liabilities	1,988	1,755
Stockholder's Equity		
Common stock (authorized: 1,000 shares of $0.01 par value each; issued: 935.51 shares)	—	—
Additional paid-in capital	138	138

Retained earnings		3,536		3,391
Accumulated other comprehensive loss		(1,196)		(1,228)
Union Carbide Corporation's stockholder's equity		2,478		2,301
Total Liabilities and Equity	$	6,035	$	5,606

See Notes to the Consolidated Financial Statements.

Union Carbide Corporation and Subsidiaries

Consolidated Statements of Cash Flows

In millions (Unaudited)	Nine Months Ended Sep 30, 2016	Sep 30, 2015
Operating Activities		
Net Income Attributable to Union Carbide Corporation	$ 599	$ 588
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	138	137
Provision (credit) for deferred income tax	(306)	32
Earnings of nonconsolidated affiliate in excess of dividends received	(2)	(1)
Net (gain) loss on sales of property	(50)	3
Net gain on ownership transfer of property	—	(23)
Restructuring charges	2	18
Pension contributions	(52)	(1)
Other, net	(1)	2
Changes in assets and liabilities:		
Accounts and notes receivable	(3)	20
Related company receivables	(82)	32
Inventories	(24)	18
Accounts payable	(25)	(10)
Related company payables	114	(414)
Other assets and liabilities	254	(32)
Cash provided by operating activities	562	369
Investing Activities		
Capital expenditures	(173)	(185)
Change in noncurrent receivable from related company	7	33
Proceeds from sales of property	58	—
Post-closing payments on sale of property	—	(1)
Cash acquired in ownership transfer of property	—	5
Proceeds from sales of investments	3	—
Cash used in investing activities	(105)	(148)
Financing Activities		
Proceeds from notes payable	—	1
Dividends paid to stockholder	(455)	(220)
Payments on long-term debt	(1)	(1)
Cash used in financing activities	(456)	(220)
Summary		
Increase in cash and cash equivalents	1	1
Cash and cash equivalents at beginning of year	23	23
Cash and cash equivalents at end of period	$ 24	$ 24

See Notes to the Consolidated Financial Statements.

Union Carbide Corporation and Subsidiaries

Consolidated Statements of Equity

In millions (Unaudited)	Nine Months Ended Sep 30, 2016	Nine Months Ended Sep 30, 2015
Common Stock		
Balance at beginning of year and end of period	$ —	$ —
Additional Paid-in Capital		
Balance at beginning of year	138	312
Shares acquired for constructive retirement	—	(174)
Balance at end of period	138	138
Retained Earnings		
Balance at beginning of year	3,391	3,740
Net Income Attributable to Union Carbide Corporation	599	588
Dividends declared	(455)	(220)
Other	1	14
Balance at end of period	3,536	4,122
Accumulated Other Comprehensive Loss, Net of Tax		
Balance at beginning of year	(1,228)	(1,243)
Other comprehensive income	32	38
Balance at end of period	(1,196)	(1,205)
Union Carbide Corporation's Stockholder's Equity	$ 2,478	$ 3,055

See Notes to the Consolidated Financial Statements.

Union Carbide Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

(Unaudited)

Table of Contents

Note		Page
1	Consolidated Financial Statements	9
2	Recent Accounting Guidance	9
3	Restructuring	11
4	Inventories	12
5	Intangible Assets	12
6	Financial Instruments	13
7	Commitments and Contingent Liabilities	13
8	Pension and Other Postretirement Benefits	15
9	Related Party Transactions	15
10	Income Taxes	16
11	Accumulated Other Comprehensive Loss	17
12	Planned Merger with DuPont	17

NOTE 1 - CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim consolidated financial statements of Union Carbide Corporation and its subsidiaries (the “Corporation” or “UCC”) were prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and reflect all adjustments (including normal recurring accruals) which, in the opinion of management, are considered necessary for the fair presentation of the results for the periods presented.

The Corporation is a wholly owned subsidiary of The Dow Chemical Company (“Dow”). In accordance with the accounting guidance for earnings per share, the presentation of earnings per share is not required in financial statements of wholly owned subsidiaries.

The Corporation’s business activities comprise components of Dow’s global operations rather than stand-alone operations. Dow conducts its worldwide operations through global businesses. Because there are no separable reportable business segments for UCC under the accounting guidance related to segment reporting and no detailed business information is provided to a chief operating decision maker regarding the Corporation’s stand-alone operations, the Corporation’s results are reported as a single operating segment.

Intercompany transactions and balances are eliminated in consolidation. Transactions with the Corporation’s parent company, Dow, and other Dow subsidiaries have been reflected as related company transactions in the consolidated financial statements. See Note 9 for further discussion.

These statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2015.

In the first quarter of 2016, the Corporation early adopted Accounting Standards Update ("ASU") 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes," which requires that all deferred tax assets and liabilities be classified as noncurrent. The Corporation elected to apply the new guidance on a retrospective basis, and as a result, changes have been made to the presentation of deferred income tax assets in the consolidated balance sheets at December 31, 2015, with the reclassification of $64 million of current deferred income tax assets from "Other current assets" to "Deferred income tax assets."

NOTE 2 - RECENT ACCOUNTING GUIDANCE

Recently Adopted Accounting Guidance

In the first quarter of 2016, the Corporation early adopted ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes," which simplifies the presentation of deferred income taxes by requiring that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. This ASU is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods, and may be applied either prospectively or retrospectively. The change is reflected in "Other current assets" and "Deferred income tax assets" in the consolidated balance sheets on a retrospective basis and did not have a material impact on the consolidated financial statements. See Note 1 for additional information.

