

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 **JUNE 30, 2017**

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
(State or other jurisdiction of
incorporation or organization)

13-1421730
(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, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Yes No

At June 30, 2017, 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 June 30, 2017

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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, 2016). UCC 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)	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>Jun 30, 2017</i>	<i>Jun 30, 2016</i>	<i>Jun 30, 2017</i>	<i>Jun 30, 2016</i>
Net trade sales	\$ 25	\$ 24	\$ 82	\$ 50
Net sales to related companies	1,272	1,237	2,538	2,423
Total Net Sales	1,297	1,261	2,620	2,473
Cost of sales	1,024	936	2,065	1,769
Research and development expenses	8	5	10	9
Selling, general and administrative expenses	1	2	3	4
Restructuring charges	2	2	2	2
Equity in earnings of nonconsolidated affiliate	—	1	—	3
Sundry income (expense) - net	17	37	5	24
Interest income	5	3	9	6
Interest expense and amortization of debt discount	7	5	14	11
Income Before Income Taxes	277	352	540	711
Provision for income taxes	95	179	185	298
Net Income Attributable to Union Carbide Corporation	\$ 182	\$ 173	\$ 355	\$ 413
Depreciation	\$ 42	\$ 41	\$ 87	\$ 81
Capital Expenditures	\$ 48	\$ 65	\$ 98	\$ 118

See Notes to the Consolidated Financial Statements.

Union Carbide Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income

In millions (Unaudited)	Three Months Ended		Six Months Ended	
	Jun 30, 2017	Jun 30, 2016	Jun 30, 2017	Jun 30, 2016
Net Income Attributable to Union Carbide Corporation	\$ 182	\$ 173	\$ 355	\$ 413
Other Comprehensive Income, Net of Tax				
Cumulative translation adjustments	2	—	3	—
Pension and other postretirement benefit plans	12	10	24	21
Total other comprehensive income	14	10	27	21
Comprehensive Income Attributable to Union Carbide Corporation	\$ 196	\$ 183	\$ 382	\$ 434

See Notes to the Consolidated Financial Statements.

Union Carbide Corporation and Subsidiaries
Consolidated Balance Sheets

In millions, except share amounts (Unaudited)	Jun 30, 2017	Dec 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 13	\$ 11
Accounts receivable:		
Trade (net of allowance for doubtful receivables 2017: \$-; 2016: \$-)	21	15
Related companies	995	843
Other	47	36
Income taxes receivable	201	275
Notes receivable from related companies	1,171	1,411
Inventories	307	307
Other current assets	32	39
Total current assets	2,787	2,937
Investments		
Investments in related companies	639	639
Investment in nonconsolidated affiliate	—	14
Other investments	25	30
Noncurrent receivables	53	52
Noncurrent receivables from related companies	55	57
Total investments	772	792
Property		
Property	7,206	7,144
Less accumulated depreciation	5,802	5,750
Net property	1,404	1,394
Other Assets		
Intangible assets (net of accumulated amortization 2017: \$80; 2016: \$78)	26	25
Deferred income tax assets	829	928
Deferred charges and other assets	41	70
Total other assets	896	1,023
Total Assets	\$ 5,859	\$ 6,146
Liabilities and Equity		
Current Liabilities		
Notes payable to related companies	\$ 27	\$ 25
Notes payable - other	1	—
Long-term debt due within one year	1	1
Accounts payable:		
Trade	245	249
Related companies	487	521
Other	20	7
Income taxes payable	20	23
Asbestos-related liabilities - current	121	126
Accrued and other current liabilities	167	181
Total current liabilities	1,089	1,133
Long-Term Debt	475	475
Other Noncurrent Liabilities		
Pension and other postretirement benefits - noncurrent	977	1,170
Asbestos-related liabilities - noncurrent	1,301	1,364
Other noncurrent obligations	186	206
Total other noncurrent liabilities	2,464	2,740
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		2,986		2,980
Accumulated other comprehensive loss		(1,293)		(1,320)
Union Carbide Corporation's stockholder's equity		1,831		1,798
Total Liabilities and Equity	\$	5,859	\$	6,146

See Notes to the Consolidated Financial Statements.

