M/037/027

UNION CARBIDE CORPORATION

39 Old Ridgebury Road • Danbury, CT 06817-0001
Treasurer's Group • M4

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RECEIVED
AUG 14 2000
DIVISION OF
OIL, GAS AND MINING

August 8, 2000

Utah Department Of Natural Resources
Div of Oil Gas & Mining, Minerals Reclamation Program
Attn: Joelle Burns
1594 W. North Temple, Suite 1210
Salt Lake City, UT 84114-5801

Re: Utah Board Of Oil, Gas and Mining and Union Carbide Corp.
And Its Wholly-Owned Subsidiary UMETCO Mineral Corporation
Mined-Lands Reclamation Contracts

In accordance with the terms of the referenced financing, please find attached

Union Carbide's Second Quarter 10-Q for the period ended June 30, 2000.

Please advise any changes to your address.

Sincerely,

Alice Brescia

Alice Brescia

/ab
Attachment

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D C 20549
FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2000

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)	(I.R.S. Employer Identification No.)
39 Old Ridgebury Road, Danbury, CT	06817-0001
(Address of principal executive offices)	(Zip Code)

203-794-2000
Registrant's telephone number, including area code

(Former name, former address and former fiscal year, if changed since last report.)

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 X No__

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 31, 2000
Common Stock, $1 par value	134,922,253 shares

Total number of sequentially numbered pages in this filing, including exhibits thereto: 24

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Cautionary statement: All statements in this Quarterly Report on Form 10-Q that do not reflect historical information are forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995 (as amended). Forward-looking statements include statements concerning the pending merger with The Dow Chemical Company (and, with regard to the merger, the Dow Merger); plans; objectives; strategies; anticipated future events or performance; sales; cost, expense and earnings expectations; interest rate and currency risk management; the chemical markets in 2000 and beyond; development, production and acceptance of new products and process technologies; ongoing and planned capacity additions and expansions; joint ventures; Management's Discussion and Analysis; and any other statements that do not reflect historical information. Such forward-looking statements are subject to risks and uncertainties. Important factors that could cause actual results to differ materially from those discussed in such forward-looking statements include the supply/demand balance for the corporation's products; customer inventory levels; competitive pricing pressures; raw material availability and costs; changes in industry production capacities and operating rates; currency exchange rates; interest rates; global economic conditions; competitive technology positions; failure by the corporation to achieve technology objectives, achieve cost reduction targets or complete projects on schedule and on budget; inability to obtain new customers or retain existing ones; and, with respect to the Dow Merger, failure to obtain necessary regulatory and other governmental approvals and failure to satisfy conditions of the merger agreement.

PART I. FINANCIAL INFORMATION

UNION CARBIDE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Millions of dollars (Except per share figures) Quarter ended June 30,	
	2000	1999
NET SALES	$1,674	$1,418
Cost of sales, exclusive of depreciation and amortization	1,354	1,105
Research and development	39	39
Selling, administrative and other expenses[a]	61	57
Depreciation and amortization	102	95
Partnership income (loss)	9	(4)
Other income - net	36	27
INCOME BEFORE INTEREST EXPENSE AND PROVISION FOR INCOME TAXES	163	145
Interest expense	45	35
INCOME BEFORE PROVISION FOR INCOME TAXES	118	110
Provision for income taxes	29	28
INCOME OF CONSOLIDATED COMPANIES AND PARTNERSHIPS	89	82
Minority interest	2	1
Income (loss) from corporate investments carried at equity	43	(18)
NET INCOME	$ 130	$ 63
Earnings per common share		
Basic	$ 0.96	$ 0.47
Diluted	$ 0.94	$ 0.46
Cash dividends declared per common share	$ 0.225	$ 0.225
(a) Selling, administrative and other expenses include:		
Selling	$ 22	$ 23
Administrative	22	16
Other expenses	17	18
	$ 61	$ 57

The Notes to Condensed Consolidated Financial Statements on Pages 7 through 13 should be read in conjunction with this statement.