Accounting Guidance Issued But Not Yet Adopted as of September 30, 2016
In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is the new comprehensive revenue recognition standard that will supersede all existing revenue recognition guidance under U.S. GAAP. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to a customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," which was issued in August 2015, revised the effective date for this ASU to annual and interim periods beginning on or after December 15, 2017, with early adoption permitted, but not earlier than the original effective date of annual and interim periods beginning on or after December 15, 2016, for public entities. Entities will have the option of using either a full retrospective approach or a modified approach to adopt the guidance in ASU 2014-09. The Corporation is currently evaluating the impact of adopting this guidance.

In May 2014, the FASB and International Accounting Standards Board formed The Joint Transition Resource Group for Revenue Recognition ("TRG"), consisting of financial statement preparers, auditors and users, to seek feedback on potential issues related to the implementation of the new revenue standard. As a result of feedback from the TRG, the FASB has issued additional guidance to provide clarification, implementation guidance and practical expedients to address some of the challenges of implementation. In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," which is an amendment on assessing whether an entity is a principal or an agent in a revenue transaction. This amendment addresses issues to clarify the principal versus agent assessment and lead to more consistent application. In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing," which contains amendments to the new revenue recognition standard on identifying performance obligations and accounting for licenses of intellectual property. The amendments related to identifying performance obligations clarify when a promised good or service is separately identifiable and allows entities to disregard items that are immaterial in the context of a contract. The licensing implementation amendments clarify how an entity should evaluate the nature of its promise in granting a license of intellectual property, which will determine whether revenue is recognized over time or at a point in time. In May 2016, the FASB issued ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients," which provides clarity and implementation guidance on assessing collectibility, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition. The new standards have the same effective date and transition requirements as ASU 2014-09. The Corporation is currently evaluating the impact of adopting this guidance.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory," which applies to inventory that is measured using first-in, first-out ("FIFO") or average cost. Under the updated guidance, an entity should measure inventory that is within scope at the lower of cost and net realizable value, which is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Subsequent measurement is unchanged for inventory that is measured using last-in, first-out ("LIFO"). This ASU is effective for annual and interim periods beginning after December 15, 2016, and should be applied prospectively with early adoption permitted at the beginning of an interim or annual reporting period. The adoption of this guidance is not expected to have a material impact on the consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," which amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Changes to the current guidance primarily affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the ASU clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The new standard is effective for fiscal years and interim periods beginning after December 15, 2017, and upon adoption, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. Early adoption is not permitted except for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. The Corporation is currently evaluating the impact of adopting this guidance.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which requires organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The new guidance requires that a lessee recognize assets and liabilities for leases with lease terms of more than twelve months and recognition, presentation and measurement in the financial statements will depend on its classification as a finance or operating lease. In addition, the new guidance will require disclosures to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. Lessor accounting remains largely unchanged from current U.S. GAAP but does contain some targeted improvements to align with the new revenue recognition guidance issued in 2014. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, using a modified retrospective approach, and early adoption is permitted. The Corporation is currently evaluating the impact of adopting this guidance.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," which addresses diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows with respect to eight specific cash flow issues. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The amendments should be applied using a retrospective transition method to each period presented, if practicable. Early adoption is permitted, including adoption in an interim period, and any adjustments should be reflected as of the beginning of the fiscal year that includes the interim period. All amendments must be adopted in the same period. The Corporation is currently evaluating the impact of adopting this guidance.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory," which requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings at the beginning period of adoption. Early adoption is permitted in the first interim period of an annual reporting period for which financial statements have not been issued. The Corporation is currently evaluating the impact of adopting this guidance.

NOTE 3 - RESTRUCTURING

2016 Restructuring

On June 27, 2016, the Corporation approved actions to further improve cost effectiveness with additional workforce reductions. As a result of these actions, the Corporation recorded a pretax restructuring charge in the second quarter of 2016 consisting of severance charges of $1 million for the separation of approximately 5 positions. The impact of these charges is shown as "Restructuring charges" in the consolidated statements of income. The employee separations are expected to be completed during the next two years. At September 30, 2016, a liability of $1 million for the separation of approximately 3 employees remains.

2015 Restructuring

On April 29, 2015, the Corporation approved actions to improve the cost effectiveness of the Corporation's global operations and further streamline the organization. These actions affected approximately 16 positions and resulted in the shutdown of a manufacturing facility that produces water soluble polymers in Institute, West Virginia, in the fourth quarter of 2015.

As a result of these actions, the Corporation recorded pretax restructuring charges of $18 million in the second quarter of 2015 consisting of costs associated with exit or disposal activities of $2 million, severance costs of $2 million and asset write-downs and write-offs of $14 million. In the fourth quarter of 2015, the Corporation recorded an additional charge of $1 million related to the separation of an additional 8 positions. At December 31, 2015, severance of $1 million had been paid, leaving a liability of $2 million for approximately 15 employees.

During the second quarter of 2016, the Corporation recorded an unfavorable adjustment to the 2015 restructuring charge related to additional accruals for exit and disposal activities of $1 million, included in "Restructuring charges" in the consolidated statements of income. In the first nine months of 2016, severance of $2 million was paid, substantially completing the 2015 restructuring activities, with remaining liabilities for contract cancellation fees to be settled over time.