Union Carbide Corporation and Subsidiaries
Consolidated Statements of Cash Flows

In millions (Unaudited)	<i>Six Months Ended</i>	
	<i>Jun 30,</i> <i>2017</i>	<i>Jun 30,</i> <i>2016</i>
Operating Activities		
Net Income Attributable to Union Carbide Corporation	\$ 355	\$ 413
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	98	92
Provision (credit) for deferred income tax	85	(319)
Earnings of nonconsolidated affiliate in excess of dividends received	—	(1)
Net gain on sales of property and investments	(26)	(50)
Net gain on sale of ownership interest in nonconsolidated affiliate	(4)	—
Restructuring charges	2	2
Pension contributions	(161)	(51)
Other, net	—	(1)
Changes in assets and liabilities:		
Accounts and notes receivable	7	2
Related company receivables	88	48
Inventories	—	(21)
Accounts payable	12	(8)
Related company payables	(32)	42
Asbestos-related payments	(68)	(31)
Other assets and liabilities	43	344
Cash provided by operating activities	399	461
Investing Activities		
Capital expenditures	(98)	(118)
Change in noncurrent receivable from related company	2	(2)
Proceeds from sale of ownership interest in nonconsolidated affiliate	22	—
Proceeds from sales of property	18	57
Proceeds from sales of investments	8	3
Cash used in investing activities	(48)	(60)
Financing Activities		
Dividends paid to stockholder	(350)	(400)
Changes in short-term notes payable	1	—
Payments on long-term debt	—	(1)
Cash used in financing activities	(349)	(401)
Summary		
Increase in cash and cash equivalents	2	—
Cash and cash equivalents at beginning of year	11	23
Cash and cash equivalents at end of period	\$ 13	\$ 23

See Notes to the Consolidated Financial Statements.

Union Carbide Corporation and Subsidiaries
Consolidated Statements of Equity

In millions (Unaudited)	<i>Six Months Ended</i>	
	<i>Jun 30,</i> <i>2017</i>	<i>Jun 30,</i> <i>2016</i>
Common Stock		
Balance at beginning of year and end of period	\$ —	\$ —
Additional Paid-in Capital		
Balance at beginning of year and end of period	138	138
Retained Earnings		
Balance at beginning of year	2,980	3,391
Net Income Attributable to Union Carbide Corporation	355	413
Dividends declared	(350)	(400)
Other	1	1
Balance at end of period	2,986	3,405
Accumulated Other Comprehensive Loss, Net of Tax		
Balance at beginning of year	(1,320)	(1,228)
Other comprehensive income	27	21
Balance at end of period	(1,293)	(1,207)
Union Carbide Corporation's Stockholder's Equity	\$ 1,831	\$ 2,336

See Notes to the Consolidated Financial Statements.

Union Carbide Corporation and Subsidiaries
Notes to the Consolidated Financial Statements

(Unaudited)

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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 8 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, 2016.

In the first quarter of 2017, the Corporation made a change to the consolidated statements of cash flows to include a new line under "Operating Activities" entitled "Asbestos-related payments." The new line captures cash payments made for asbestos-related claim and resolution activity as well as asbestos-related defense and processing costs (effective as of the fourth quarter of 2016 as a result of an accounting policy change). Prior periods have been updated to conform with the current year presentation.

NOTE 2 - RECENT ACCOUNTING GUIDANCE

Accounting Guidance Issued But Not Yet Adopted as of June 30, 2017

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("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

Union Carbide Corporation and Subsidiaries
Notes to the Consolidated Financial Statements

(Unaudited)

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.

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 has a team in place to analyze ASU 2014-09 and the related ASU's across all revenue streams to evaluate the impact of the new standard on revenue contracts. This includes reviewing current accounting policies and practices to identify potential differences that would result from applying the requirements under the new standard. The Corporation is completing contract evaluations and validating the results of applying the new revenue guidance. The Corporation has also started drafting its accounting policies and performed an assessment of the new disclosure requirements and expects to complete its evaluation of the impact of the accounting and disclosure requirements on its business processes, controls and systems by the end of the third quarter of 2017. Full implementation will be completed by the end of 2017. Based on analysis completed to date, the Corporation expects the potential impact on the recognition of revenue from product sales and licensing arrangements to remain substantially unchanged. The Corporation expects to adopt the new standard using the modified retrospective approach, under which the cumulative effect of initially applying the new guidance is recognized as an adjustment to the opening balance of retained earnings in the first quarter of 2018.