UNION CARBIDE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Millions of dollars (Except per share figures) Six months ended June 30,	
	2000	1999
NET SALES	$3,291	$2,820
Cost of sales, exclusive of depreciation and amortization	2,668	2,137
Research and development	78	76
Selling, administrative and other expenses (a)	134	127
Depreciation and amortization	204	199
Partnership income	12	2
Other income - net	60	41
INCOME BEFORE INTEREST EXPENSE AND PROVISION FOR INCOME TAXES	279	324
Interest expense	82	66
INCOME BEFORE PROVISION FOR INCOME TAXES	197	258
Provision for income taxes	49	66
INCOME OF CONSOLIDATED COMPANIES AND PARTNERSHIPS	148	192
Minority interest	3	2
Income (loss) from corporate investments carried at equity	82	(50)
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	227	140
Cumulative effect of change in accounting principle	-	(20)
NET INCOME	$ 227	$ 120
Earnings per common share		
Basic -		
Income before cumulative effect of change in accounting principle	$ 1.68	$ 1.05
Cumulative effect of change in accounting principle	-	(0.15)
Net income	$ 1.68	$ 0.90
Diluted -		
Income before cumulative effect of change in accounting principle	$ 1.65	$ 1.02
Cumulative effect of change in accounting principle	-	(0.14)
Net income	$ 1.65	$ 0.88
Cash dividends declared per common share	$ 0.45	$ 0.45
(a) Selling, administrative and other expenses include:		
Selling	$ 45	$ 46
Administrative	44	41
Other expenses	45	40
	$ 134	$ 127

The Notes to Condensed Consolidated Financial Statements on Pages 7 through 13 should be read in conjunction with this statement.

UNION CARBIDE CORPORATION AND SIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET

	Millions of dollars	
	June 30, 2000	Dec. 31, 1999
ASSETS		
Cash and cash equivalents	$ 59	$ 41
Notes and accounts receivable	1,166	1,132
Inventories	743	680
Other current assets	301	297
Total current assets	2,269	2,150
Property, plant and equipment	9,303	9,057
Less: Accumulated depreciation	4,687	4,536
Net fixed assets	4,616	4,521
Companies carried at equity	915	756
Other investments and advances	92	75
Total investments and advances	1,007	831
Other assets	525	455
Total assets	$8,417	$ 7,957
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 298	$ 329
Short-term debt and current portion of long-term debt	1,109	782
Accrued income and other taxes	15	-
Other accrued liabilities	758	678
Total current liabilities	2,180	1,789
Long-term debt	1,758	1,869
Postretirement benefit obligation	431	438
Other long-term obligations	567	603
Deferred credits	652	599
Minority stockholders' equity in consolidated subsidiaries	44	42
Stockholders' equity:		
Common stock - authorized - 500,000,000 shares - issued - 158,297,608 shares (157,571,933 shares in 1999)	158	158
Additional paid-in capital	193	165
Other equity adjustments	(2)	(1)
Accumulated other comprehensive loss	(191)	(160)
Retained earnings	3,697	3,530
Unearned employee compensation - ESOP	(51)	(56)
Treasury stock, at cost - 23,416,034 shares (23,428,229 shares in 1999)	(1,019)	(1,019)
Total stockholders' equity	2,785	2,617
Total liabilities and stockholders' equity	$8,417	$ 7,957

The Notes to Condensed Consolidated Financial Statements on Pages 7 through 13 should be read in conjunction with this statement.