The Corporation expects to incur additional costs in the future related to restructuring activities, as UCC continually looks for ways to enhance the efficiency and cost effectiveness of its operations. Future costs are expected to include demolition costs related to the closed facilities; these will be recognized as incurred. The Corporation also expects to incur additional employeerelated costs, including involuntary termination benefits, related to its other optimization activities. These costs cannot be reasonably estimated at this time.

NOTE 4 - INVENTORIES

The following table provides a breakdown of inventories:

Inventories In millions	*Sep 30, 2016*	*Dec 31, 2015*
Finished goods	$ 212	$ 191
Work in process	43	33
Raw materials	50	42
Supplies	90	86
Total FIFO inventories	$ 395	$ 352
Adjustment of inventories to a LIFO basis	(68)	(49)
Total inventories	$ 327	$ 303

NOTE 5 - INTANGIBLE ASSETS

The following table provides information regarding the Corporation’s intangible assets:

Intangible Assets	*At September 30, 2016*			*At December 31, 2015*		
In millions	*Gross Carrying Amount*	*Accumulated Amortization*	*Net*	*Gross Carrying Amount*	*Accumulated Amortization*	*Net*
Intangible assets with finite lives:						
Licenses and intellectual property	$ 33	$ (33)	$ —	$ 33	$ (33)	$ —
Software	68	(44)	24	63	(41)	22
Total intangible assets	$ 101	$ (77)	$ 24	$ 96	$ (74)	$ 22

Total estimated amortization expense for 2016 and the five succeeding fiscal years is as follows:

Estimated Amortization Expense In millions	
2016	$ 4
2017	$ 4
2018	$ 5
2019	$ 5
2020	$ 4
2021	$ 2

NOTE 6 - FINANCIAL INSTRUMENTS

Investments

The Corporation's investments in marketable securities include debt securities which are classified as available-for-sale. At September 30, 2016, the Corporation held $2 million in debt securities ($4 million at December 31, 2015), which had contractual maturities of less than 1 year. These securities are recorded at fair value, which approximates cost, and are included in “Other investments” in the consolidated balance sheets and classified as Level 2 measurements. There were $2 million in proceeds from the maturity of marketable securities and $1 million in proceeds from the sale of other investments for the nine-month period ended September 30, 2016 (no proceeds for the nine-month period ended September 30, 2015).

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

Long-Term Debt

The Corporation had long-term debt of $477 million in the consolidated balance sheets at September 30, 2016 ($477 million at December 31, 2015). At September 30, 2016, the fair value of this long-term debt was $605 million ($573 million at December 31, 2015) and is classified as a Level 2 measurement. Fair value is determined in a manner similar to the methods described above for investments.

For all other financial instruments, cost approximates fair value.

NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES

Environmental Matters

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies.

At September 30, 2016, the Corporation had accrued obligations of $103 million for probable environmental remediation and restoration costs, including $19 million for the remediation of Superfund sites. These obligations are included in "Accrued and other current liabilities" and "Other noncurrent obligations" in the consolidated balance sheets. This is management’s best estimate of the costs for remediation and restoration with respect to environmental matters for which the Corporation has accrued liabilities, although it is reasonably possible that the ultimate cost with respect to these particular matters could range up to approximately three times that amount. Consequently, it is reasonably possible that environmental remediation and restoration costs in excess of amounts accrued could have a material impact on the Corporation's results of operations, financial condition and cash flows. It is the opinion of the Corporation’s management that the possibility is remote that costs in excess of the range disclosed will have a material impact on the Corporation’s results of operations, financial condition and cash flows. Inherent uncertainties exist in these estimates primarily due to unknown environmental conditions, changing governmental regulations and legal standards regarding liability, and emerging remediation technologies for handling site remediation and restoration. At December 31, 2015, the Corporation had accrued obligations of $115 million for probable environmental remediation and restoration costs, including $21 million for the remediation of Superfund sites.

Litigation

The Corporation is involved in a number of legal proceedings and claims with both private and governmental parties. These cover a wide range of matters, including, but not limited to: product liability; trade regulation; governmental regulatory proceedings; health, safety and environmental matters; employment; patents; contracts; taxes; and commercial disputes.

Asbestos-Related Matters

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

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

Based on a study completed in January 2003 by Analysis, Research & Planning Corporation (now known as Ankura Consulting Group, LLC ("Ankura") as a result of the March 2016 merger of Analysis, Research & Planning Corporation and Ankura), the Corporation increased its December 31, 2002 asbestos-related liability for pending and future claims for the 15-year period ending in 2017 to $2.2 billion, excluding future defense and processing costs. Since then, the Corporation has compared current asbestos claim and resolution activity to the results of the most recent Ankura study at each balance sheet date to determine whether the accrual continues to be appropriate. In addition, the Corporation has requested Ankura to review the Corporation's historical asbestos claim and resolution activity each year since 2004 to determine the appropriateness of updating the most recent Ankura study.

In October 2015, the Corporation requested Ankura to review its historical asbestos claim and resolution activity and determine the appropriateness of updating its December 2014 study. In response to that request, Ankura reviewed and analyzed data through September 30, 2015. In December 2015, Ankura stated that an update of its study would not provide a more likely estimate of future events than the estimate reflected in the December 2014 study and, therefore, the estimate in that study remained applicable. Based on the Corporation's own review of the asbestos claim and resolution activity and Ankura's response, the Corporation determined that no change to the accrual was required. The Corporation's asbestos-related liability for pending and future claims was $437 million at December 31, 2015, and approximately 21 percent of the recorded liability related to pending claims and approximately 79 percent related to future claims.