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

Union Carbide Corporation and Subsidiaries
Notes to the Consolidated Financial Statements

(Unaudited)

U.S. GAAP but does contain some targeted improvements to align with the new revenue recognition guidance issued in 2014 (ASU 2014-09). 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 of the 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.

In February 2017, the FASB issued ASU 2017-05, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets," which clarifies the scope of guidance on nonfinancial asset derecognition in Accounting Standards Codification 610-20 and the accounting for partial sales of nonfinancial assets. The new guidance also conforms the derecognition guidance for nonfinancial assets with the model in the new revenue standard (ASU 2014-09). The new standard is effective for annual reporting periods, and interim periods within those fiscal years, beginning after December 15, 2017, and an entity is required to apply the amendments at the same time that it applies the amendments in ASU 2014-09. The Corporation is currently evaluating the impact of adopting this guidance.

In March 2017, the FASB issued ASU 2017-07, "Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," which amends the requirements related to the income statement presentation of the components of net periodic benefit cost for employer sponsored defined benefit pension and other postretirement benefit plans. Under the new guidance, an entity must disaggregate and present the service cost component of the net periodic benefit cost in the same income statement line item(s) as other employee compensation costs arising from services rendered during the period, and only the service cost component will be eligible for capitalization. Other components of net periodic benefit cost will be presented separately from the line item(s) that includes the service cost. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted at the beginning of an annual period in which the financial statements have not been issued. Entities must use a retrospective transition method to adopt the requirement for separate presentation of the income statement service cost and other components, and a prospective transition method to adopt the requirement to limit the capitalization of benefit cost to the service component. The Corporation is currently evaluating the impact of adopting this guidance.

Union Carbide Corporation and Subsidiaries
Notes to the Consolidated Financial Statements

(Unaudited)

NOTE 3 - INVENTORIES

The following table provides a breakdown of inventories:

Inventories In millions	Jun 30, 2017	Dec 31, 2016
Finished goods	\$ 213	\$ 186
Work in process	36	38
Raw materials	46	50
Supplies	87	87
Total FIFO inventories	\$ 382	\$ 361
Adjustment of inventories to a LIFO basis	(75)	(54)
Total inventories	\$ 307	\$ 307

NOTE 4 - INTANGIBLE ASSETS

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

Intangible Assets In millions	At June 30, 2017			At December 31, 2016		
	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	73	(47)	26	70	(45)	25
Total intangible assets	\$ 106	\$ (80)	\$ 26	\$ 103	\$ (78)	\$ 25

Total estimated amortization expense for 2017 and the five succeeding fiscal years is as follows:

Estimated Amortization Expense	
In millions	
2017	\$ 4
2018	\$ 6
2019	\$ 6
2020	\$ 6
2021	\$ 4
2022	\$ 2

Union Carbide Corporation and Subsidiaries
Notes to the Consolidated Financial Statements

(Unaudited)

NOTE 5 - FINANCIAL INSTRUMENTS**Investments**

The Corporation's investments in marketable securities are classified as available-for-sale. Proceeds from sales of available-for-sale securities were \$2 million for the six-month period ended June 30, 2017 (\$2 million in proceeds from the maturity of marketable securities for the six-month period ended June 30, 2016).

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.

Fair Value of Financial Instruments

In millions	At June 30, 2017				At December 31, 2016			
	Cost	Gain	Loss	Fair Value	Cost	Gain	Loss	Fair Value
Cash equivalents	\$ 9	\$ —	\$ —	\$ 9	\$ 7	\$ —	\$ —	\$ 7
Debt securities (1)	\$ —	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ —	\$ 2
Long-term debt including debt due within one year	\$ (476)	\$ —	\$ (125)	\$ (601)	\$ (476)	\$ —	\$ (95)	\$ (571)

(1) Marketable securities are included in "Other investments" in the consolidated balance sheets.