UNION CARBIDE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Millions of dollars Six Months Ended June 30, 2000	1999
	Increase (decrease) in Cash and cash equivalents	
OPERATIONS		
Income before cumulative effect of change in accounting principle	$ 227	$ 140
Noncash charges (credits) to net income:		
Depreciation and amortization	204	199
Deferred income taxes	58	81
Equity in (earnings) losses of joint ventures, net of cash received	(57)	68
Other	(45)	21
Decrease (increase) in working capital [a]	(101)	(228)
Long-term assets and liabilities	(27)	(33)
Cash Flow From Operations	259	248
INVESTING		
Capital expenditures	(322)	(381)
Investments, advances and acquisitions	(135)	(62)
Proceeds from the sale of available-for-sale securities	65	18
Purchase of available-for-sale securities	(38)	(28)
Sale of fixed and other assets	8	19
Cash Flow Used for Investing	(422)	(434)
FINANCING		
Change in short-term debt (3 months or less)	340	20
Proceeds from short-term debt	3	2
Repayments of short-term debt	(13)	(8)
Proceeds from long-term debt	-	285
Repayments of long-term debt	(114)	(52)
Issuance of common stock	20	30
Purchase of common stock	-	(50)
Payment of dividends	(61)	(60)
Other	5	11
Cash Flow From Financing	180	178
Effect of exchange rate changes on cash and cash equivalents	1	-
Change in cash and cash equivalents	18	(8)
Cash and cash equivalents, beginning-of-period	41	49
Cash and cash equivalents, end-of-period	$ 59	$ 41
Cash (received) paid for interest and income taxes		
Interest (net of amount capitalized)	$ 96	$ 72
Income taxes	$ (33)	$ 18
(a) Net change in certain components of working capital (excluding noncash transactions):		
(Increase) decrease in current assets		
Notes and accounts receivable	$ (24)	$(146)
Inventories	(63)	71
Other current assets	(4)	(20)
(Decrease) increase in payables and accruals	(10)	(133)
(Increase) decrease in working capital	$(101)	$(228)

The Notes to Condensed Consolidated Financial Statements on Pages 7 through 13 should be read in conjunction with this statement.

UNION CARBIDE CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated Financial Statements

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments necessary for a fair statement of the results for the interim periods. These adjustments consist of only normal recurring adjustments. The accompanying statements should be read in conjunction with the Notes to Financial Statements of Union Carbide Corporation and Subsidiaries ("the corporation" or "UCC") in the 1999 annual report to stockholders.

Unrealized gains and losses resulting from translating foreign subsidiaries' assets and liabilities into U.S. dollars generally are recognized as part of "Comprehensive income," and are included in "Accumulated other comprehensive loss" on the Condensed Consolidated Balance Sheet until such time as the subsidiary is sold or substantially or completely liquidated. Translation gains and losses relating to those operations located in Latin American countries where hyperinflation exists and to international operations using the U.S. dollar as their functional currency are included in the Condensed Consolidated Statement of Income.

2. Comprehensive Income

The following summary presents the components of comprehensive income:

	Quarter Ended June 30,		Six Months Ended June 30,	
Millions of dollars,	2000	1999	2000	1999
Net income	$130	$63	$227	$120
Other comprehensive income:				
Unrealized gains and losses on available-for-sale securities, net of reclassification adjustments and net of tax	-	2	4	2
Foreign currency translation adjustments	(25)	(2)	(35)	(55)
Comprehensive income	$105	$63	$196	$ 67

3. Inventories

Millions of dollars,	June 30, 2000	Dec. 31, 1999
Raw materials and supplies	$170	$152
Work in process	58	45
Finished goods	515	483
	$743	$680

4. Business and Geographic Segment Information

The corporation has two operating segments, Specialties & Intermediates ("S&I") and Basic Chemicals & Polymers ("BC&P"). The S&I segment includes the corporation's specialty chemicals and polymers product lines, licensing, and solvents and chemical intermediates. The BC&P segment includes the corporation's ethylene and propylene manufacturing operations as well as the production of first-level ethylene and propylene derivatives-polyethylene, polypropylene, ethylene oxide and ethylene glycol. In addition to its operating segments, the corporation's Other segment includes its non-core operations and financial transactions other than derivatives designated as hedges, which are included in the same segment as the item being hedged.

Sales of the BC&P segment include intersegment sales, principally ethylene oxide, which are made at the estimated market value of the products transferred. The corporation evaluates performance based on Income before interest expense and provision for income taxes ("operating profit").