Based on the Corporation's review of 2016 activity, it was determined that no adjustment to the accrual was required at September 30, 2016. The Corporation's asbestos-related liability for pending and future claims was $398 million at September 30, 2016. Approximately 22 percent of the recorded liability related to pending claims and approximately 78 percent related to future claims.

The Corporation has receivables for insurance recoveries related to its asbestos liability as well as receivables for defense and resolution costs submitted to insurance carriers that have settlement agreements in place regarding their asbestos-related insurance coverage. The Corporation continues to believe that its recorded receivable for insurance recoveries from all insurance carriers is probable of collection. At September 30, 2016, the Corporation's receivable for insurance recoveries related to its asbestos liability and defense and resolution costs was $41 million ($61 million at December 31, 2015).

The Corporation expenses defense costs as incurred. The pretax impact for defense and resolution costs, net of insurance, was $20 million for the third quarter of 2016 ($20 million in the third quarter of 2015) and $55 million in the first nine months of 2016 ($65 million in the first nine months of 2015), and reflected in "Cost of sales" in the consolidated statements of income.

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

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

While it is not possible at this time to determine with certainty the ultimate outcome of any of the legal proceedings and claims referred to in this filing, management believes that adequate provisions have been made for probable losses with respect to pending claims and proceedings, and that, except for the asbestos-related matters described above, the ultimate outcome of all known and future claims, after provisions for insurance, will not have a material adverse impact on the results of operations, cash flows and financial position of the Corporation. Should any losses be sustained in connection with any of such legal proceedings and claims in excess of provisions provided and available insurance, they will be charged to income when determinable.

Purchase Commitments
A summary of the Corporation's purchase commitments can be found in Note 13 to the Consolidated Financial Statements included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2015. There have been no material changes to purchase commitments since December 31, 2015.

NOTE 8 - PENSION AND OTHER POSTRETIREMENT BENEFITS

Net Periodic Benefit Cost for All Significant Plans	*Three Months Ended*		*Nine Months Ended*	
In millions	*Sep 30, 2016*	*Sep 30, 2015*	*Sep 30, 2016*	*Sep 30, 2015*
Defined Benefit Pension Plans:				
Service cost	$ 9	$ 11	$ 27	$ 33
Interest cost	33	41	99	123
Expected return on plan assets	(54)	(57)	(162)	(171)
Amortization of net loss	19	22	57	66
Net periodic benefit cost	$ 7	$ 17	$ 21	$ 51
Other Postretirement Benefits:				
Interest cost	$ 2	$ 3	$ 6	$ 9
Amortization of net gain	(2)	(3)	(5)	(9)
Net periodic benefit cost	$ —	$ —	$ 1	$ —

NOTE 9 - RELATED PARTY TRANSACTIONS

The Corporation sells its products to Dow to simplify the customer interface process. Products are sold to and purchased from Dow at market-based prices in accordance with the terms of Dow's intercompany pricing policies. After each quarter, the Corporation and Dow analyze the pricing used for the sales in that quarter and reach agreement on any necessary adjustments, at which point the prices are final. The Corporation also procures certain commodities and raw materials through a Dow subsidiary and pays a commission to that Dow subsidiary based on the volume and type of commodities and raw materials purchased. The commission expense is included in "Sundry income (expense) - net" in the consolidated statements of income. Purchases from that Dow subsidiary were $379 million in the third quarter of 2016 ($399 million in the third quarter of 2015) and $1,011 million during the first nine months of 2016 ($1,392 million during the first nine months of 2015). The decrease in purchase costs in the first nine months of 2016 when compared with the same period last year is due to lower feedstock and energy costs.

The Corporation has a master services agreement with Dow whereby Dow provides services including, but not limited to, accounting, legal, treasury (investments, cash management, risk management, insurance), procurement, human resources, environmental, health and safety and business management for UCC. Under the master services agreement with Dow, general administrative and overhead type services that Dow routinely allocates to various businesses are charged to UCC. The master services agreement cost allocation basis is headcount and includes a 10 percent service fee. This agreement resulted in expense of $7 million in the third quarter of 2016 ($7 million in the third quarter of 2015) and $21 million for the first nine months of 2016 ($22 million for the first nine months of 2015) for general administrative and overhead type services and the 10 percent service fee, included in "Sundry income (expense) - net" in the consolidated statements of income. The remaining activity-based costs were $19 million in the third quarter of 2016 ($18 million in the third quarter of 2015) and $53 million in the first nine months of 2016 ($51 million in the first nine months of 2015), and were included in "Cost of sales" in the consolidated statements of income.

Management believes the method used for determining expenses charged by Dow is reasonable. Dow provides these services by leveraging its centralized functional service centers to provide services at a cost that management believes provides an advantage to the Corporation.

The monitoring and execution of risk management policies related to interest rate and foreign currency risks, which are based on Dow's risk management philosophy, are provided as a service to UCC.

As part of Dow's cash management process, UCC is a party to revolving loans with Dow that have interest rates based on LIBOR (London Interbank Offered Rate) with varying maturities. At September 30, 2016, the Corporation had a note receivable of $1.5 billion ($1.3 billion at December 31, 2015) from Dow under a revolving loan agreement. The Corporation may draw from this note receivable in support of its daily working capital requirements and, as such, the net effect of cash inflows and outflows under this revolving loan agreement is presented in the consolidated statements of cash flows as an operating activity.