For all other financial instruments, cost approximates fair value.

NOTE 6 - 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 June 30, 2017, the Corporation had accrued obligations of \$135 million for probable environmental remediation and restoration costs, including \$20 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 two and a half 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, 2016, the Corporation had accrued obligations of \$145 million for probable environmental remediation and restoration costs, including \$20 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.

Union Carbide Corporation and Subsidiaries
Notes to the Consolidated Financial Statements

(Unaudited)

Asbestos-Related Matters

A description of asbestos-related matters 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, 2016.

Introduction

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.

Estimating the Asbestos-Related Liability

Since 2003, the Corporation has engaged Ankura Consulting Group, LLC ("Ankura"), a third party actuarial specialist, to review the Corporation's historical asbestos-related claim and resolution activity in order to assist UCC management in estimating the Corporation's asbestos-related liability. Each year, Ankura has reviewed the claim and resolution activity to determine the appropriateness of updating the most recent Ankura study. Historically, every other year beginning in October, Ankura has completed a full review and formal update to the most recent Ankura study.

Based on the December 2016 Ankura study and the Corporation's own review of the data, and taking into account the change in accounting policy that occurred in the fourth quarter of 2016, the Corporation's total asbestos-related liability through the terminal year of 2049, including asbestos-related defense and processing costs, was \$1,490 million at December 31, 2016, and was included in "Asbestos-related liabilities - current" and "Asbestos-related liabilities - noncurrent" in the consolidated balance sheets.

Each quarter, the Corporation reviews claims filed, settled and dismissed, as well as average settlement and resolution costs by disease category. The Corporation also considers additional quantitative and qualitative factors such as the nature of pending claims, trial experience of the Corporation and other asbestos defendants, current spending for defense and processing costs, significant appellate rulings and legislative developments, trends in the tort system, and their respective effects on expected future resolution costs. UCC management considers all these factors in conjunction with the most recent Ankura study and determines whether a change in the estimate is warranted. Based on the Corporation's review of 2017 activity, it was determined that no adjustment to the accrual was required at June 30, 2017.

The Corporation's asbestos-related liability for pending and future claims and defense and processing costs was \$1,422 million at June 30, 2017, and approximately 14 percent of the recorded liability related to pending claims and approximately 86 percent related to future claims.

Summary

The Corporation's management believes the amounts recorded for the asbestos-related liability (including defense and processing costs) reflect reasonable and probable estimates of the liability based on current, known facts. However, future events, such as the number of new claims to be filed and/or received each year and the average cost of defending and disposing of each such claim, as well as the numerous uncertainties surrounding asbestos litigation in the United States over a significant period of time, could cause the actual costs for the Corporation to be higher or lower than those projected or those recorded. Any such event could result in an increase or decrease in the recorded liability.

Because of the uncertainties described above, the Corporation cannot estimate the full range of the cost of resolving pending and future asbestos-related claims facing UCC and Amchem. As a result, it is reasonably possible that an additional cost of disposing of asbestos-related claims, including future defense and processing 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.

Union Carbide Corporation and Subsidiaries
Notes to the Consolidated Financial Statements

(Unaudited)

Other Litigation

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 the possibility is remote that the aggregate of all such other claims and lawsuits will have a material adverse impact on the results of operations, cash flows and financial position of the Corporation.

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, 2016. There have been no material changes to purchase commitments since December 31, 2016.

NOTE 7 - PENSION AND OTHER POSTRETIREMENT BENEFITS

Net Periodic Benefit Cost for All Significant Plans	Three Months Ended		Six Months Ended	
	Jun 30, 2017	Jun 30, 2016	Jun 30, 2017	Jun 30, 2016
In millions				
<i>Defined Benefit Pension Plans:</i>				
Service cost	\$ 9	\$ 9	\$ 18	\$ 18
Interest cost	32	33	64	66
Expected return on plan assets	(55)	(54)	(110)	(108)
Amortization of net loss	21	19	42	38
Net periodic benefit cost	\$ 7	\$ 7	\$ 14	\$ 14
<i>Other Postretirement Benefits:</i>				
Interest cost	\$ 2	\$ 2	\$ 4	\$ 4
Amortization of net gain	(1)	(1)	(2)	(3)
Net periodic benefit cost	\$ 1	\$ 1	\$ 2	\$ 1