Millions of dollars, for the three months ended	S&I	BC&P	Other	Total
June 30, 2000				
Net sales	$1,125	$ 549	$ -	$1,674
Intersegment revenues	-	106	-	106
Segment revenues	1,125	655	-	1,780
Depreciation and amortization	67	35	-	102
Partnership income (loss)	8	1	-	9
Operating profit (loss)	92	74	(3)	163
Interest expense	-	-	45	45
Income (loss) from corporate investments carried at equity	(2)	45	-	43

Millions of dollars, for the three months ended	S&I	BC&P	Other	Total
June 30, 1999				
Net sales	$1,036	$382	$ -	$1,418
Intersegment revenues	-	54	-	54
Segment revenues	1,036	436	-	1,472
Depreciation and amortization	62	33	-	95
Partnership income (loss)	(2)	(2)	-	(4)
Operating profit (loss)	188	(42)	(1)	145
Interest expense	-	-	35	35
Income (loss) from corporate investments carried at equity	-	(18)	-	(18)

Millions of dollars, for the six months ended	S&I	BC&P	Other	Total
June 30, 2000				
Net sales	$2,233	$1,058	$ -	$3,291
Intersegment revenues	-	205	-	205
Segment revenues	2,233	1,263	-	3,496
Depreciation and amortization	134	70	-	204
Partnership income (loss)	10	2	-	12
Operating profit (loss)	174	104	1	279
Interest expense	-	-	82	82
Income (loss) from corporate investments carried at equity	(1)	83	-	82

Millions of dollars, for the six months ended	S&I	BC&P	Other	Total
June 30, 1999				
Net sales	$2,070	$750	$ -	$2,820
Intersegment revenues	-	107	-	107
Segment revenues	2,070	857	-	2,927
Depreciation and amortization	125	74	-	199
Partnership income (loss)	2	-	-	2
Operating profit (loss)	396	(75)	3	324
Interest expense	-	-	66	66
Income (loss) from corporate investments carried at equity	4	(54)	-	(50)

Operating profit for the three and six month periods ended June 30, 2000 includes an $18 million gain on shares received and sold in connection with the demutalization of Metropolitan Life Insurance Company, a provider of certain employee benefit programs for the corporation, of which $12 million and $6 million was recognized by the S&I and BC&P segment, respectively.

The operating profit of the S&I segment for the three and six month periods ended June 30, 1999 includes a $12 million net gain from a litigation settlement.

5. Earnings Per Share

Millions of dollars, except per share amounts	Quarter Ended June 30, 2000	Quarter Ended June 30, 1999	Six Months Ended June 30, 2000	Six Months Ended June 30, 1999
Income before cumulative effect of change in accounting principle	$ 130	$ 63	$ 227	$ 140
Cumulative effect of change in accounting principle	-	-	-	(20)
Net income	$ 130	$ 63	$ 227	$ 120
Basic -				
Weighted average number of shares outstanding for basic calculation	134,745,740	133,088,173	134,575,898	132,968,994
Earnings per share -				
Income before cumulative effect of change in accounting principle	$0.96	$0.47	$1.68	$ 1.05
Cumulative effect of change in accounting principle	-	-	-	(0.15)
Net income	$0.96	$0.47	$1.68	$ 0.90
Diluted -				
Weighted average number of shares outstanding for basic calculation	134,745,740	133,088,173	134,575,898	132,968,994
Add: Effect of stock options	3,173,330	3,365,490	3,165,604	3,113,510
Weighted average number of shares outstanding for diluted calculation	137,919,070	136,453,663	137,741,502	136,082,504
Earnings per share -				
Income before cumulative effect of change in accounting principle	$0.94	$0.46	$1.65	$ 1.02
Cumulative effect of change in accounting principle	-	-	-	(0.14)
Net income	$0.94	$0.46	$1.65	$ 0.88

6. Commitments and Contingencies

The corporation has three major agreements for the purchase of ethylene-related products and two other purchase agreements in the U.S. and Canada. The net present value of the fixed and determinable portion of obligations under these purchase commitments at June 30, 2000 totaled $194 million.

The corporation is subject to loss contingencies resulting from environmental laws and regulations, which include obligations to remove or remediate the effects on the environment of the disposal or release of certain wastes and substances at various sites. The corporation has established accruals in current dollars for those hazardous waste sites where it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The reliability and precision of the loss estimates are affected by numerous factors, such as different stages of site evaluation, the allocation of responsibility among potentially responsible parties and the assertion of additional claims. The corporation adjusts its accruals as new remediation requirements are defined, as information becomes available permitting reasonable estimates to be made, and to reflect new and changing facts.