The Corporation also has a separate revolving credit agreement with Dow that allows the Corporation to borrow or obtain credit enhancements up to an aggregate of $1 billion that matures December 30, 2016. Dow may demand repayment with a 30-day written notice to the Corporation, subject to certain restrictions. A related collateral agreement provides for the replacement of certain existing pledged assets, primarily equity interests in various subsidiaries and joint ventures, with cash collateral. At September 30, 2016, $948 million ($940 million at December 31, 2015) was available under the revolving credit agreement. The cash collateral is reported as "Noncurrent receivables from related companies" in the consolidated balance sheets.

On a quarterly basis, the Corporation's Board of Directors reviews and approves a dividend distribution to its parent company and sole shareholder, Dow. The Board takes into consideration the level of earnings and cash flows, among other factors, in determining the amount of the dividend distribution. In the third quarter of 2016, the Corporation declared and paid a cash dividend of $55 million to Dow; dividends to Dow totaled $455 million in the first nine months of 2016. In the third quarter of 2015, the Corporation did not pay a cash dividend to Dow; dividends to Dow totaled $220 million for the first nine months of 2015.

On October 5, 2015, (i) Dow completed the transfer of its U.S. Gulf Coast Chlor-Alkali and Vinyl, Global Chlorinated Organics and Global Epoxy businesses into a new company ("Splitco"), (ii) participating Dow shareholders tendered, and Dow accepted, Dow shares for Splitco shares in a public exchange offer, and (iii) Splitco merged with a wholly owned subsidiary of Olin Corporation in a tax efficient Reverse Morris Trust transaction (collectively, the "Transaction"). As part of the Transaction, Dow established a separate legal entity structure to hold the relevant assets to be carved out from the existing Dow structure. To facilitate the Transaction, all entities in Europe and Asia Pacific were aligned under one single entity, with shares owned entirely by Dow. In order to align entity ownership under Dow, entities distributed their shares to Dow through either a series of dividends or share redemptions. As a result, in September 2015, UCC redeemed 462.7096 shares of common stock of Dow International Holdings Company ("DIHC"), a cost method investment, in exchange for stock in Blue Cube International Holdings, LLC ("BCIH"). Prior to the distribution, UCC had a 19.1 percent ownership interest in DIHC with the other 80.9 percent owned by Dow and its other wholly-owned subsidiaries. After the distribution, UCC's investment in DIHC was reduced to 15 percent and resulted in a reduction in investments in related companies of $174 million. UCC then transferred and distributed to Dow all of its membership interest in BCIH in exchange for 64.58 shares of its common stock held by Dow. Dow will continue to own 100 percent of UCC. As part of the final settlement, an adjustment was made to the shares of UCC common stock that were exchanged by Dow, bringing the final number of UCC common stock exchanged with Dow to 64.49 shares. The impact of these transactions is reflected in "Investments in related companies" and "Additional paid-in capital" in the consolidated balance sheets.

NOTE 10 - INCOME TAXES

In the second quarter of 2016, an adjustment was made to a reserve for a tax matter regarding a historical change in the legal ownership structure of a former nonconsolidated affiliate. The adjustment arose due to recent proceedings and the Corporation's ongoing assessment of the unrecognized tax benefits. The adjustment impacted multiple jurisdictions and resulted in an increase of $396 million to "Other noncurrent obligations" and an increase of $339 million to "Deferred income tax assets" in the consolidated balance sheets at June 30, 2016, resulting in an unfavorable impact of $57 million to "Provision for income taxes" in the consolidated statements of income in the second quarter of 2016.

The following table provides a reconciliation of the Corporation's unrecognized tax benefits for the periods ended September 30, 2016 and December 31, 2015:

Total Gross Unrecognized Tax Benefits In millions		*Sep 30, 2016*		*Dec 31, 2015*
Balance at January 1	$	68	$	1
Increases related to positions taken on items from prior years		300		67
Balance at end of period	$	368	$	68

At September 30, 2016, the total amount of unrecognized tax benefits which would impact the effective tax rate if recognized is $1 million ($1 million at December 31, 2015). The increase in unrecognized tax benefits relates to litigation in a foreign jurisdiction that, if paid, is creditable in the United States.

Interest and penalties associated with uncertain tax positions are recognized as components of "Provision for income taxes," in the consolidated statements of income which totaled an insignificant amount for the three months ended September 30, 2016, (insignificant for the three months ended September 30, 2015). During the nine months ended September 30, 2016, the Corporation recognized a charge of $82 million for interest and penalties (insignificant for the nine months ended September 30, 2015). The Corporation's accrual for interest and penalties associated with uncertain tax positions was $121 million at September 30, 2016 and $38 million at December 31, 2015.

NOTE 11 - ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table provides an analysis of the changes in accumulated other comprehensive loss for the nine-month periods ended September 30, 2016 and 2015:

Accumulated Other Comprehensive Loss	*Nine Months Ended*			
In millions		*Sep 30, 2016*		*Sep 30, 2015*
Cumulative Translation Adjustments at beginning of year and end of period	$	(61)	$	(63)
Pension and Other Postretirement Benefit Plans at beginning of year		(1,167)		(1,180)
Adjustments to pension and other postretirement benefit plans (net of tax of $20, $19) (1) (2)		32		38
Balance at end of period	$	(1,135)	$	(1,142)
Total Accumulated Other Comprehensive Loss	$	(1,196)	$	(1,205)

(1) Included in "Net periodic benefit cost." See Note 8 for additional information.
(2) Tax amounts are included in "Provision for income taxes" in the consolidated statements of income.