NOTE 8 - 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 \$406 million in the second quarter of 2017 (\$347 million in the second quarter of 2016) and \$836 million during the first six months of 2017 (\$632 million during the first six months of 2016). The increase in purchase costs in the first half of 2017 when compared with the same period last year is due to higher 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 \$8 million in the second quarter of 2017 (\$7 million in the second quarter of 2016) and \$16 million for the first six months of 2017 (\$14 million for the first six months of 2016) 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 \$23 million in the second quarter of 2017 (\$18 million in the second quarter of 2016) and \$40 million in the first six months of 2017 (\$34 million in the first six months of 2016), and were included in "Cost of sales" in the consolidated statements of income.

Union Carbide Corporation and Subsidiaries
Notes to the Consolidated Financial Statements

(Unaudited)

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 June 30, 2017, the Corporation had a note receivable of \$1.2 billion (\$1.4 billion at December 31, 2016) 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, 2017. 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, with cash collateral. At June 30, 2017, \$948 million (\$947 million at December 31, 2016) 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 determines if there will be 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 second quarter of 2017, the Corporation declared and paid a cash dividend of \$181 million to Dow; dividends to Dow totaled \$350 million in the first six months of 2017. In the second quarter of 2016, the Corporation declared and paid a cash dividend of \$200 million to Dow; dividends to Dow totaled \$400 million for the first six months of 2016.

NOTE 9 - 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 legal proceedings and the Corporation's ongoing assessment of the unrecognized tax benefits, which resulted in an unfavorable impact of \$57 million to "Provision for income taxes" in the consolidated statements of income in the second quarter of 2016.

Interest and penalties associated with uncertain tax positions are recognized as components of "Provision for income taxes" in the consolidated statements of income and totaled a benefit of \$1 million for the three months ended June 30, 2017 (a charge of \$90 million for the three months ended June 30, 2016). During the six months ended June 30, 2017, the Corporation recognized a benefit of \$1 million for interest and penalties (a charge of \$82 million for the six months ended June 30, 2016).

Union Carbide Corporation and Subsidiaries
Notes to the Consolidated Financial Statements

(Unaudited)

NOTE 10 - ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table provides an analysis of the changes in accumulated other comprehensive loss for the six-month periods ended June 30, 2017 and 2016:

Accumulated Other Comprehensive Loss In millions	Six Months Ended	
	Jun 30, 2017	Jun 30, 2016
Cumulative Translation Adjustments at beginning of year	\$ (62)	\$ (61)
Reclassification to earnings - Sundry income (expense) - net (1)	3	—
Balance at end of period	\$ (59)	\$ (61)
Pension and Other Postretirement Benefit Plans at beginning of year	\$ (1,258)	\$ (1,167)
Adjustments to pension and other postretirement benefit plans (net of tax of \$16, \$14) (2) (3)	24	21
Balance at end of period	\$ (1,234)	\$ (1,146)
Total Accumulated Other Comprehensive Loss	\$ (1,293)	\$ (1,207)

(1) In 2017, reclassification resulted from the divestiture of a nonconsolidated affiliate.

(2) Included in "Net periodic benefit cost." See Note 7 for additional information.

(3) Tax amounts are included in "Provision for income taxes" in the consolidated statements of income.

NOTE 11 - 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, as amended on March 31, 2017 (the "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 (collectively, the "Merger Transaction"). Following the consummation of the Mergers, Dow and DuPont intend to pursue, subject to the receipt of any required regulatory approvals and approval by the board of directors of DowDuPont, the separation of the combined company's agricultural business, specialty products business and materials science business through one or more tax-efficient transactions.