At June 30, 2000, the corporation had established environmental remediation accruals in the amount of $192 million. These accruals have two components, estimated future expenditures for site investigation and cleanup and estimated future expenditures for closure and postclosure activities. In addition, the corporation had environmental loss contingencies of $96 million.

The corporation has sole responsibility for the remediation of approximately 40 percent of its environmental sites for which accruals have been established. These sites are well advanced in the investigation and cleanup stage. The corporation's environmental accruals at June 30, 2000 included $153 million for these sites, of which $40 million was for estimated future expenditures for site investigation and cleanup and $113 million was for estimated future expenditures for closure and postclosure activities. In addition, $61 million of the corporation's environmental loss contingencies related to these sites. The three sites with the largest total potential cost to the corporation are nonoperating sites. Of the above accruals, these sites accounted for $56 million, of which $16 million was for estimated future expenditures for site investigation and cleanup and $40 million was for estimated future expenditures for closure and postclosure activities. In addition, $41 million of the above environmental loss contingencies related to these sites.

The corporation does not have sole responsibility at the remainder of its environmental sites for which accruals have been established. All of these sites are in the investigation and cleanup stage. The corporation's environmental accruals at June 30, 2000 included $39 million for estimated future expenditures for site investigation and cleanup at these sites. In addition, $35 million of the corporation's environmental loss contingencies related to these sites. The largest three of these sites are also nonoperating sites. Of the above accruals, these sites accounted for $13 million for estimated future expenditures for site investigation and cleanup. In addition, $18 million of the above environmental loss contingencies related to these sites.

In 1999, worldwide expenses related to environmental protection for compliance with Federal, state and local laws regulating solid and hazardous wastes and discharge of materials to air and water, as well as for waste site remedial activities, totaled $118 million. Expenses in 1998 and 1997 were $91 million and $100 million, respectively. While estimates of the costs of environmental protection for 2000 are necessarily imprecise, the corporation estimates that these expenses will approximate the average of the last three years.

The corporation severally guaranteed up to approximately $167 million at June 30, 2000 of EQUATE Petrochemical Company's ("EQUATE") debt and working capital financing needs. The corporation has also severally guaranteed certain sales volume targets until EQUATE's sales capabilities are proved. In addition, the corporation has pledged its shares in EQUATE as security for EQUATE's debt. The corporation has political risk insurance coverage for its equity investment and a majority of its guarantee of EQUATE's debt.

The corporation had additional contingent obligations at June 30, 2000 totaling $107 million, of which $30 million related to guarantees of debt.

The corporation and its consolidated subsidiaries are 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. In some of these legal proceedings and claims, the cost of remedies that may be sought or damages claimed is substantial.

The corporation has recorded nonenvironmental litigation accruals of $131 million and related insurance recovery receivables of $117 million. At June 30, 2000, the corporation had nonenvironmental litigation loss contingencies of $70 million.

While it is impossible at this time to determine with certainty the ultimate outcome of any of the legal proceedings and claims referred to in this note, management believes that adequate provisions have been made for probable losses with respect thereto and that such ultimate outcome, after provisions therefor, will not have a material adverse effect on the consolidated financial position of the corporation, but could have a material effect on consolidated results of operations in a given quarter or year. Should any losses be sustained in connection with any of such legal proceedings and claims in excess of provisions therefor, they will be charged to income when determinable.

7. Accounting Changes

Effective January 1, 1999, the corporation adopted the provisions of the American Institute of Certified Public Accountants' Statement of Position ("SOP") 98-5, "Reporting on the Costs of Start-Up Activities." This SOP requires the expensing of certain costs, such as preoperating expenses and organizational costs associated with an entity's start-up activities. In accordance with this SOP's provisions, on January 1, 1999, the corporation recognized a charge of $27 million ($20 million after-tax) as a cumulative effect of change in accounting principle, the majority of which represented formation costs associated with the corporation's joint ventures.

In 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("Statement") No. 133, "Accounting for Derivative Instruments and Hedging Activities." It requires that an entity recognize all derivative instruments as either assets or liabilities in the statement of financial position and measure those instruments at fair value. This Statement, as amended by Statement No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133," and Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133," is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. The corporation is currently evaluating the effect Statement No. 133 will have on its financial position and results of operations in the period of adoption.