NOTE 12 - PLANNED MERGER WITH DUPONT

On December 11, 2015, Dow and E. I. du Pont de Nemours and Company ("DuPont") entered into an Agreement and Plan of Merger ("Merger Agreement") to effect an all-stock, merger of equals strategic combination resulting in a newly formed corporation named DowDuPont Inc. ("DowDuPont"). Pursuant to the terms of the Merger Agreement, Dow and DuPont will each merge with wholly owned subsidiaries of DowDuPont (the "Mergers") and, as a result of the Mergers, will become subsidiaries of DowDuPont. Following the consummation of the Mergers, Dow and DuPont intend to pursue, subject to the receipt of regulatory approvals and approval by the board of directors of DowDuPont, the separation of the combined company's agriculture business, specialty products business and material science business through one or more tax-efficient transactions.

On June 9, 2016, DowDuPont's registration statement filed with the U.S. Securities and Exchange Commission on Form S-4 (File No. 333-209869), as amended, was declared effective. The registration statement was filed in connection with the proposed Mergers and includes a joint proxy statement of Dow and DuPont and a prospectus of DowDuPont. The companies also scheduled special meetings of their respective stockholders to seek adoption of the Merger Agreement and approval of related matters from such stockholders. Each company's common stockholders of record as of the close of business on

June 2, 2016, were entitled to vote at the respective meeting. Dow's special meeting of stockholders was held on July 20, 2016, which resulted in a vote for adoption of the Merger Agreement and approval of related matters.

Dow and DuPont remain focused on closing the transaction and continue to work constructively with regulatory agencies in all relevant jurisdictions. Given current regulatory agency status, closing would be expected to occur in the first quarter of 2017, subject to satisfaction of customary closing conditions, including receipt of all regulatory approvals.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Pursuant to General Instruction H of Form 10-Q "Omission of Information by Certain Wholly-Owned Subsidiaries," this section includes only management's narrative analysis of the results of operations for the nine-month period ended September 30, 2016, the most recent period, compared with the nine-month period ended September 30, 2015, the corresponding period in the preceding fiscal year.

References to "Dow" refer to The Dow Chemical Company and its consolidated subsidiaries, except as otherwise indicated by the context.

Dow conducts its worldwide operations through global businesses. Union Carbide Corporation's (the "Corporation" or "UCC") business activities comprise components of Dow's global operations rather than stand-alone operations. Because there are no separable reportable business segments for UCC and no detailed business information is provided to a chief operating decision maker regarding the Corporation's stand-alone operations, the Corporation's results are reported as a single operating segment.

RESULTS OF OPERATIONS

Net Sales

Total net sales were $1,248 million in the third quarter of 2016 compared with $1,460 million in the third quarter of 2015, a decrease of 15 percent. Total net sales were $3,721 million for the first nine months of 2016 compared with $4,527 million for the first nine months of 2015, a decrease of 18 percent. Net sales to related companies, principally to Dow, and based on market prices for the related products, were $1,221 million for the third quarter of 2016 compared with $1,442 million for the third quarter of 2015, a decrease of 15 percent. Net sales to related companies were $3,644 million for the first nine months of 2016 compared with $4,466 million for the first nine months of 2015, a decrease of 18 percent.

Average selling prices for almost all products declined in the third quarter of 2016 compared with the same quarter last year. Price declines were primarily driven by lower feedstock, energy and other raw material prices as well as competitive pricing pressures, with the largest declines in oxo alcohols, glycol ethers and polyethylene. Total sales volume was down slightly in the third quarter of 2016 compared with the third quarter of 2015. Sales volume increases in ethanolamines, ethylene oxide/ethylene glycol ("EO/EG"), and acrolein and derivatives were more than offset by lower volume in electrical and telecommunications and ethylene. Volume was also impacted by the shutdown of a water soluble polymers facility in Institute, West Virginia, in the fourth quarter of 2015.

For the first nine months of 2016, average selling prices for most products decreased compared with the first nine months of 2015, driven by lower feedstock, energy and other raw material prices, with the largest declines in oxo alcohols, polyethylene, glycol ethers and EO/EG. Sales volume for the first nine months of 2016 declined slightly compared with the first nine months of 2015. Sales volume increases in electrical and telecommunications, ethanolamines and ethylene were more than offset by declines in acrylic monomers, water soluble polymers and vinyl acetate monomers.

Cost of Sales

Cost of sales decreased 13 percent from $1,094 million in the third quarter of 2015 to $957 million in the third quarter of 2016. Cost of sales decreased 24 percent from $3,598 million in the first nine months of 2015 to $2,726 million in the first nine months of 2016. The decrease in cost of sales for the three- and nine-month periods ended September 30, 2016, was driven by decreased sales volume, lower feedstock, energy and other raw material costs and a reduction in planned maintenance turnaround spending when compared with the same periods last year.

Research and Development, Selling, General and Administrative Expenses

Research and development ("R&D") expenses were $5 million in the third quarter of 2016, flat compared with the third quarter of 2015. For the first nine months of 2016, R&D expenses were $14 million compared with $15 million in the first nine months of 2015. Selling, general and administrative expenses were $1 million in the third quarter of 2016 and $5 million for the first nine months of 2016, compared with $2 million in the third quarter of 2015 and $6 million for the first nine months of 2015.