On March 27, 2017, Dow and DuPont announced that the European Commission ("EC") granted conditional approval in Europe of the companies' proposed merger of equals. The EC's approval was conditioned on DuPont and Dow fulfilling certain divestiture commitments given to the EC in connection with the clearance. Specifically, DuPont will divest its Cereal Broadleaf Herbicides and Chewing Insecticides portfolios as well as its Crop Protection research and development ("R&D") pipeline and organization (excluding seed treatment, nematocides, late-stage R&D programs and certain personnel needed to support marketed products and R&D programs that will remain with DuPont) (collectively, the "DuPont Divested Assets"). Dow will divest its global Ethylene Acrylic Acid ("EAA") copolymers and ionomers business to SK Global Chemical Co., Ltd., as announced on February 2, 2017. Dow's divestiture of the EAA business is conditioned on Dow and DuPont closing the Merger Transaction, in addition to other customary closing conditions, including the receipt of certain required regulatory approvals, local employment law and governance obligations.

On March 31, 2017, in connection with the commitments given to the EC with respect to its conditional approval of the Merger Transaction, DuPont entered into an agreement with FMC Corporation ("FMC") whereby FMC will acquire the DuPont Divested Assets and DuPont will acquire FMC's Health and Nutrition business segment, excluding its Omega-3 products (the "H&N Business"). DuPont's transaction with FMC is expected to close in the fourth quarter of 2017, subject to the closing of the Merger Transaction, in addition to the waiver or satisfaction of other customary closing conditions, including approval by the EC of FMC as the buyer of the DuPont Divested Assets and the receipt of other required regulatory approvals.

In connection with DuPont's proposed transaction with FMC, on March 31, 2017, Dow and DuPont amended the Merger Agreement to, among other things, extend the outside date from June 15, 2017 to August 31, 2017, and to provide that DuPont cannot take certain specified actions to obtain regulatory approvals with respect to its acquisition of the H&N Business if those actions would reasonably be likely to result in the one-year loss of revenues to Dow, DuPont, DowDuPont, their subsidiaries or the H&N Business in excess of \$350 million in the aggregate (based on fiscal year 2016 annual revenues). In addition, the amendment of the Merger Agreement also amended the form of bylaws for DowDuPont to reflect that Dow and DuPont currently intend that the first step in the intended separation process will be the spin-off of the post-merger materials science

Union Carbide Corporation and Subsidiaries
Notes to the Consolidated Financial Statements

(Unaudited)

business (assuming that such sequencing would allow for the completion of all of the intended spin-offs within 18 months following closing of the Merger Transaction and would not adversely impact the value of the intended spin-off transaction to DowDuPont's shareholders).

On May 2, 2017, Dow and DuPont announced that China's Ministry of Commerce ("MOFCOM") granted conditional regulatory approval for the companies' proposed merger of equals which includes commitments already made to the EC including DuPont's divestiture of the DuPont Divested Assets and Dow's divestiture of the EAA copolymers and ionomers business. In addition, Dow and DuPont have made commitments related to the supply and distribution in China of certain herbicide and insecticide ingredients and formulations for rice crops for five years after the closing of the Merger Transaction.

On May 17, 2017, Dow and DuPont announced that Brazil's Administrative Council for Economic Defense ("CADE") granted conditional regulatory approval of the companies' proposed merger of equals. CADE's approval is subject to Dow's divestment of a select portion of Dow AgroSciences' corn seed business in Brazil, including some seed processing plants and seed research centers, a copy of Dow AgroSciences' Brazilian corn germplasm bank, the MORGAN™ brand and a license for the use of the DOW SEMENTES™ brand for a certain period of time (collectively, the "Dow Divested Assets"), and is incremental to commitments already made to the EC, China and regulatory agencies in other jurisdictions. On July 11, 2017, Dow announced it had entered into a definitive agreement to sell the Dow Divested Assets to CITIC Agri Fund, which is conditioned on Dow and DuPont closing the Merger Transaction and approval by CADE.

On June 15, 2017, Dow and DuPont announced that a proposed agreement has been reached with the Antitrust Division of the United States Department of Justice that will permit the companies to proceed with the proposed merger of equals transaction. The proposed agreement is consistent with commitments already made to the EC.

On June 28, 2017, the Board of Directors ("Boards") of Dow and DuPont reiterated their support of the proposed merger of equals transaction. In addition, the Boards announced their support of a comprehensive portfolio review for DowDuPont, which is intended to assess current business facts and leverage the knowledge gained over the past year and a half to capture any material value-enhancing opportunities in preparation for the intended creation of three industry-leading companies.