Restructuring Charges

In the second quarter of 2016, the Corporation recorded pretax restructuring charges of $2 million consisting of severance charges of $1 million and an unfavorable adjustment of $1 million for additional accruals for exit and disposal activities related to the 2015 restructuring plan. In the second quarter of 2015, the Corporation recorded pretax restructuring charges of $18 million consisting of costs associated with exit or disposal activities of $2 million, severance costs of $2 million and asset write-downs and write-offs of $14 million. The impact of these charges is shown as "Restructuring charges" in the consolidated statements of income. See Note 3 to the Consolidated Financial Statements for additional information.

Sundry Income (Expense) - Net

Sundry income (expense) – net includes a variety of income and expense items such as the gain or loss on foreign currency exchange, commissions, charges for management services provided by Dow, and gains and losses on sales of investments and assets. Sundry income (expense) - net for the third quarter of 2016 was net expense of $14 million compared with net expense of $17 million for the same quarter last year. For the first nine months of 2016, sundry income (expense) - net was net income of $10 million compared with net expense of $28 million for the first nine months of 2015. The increase in sundry income in the first nine months of 2016 was primarily related to a pretax gain on the sale of land at the Corporation's Texas City, Texas, site in the second quarter of 2016.

Texas City Land Sale

On June 27, 2016, UCC signed agreements for the sale of excess land at the Texas City, Texas, manufacturing site. In the second quarter of 2016, UCC recorded a pretax gain of $46 million on the sale of one parcel of land, which is included in "Sundry income (expense) - net" in the consolidated statements of income. In addition, a down payment of $8 million was received for the sale of a second parcel of land, which is expected to be sold by the end of the second quarter of 2017. The $8 million is recorded in "Accrued and other current liabilities" in the consolidated balance sheets.

Institute, West Virginia Site

On March 23, 2015, UCC signed an agreement with Bayer CropScience LP ("BCS") to transfer ownership of BCS's Institute Industrial Park to UCC. Effective April 1, 2015, UCC and BCS began a phased transfer to UCC of plant activities as well as the transfer of land and certain site assets to be completed by mid-year 2017. BCS will continue to be a tenant of the Industrial Park with UCC providing site services to BCS. In the second quarter of 2015, UCC recorded a net pretax gain of $23 million on the transfer of ownership and control of the site, which is included in "Sundry income (expense) - net" in the consolidated statements of income. The gain on the transaction represents the transfer of land, certain site assets and cash consideration received offset by increases in remediation liabilities and a deferred liability for site services. Additional costs may be recognized for demolition and decommissioning costs and will be recorded in the period incurred.

Interest Income and Expense

Interest income was $4 million in the third quarter of 2016 ($10 million for the first nine months of 2016) compared with $3 million in the third quarter of 2015 ($6 million for the first nine months of 2015). Interest expense and amortization of debt discount was $7 million in the third quarter of 2016 ($18 million for the first nine months of 2016) compared with $7 million in the third quarter of 2015 ($21 million for the first nine months of 2015).

Provision for Income Taxes

The Corporation reported a tax provision of $82 million in the third quarter of 2016, which resulted in an effective tax rate of 30.6 percent. This compared with a tax provision of $91 million in the third quarter of 2015, which resulted in an effective tax rate of 26.8 percent. The tax rate in the third quarter of 2015 was favorably impacted by the release of valuation allowances. For the first nine months of 2016, the Corporation reported a tax provision of $380 million, which resulted in an effective tax rate of 38.8 percent. This compared with a tax provision of $262 million for the first nine months of 2015, which resulted in an effective tax rate of 30.8 percent. The effective tax rate fluctuates based on, among other factors, where income is earned, dividends received from investments in related companies and the level of income relative to tax credits available. In the second quarter of 2016, the Corporation adjusted an uncertain tax position reserve for a tax matter regarding the historical change in the legal ownership structure of a former nonconsolidated affiliate, resulting in a charge to the tax provision of $57 million. See Note 10 to the Consolidated Financial Statements for additional information.

Net Income Attributable to UCC

The Corporation reported net income of $186 million in the third quarter of 2016 compared with $248 million in the third quarter of 2015. Net income for the first nine months of 2016 was $599 million compared with $588 million for the first nine months of 2015. When compared with the same quarter last year, the impact of lower selling prices and slight decline in sales volume more than offset the favorable impact of lower feedstock, energy and other raw material costs and decreased planned maintenance turnaround spending. Net income in the first nine months of 2016 was favorably impacted by the pretax gain on the sale of land, lower feedstock, energy and other raw material costs and decreased planned maintenance turnaround spending which more than offset the impact of lower selling prices and an adjustment for an uncertain tax position in the second quarter of 2016.

Capital Expenditures
Capital spending in the third quarter of 2016 was $55 million ($173 million in the first nine months of 2016) compared with $71 million in the third quarter of 2015 ($185 million for the first nine months of 2015), reflecting continued spending for U.S. Gulf Coast projects and site infrastructure projects.

OTHER MATTERS

Recent Accounting Guidance
See Note 2 to the Consolidated Financial Statements for a summary of recent accounting guidance.

Critical Accounting Policies
The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, assumptions and estimates that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Note 1 to the Consolidated Financial Statements in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2015 ("2015 10-K") describes the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. The Corporation's critical accounting policies that are impacted by judgments, assumptions and estimates are described in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Corporation's 2015 10-K. Since December 31, 2015, there have been no material changes in the Corporation's critical accounting policies.