Dow and DuPont remain focused on closing the Merger Transaction. Closing is expected to occur in August 2017.

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 six-month period ended June 30, 2017, the most recent period, compared with the six-month period ended June 30, 2016, 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 \$1,297 million in the second quarter of 2017 compared with \$1,261 million in the second quarter of 2016, an increase of 3 percent. Total net sales were \$2,620 million for the first six months of 2017 compared with \$2,473 million for the first six months of 2016, an increase of 6 percent. Net sales to related companies, principally to Dow, and based on market prices for the related products, were \$1,272 million in the second quarter of 2017 compared with \$1,237 million in the second quarter of 2016, an increase of 3 percent. Net sales to related companies were \$2,538 million for the first six months of 2017 compared with \$2,423 million for the first six months of 2016, an increase of 5 percent.

Average selling prices increased 6 percent in the second quarter of 2017 compared with the same quarter last year. Price increases were primarily driven by higher feedstock, energy and other raw material prices, with the largest increases in polyethylene, ethylene oxide/ethylene glycol and vinyl acetate monomers. Total sales volume was down 3 percent in the second quarter of 2017 compared with the second quarter of 2016. Increases in sales volume in polyethylene and glutaraldehydes were more than offset by lower sales volume in electrical and telecommunications, acrylic monomers and oxo alcohols and from the impact of planned maintenance turnarounds.

For the first six months of 2017, average selling prices of most products increased compared with the first six months of 2016, driven by higher feedstock, energy and other raw material costs. Sales volume for the first six months of 2017 was flat when compared with the first six months of 2016. Sales volume increases were driven by increased demand in vinyl acetate monomers, glutaraldehydes, glycol ethers and polyethylene but were offset by lower sales volume in electrical and telecommunications and oxo alcohols.

Cost of Sales

Cost of sales were \$1,024 million in the second quarter of 2017 compared with \$936 million in the second quarter of 2016, an increase of 9 percent. Cost of sales increased 17 percent from \$1,769 million in the first six months of 2016 to \$2,065 million in the first six months of 2017. Increases for the three- and six-month periods ended June 30, 2017, were driven by higher feedstock, energy and other raw material costs as well as increased planned maintenance turnaround spending when compared with the same periods last year.

Research and Development, Selling, General and Administrative Expenses

Research and development expenses were \$8 million in the second quarter of 2017 compared with \$5 million in the second quarter of 2016. For the first six months of 2017, research and development expenses were \$10 million compared with \$9 million in the first six months of 2016. Selling, general and administrative expenses were \$1 million in the second quarter of 2017 compared with \$2 million in the second quarter of 2016. For the first six months of 2017, selling, general and administrative expenses were \$3 million compared with \$4 million in the first six months of 2016.

Equity in Earnings of Nonconsolidated Affiliate

Equity in earnings of a nonconsolidated affiliate was zero in the second quarter of 2017 and the first six months of 2017, compared with \$1 million in the second quarter of 2016 and \$3 million in the first six months of 2016. On March 16, 2017, UCC entered into a share sale and purchase agreement to sell its ownership interest in Asian Acetyls Co., Ltd. ("ASACCO"), a nonconsolidated affiliate accounted for under the equity method of accounting. ASACCO agreed to purchase all of the shares

Union Carbide Corporation and Subsidiaries

of registered common stock owned by UCC. On April 24, 2017, the sale was completed for proceeds of \$22 million. In the second quarter of 2017, the Corporation recorded a pretax gain of \$4 million on the sale, included in "Sundry income (expense) - net" in the consolidated statements of income.

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 second quarter of 2017 was income of \$17 million compared with income of \$37 million for the same quarter last year. For the first six months of 2017, sundry income (expense) - net was income of \$5 million compared with income of \$24 million for the first six months of 2016. Sundry income (expense) - net includes the pretax gains on the sales of land at the Corporation's Texas City, Texas, site in the second quarters of 2016 and 2017.

Texas City, Texas, Land Sales

On June 27, 2016, UCC signed agreements for the sale of excess land at the Texas City, Texas, manufacturing site. As a result, in the second quarter of 2016, UCC recorded a pretax gain of \$46 million on the sale of one parcel of land. On April 3, 2017, the Corporation sold a second parcel of land, which also included terminal assets and ancillary agreements for the supply of energy and site and terminal services, and recorded a pretax gain of \$23 million in the second quarter of 2017.

Interest Income and Expense

Interest income was \$5 million in the second quarter of 2017 (\$9 million for the first six months of 2017) compared with \$3 million in the second quarter of 2016 (\$6 million for the first six months of 2016). Interest expense and amortization of debt discount was \$7 million in the second quarter of 2017 (\$14 million for the first six months of 2017) compared with \$5 million in the second quarter of 2016 (\$11 million for the first six months of 2016).

Provision for Income Taxes

The Corporation reported a tax provision of \$95 million in the second quarter of 2017, which resulted in an effective tax rate of 34.3 percent. This compared with a tax provision of \$179 million in the second quarter of 2016, which resulted in an effective tax rate of 50.9 percent. For the first six months of 2017, the Corporation reported a tax provision of \$185 million, which resulted in an effective tax rate of 34.3 percent. This compared with a tax provision of \$298 million for the first six months of 2016, which resulted in an effective tax rate of 41.9 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 the reserve for uncertain tax positions 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 9 to the Consolidated Financial Statements for additional information.

Net Income Attributable to UCC

The Corporation reported net income of \$182 million in the second quarter of 2017 compared with \$173 million in the second quarter of 2016. Net income for the first six months of 2017 was \$355 million compared with \$413 million for the first six months of 2016.

Capital Expenditures

Capital spending in the second quarter of 2017 was \$48 million (\$98 million for the first six months of 2017) compared with \$65 million in the second quarter of 2016 (\$118 million for the first six months of 2016), reflecting spending for U.S. Gulf Coast projects and site infrastructure projects in both years.

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, 2016 ("2016 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

Union Carbide Corporation and Subsidiaries

Analysis of Financial Condition and Results of Operations in the Corporation's 2016 10-K. Since December 31, 2016, 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.

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.

Asbestos-Related Claim Activity	<i>2017</i>	<i>2016</i>
Claims unresolved at January 1	16,141	18,778
Claims filed	3,644	4,220
Claims settled, dismissed or otherwise resolved	(3,875)	(3,926)
Claims unresolved at June 30	15,910	19,072
Claimants with claims against both UCC and Amchem	(5,648)	(6,947)
Individual claimants at June 30	10,262	12,125

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 6 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 June 30, 2017.

Dividends

On a quarterly basis, the Corporation's Board of Directors reviews and determines if there will be 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 second quarter of 2017, the Corporation declared and paid a cash dividend of \$181 million to Dow; dividends paid to Dow totaled \$350 million for the first six months of 2017. In the second quarter of 2016, the Corporation declared and paid a cash dividend of \$200 million to Dow; dividends paid to Dow totaled \$400 million for the first six months of 2016. On July 24, 2017, the UCC Board of Directors approved a dividend to Dow of \$181 million, payable on September 22, 2017.

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 in the second quarter of 2017. For a current status of asbestos-related matters, see Note 6 to the Consolidated Financial Statements.

ITEM 1A. RISK FACTORS

There were no material changes in the Corporation's risk factors in the second quarter of 2017.

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
Trademark Listing**

The following trademark of The Dow Chemical Company appears in this report: DOW SEMENTES

The following trademark of Dow AgroSciences LLC appears in this report: MORGAN

**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: July 27, 2017

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.

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 June 30, 2017.

/s/ B. THOMAS FLORENCE

B. Thomas Florence
Senior Managing Director
Ankura Consulting Group, LLC
July 27, 2017

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: July 27, 2017

/s/ RICHARD A. WELLS

Richard A. Wells
President and Chief Executive Officer

Union Carbide Corporation and Subsidiaries

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: July 27, 2017

/s/ IGNACIO MOLINA

Ignacio Molina
Vice President, Treasurer and
Chief Financial Officer

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 June 30, 2017 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: July 27, 2017

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 June 30, 2017 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: July 27, 2017