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

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

The table below provides information regarding asbestos-related claims pending against the Corporation and Amchem based on criteria developed by UCC and its external consultants. UCC had a significant increase in the number of claims settled, dismissed or otherwise resolved in 2015, resulting from a detailed review of the status of individual claims and an update to criteria used to classify claims.

	2016	*2015*
Claims unresolved at January 1	18,778	26,116
Claims filed	5,909	5,919
Claims settled, dismissed or otherwise resolved	(7,052)	(13,568)
Claims unresolved at September 30	17,635	18,467
Claimants with claims against both UCC and Amchem	(6,444)	(6,714)
Individual claimants at September 30	11,191	11,753

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

For additional information see Asbestos-Related Matters in Note 7 to the Consolidated Financial Statements and Part II, Item 1. Legal Proceedings.

Debt Covenants and Default Provisions

The Corporation’s outstanding public debt has been issued under indentures which contain, among other provisions, covenants that the Corporation must comply with while the underlying notes are outstanding. Such covenants are typically based on the Corporation’s size and financial position and include, subject to the exceptions and qualifications contained in the indentures, obligations not to (i) allow liens on principal U.S. manufacturing facilities, (ii) enter into sale and lease-back transactions with respect to principal U.S. manufacturing facilities, or (iii) merge into or consolidate with any other entity or sell or convey all or substantially all of its assets. Failure of the Corporation to comply with any of these covenants could, after the passage of any applicable grace period, result in a default under the applicable indenture which would allow the note holders to accelerate the due date of the outstanding principal and accrued interest on the subject notes. Management believes the Corporation was in compliance with the covenants referred to above at September 30, 2016.

Dividends

On a quarterly basis, the Corporation's Board of Directors reviews and approves a dividend distribution to its parent company and sole shareholder, Dow. The Board takes into consideration the level of earnings and cash flows, among other factors, in determining the amount of the dividend distribution.

In the third quarter of 2016, the Corporation declared and paid a cash dividend of $55 million to Dow; dividends to Dow totaled $455 million for the first nine months of 2016. In the third quarter of 2015, the Corporation did not declare and pay a cash dividend to Dow; dividends to Dow totaled $220 million for the first nine months of 2015. On October 24, 2016, the UCC Board of Directors approved a dividend to Dow of $45 million, payable on December 23, 2016.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Omitted pursuant to General Instruction H of Form 10-Q.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, the Corporation carried out an evaluation, under the supervision and with the participation of the Corporation's Disclosure Committee and the Corporation's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures pursuant to paragraph (b) of Exchange Act Rules 13a-15 and 15d-15. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Corporation's disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

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

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

No material developments in asbestos-related matters occurred during the third quarter of 2016. For a summary of the history and current status of asbestos-related matters, see Note 7 to the Consolidated Financial Statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations, Asbestos-Related Matters.

ITEM 1A. RISK FACTORS

There were no material changes in the Corporation's risk factors in the third quarter of 2016.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 6. EXHIBITS

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

Union Carbide Corporation and Subsidiaries

Signatures

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

UNION CARBIDE CORPORATION
Registrant

Date: October 27, 2016

By: /s/ RONALD C. EDMONDS
Ronald C. Edmonds
Controller and Vice President
of Controllers and Tax
The Dow Chemical Company
Authorized Representative of
Union Carbide Corporation

By: /s/ IGNACIO MOLINA
Ignacio Molina
Vice President, Treasurer and
Chief Financial Officer

Union Carbide Corporation and Subsidiaries

Exhibit Index

EXHIBIT NO.	DESCRIPTION
23	Ankura Consulting Group, LLC's Consent.
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

EXHIBIT 23

Ankura Consulting Group, LLC's Consent

Union Carbide Corporation:

Ankura Consulting Group, LLC (“Ankura”) hereby consents to the use of Ankura's name and the reference to Ankura's reports appearing in this Quarterly Report on Form 10-Q of Union Carbide Corporation for the quarter ended September 30, 2016.

/s/ B. THOMAS FLORENCE

B. Thomas Florence
Senior Managing Director
Ankura Consulting Group, LLC
October 27, 2016

Union Carbide Corporation and Subsidiaries

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Richard A. Wells, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Union Carbide Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2016

/s/ RICHARD A. WELLS

Richard A. Wells
President and Chief Executive Officer

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Ignacio Molina, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Union Carbide Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 27, 2016

/s/ IGNACIO MOLINA

Ignacio Molina
Vice President, Treasurer and
Chief Financial Officer

EXHIBIT 32.1

Union Carbide Corporation and Subsidiaries

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Richard A. Wells, President and Chief Executive Officer of Union Carbide Corporation (the “Corporation”), certify that:

1. the Quarterly Report on Form 10-Q of the Corporation for the quarter ended September 30, 2016 as filed with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ RICHARD A. WELLS

Richard A. Wells
President and Chief Executive Officer
Date: October 27, 2016

Union Carbide Corporation and Subsidiaries

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Ignacio Molina, Vice President, Treasurer and Chief Financial Officer of Union Carbide Corporation (the “Corporation”), certify that:

1. the Quarterly Report on Form 10-Q of the Corporation for the quarter ended September 30, 2016 as filed with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ IGNACIO MOLINA

Ignacio Molina
Vice President, Treasurer and
Chief Financial Officer
Date: October 27, 2016