In 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") 101, "Revenue Recognition in Financial Statements," which summarizes the staff's views regarding the application of generally accepted accounting principles to selected revenue recognition issues. The corporation is evaluating whether SAB 101 will cause any change in its revenue recognition policies and procedures.

8. The Dow Merger

On August 3, 1999, the corporation and The Dow Chemical Company ("Dow") entered an Agreement and Plan of Merger providing for the merger of a subsidiary of Dow with and into the corporation. As a result of the merger, the corporation will become a wholly-owned subsidiary of Dow and the corporation's shareholders will receive 1.611 shares of Dow common stock for each share of UCC common stock they own as of the date of the merger. On December 1, 1999, the corporation's shareholders approved the merger. On May 3, 2000, the European Commission approved the merger subject to the divestiture of certain assets and the licensing of certain technology. The merger is still subject to certain additional conditions including review by antitrust regulatory authorities in the United States.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Union Carbide operates in two business segments. The Specialties & Intermediates ("S&I") segment converts basic and intermediate chemicals into a diverse portfolio of chemicals and polymers serving industrial customers in many markets. This segment also provides technology services, including licensing, to the oil and petrochemicals industries. The Basic Chemicals & Polymers ("BC&P") segment converts hydrocarbon feedstocks, principally liquefied petroleum gas and naphtha, into ethylene or propylene used to manufacture polyethylene, polypropylene, ethylene oxide and ethylene glycol for sale to third-party customers, as well as ethylene, propylene, ethylene oxide and ethylene glycol for consumption by the S&I segment. In comparison with those of S&I, the revenues and operating profit of BC&P tend to be more cyclical and very sensitive to a number of external variables, including overall economic demand, hydrocarbon feedstock costs, industry capacity increases and plant operating rates.

In addition to its business segments, the corporation's Other segment includes its noncore operations and financial transactions other than derivatives designated as hedges, which are included in the same segment as the item being hedged.

Summary

The corporation reported second quarter net income of $130 million, or $0.94 per diluted share ($0.96 per basic share). For the same quarter in 1999, the corporation reported net income of $63 million, or $0.46 per diluted share ($0.47 per basic share). Net income for the six months ended June 30, 2000 was $227 million, or $1.65 per diluted share ($1.68 per basic share) compared with net income of $140 million, or $1.02 per diluted share ($1.05 per basic share), before the cumulative effect of a change in accounting principle of $20 million, or $0.14 per diluted share ($0.15 per basic share), for the same six months of 1999.

Consolidated net sales increased 18.1 percent from $1,418 million for the second quarter of 1999 to $1,674 million for the second quarter of 2000. This increase reflects a 20.1 percent increase in average customer selling prices slightly offset by a 1.7 percent decline in customer volume. Consolidated net sales for the first six months of 2000, compared with the same six months of 1999, increased 16.7 percent from $2,820 million to $3,291 million, representing a 17.2 percent increase in average customer selling prices and a slight decline in customer volume. Increases in average customer selling prices occurred in both segments, however, the majority of the increase came from products in the BC&P segment.

The corporation's unit variable margin (revenues less variable manufacturing and distribution costs divided by customer volume) was 15.5 cents per pound in the second quarter of 2000 compared with 14.6 cents per pound for the same quarter in 1999. Consolidated unit variable margin for the first half of 2000 was 15.0 cents per pound compared with 15.4 cents per pound in the first half of 1999. Although the S&I segment benefited from rising average selling prices for the three and six month periods ended June 30, 2000, this benefit did not fully offset significant increases in purchased material and energy costs, which have continued to rise over the past several quarters. In contrast, unit variable margin of the BC&P segment for the three and six

month periods reflec. . significant improvements as i eases in average customer selling prices more than offset increases in raw material and energy costs. Increases in raw material costs were partially offset by the corporation's increased production of ethylene at a lower cost than if purchased.

Fixed cost per pound of product sold (fixed manufacturing and distribution costs, plus research and development and selling, administrative and other expenses, divided by customer volume) increased from 9.5 cents per pound for the second quarter of 1999 to 10.1 cents per pound for the same quarter of 2000. For the first half of 2000, fixed cost per pound of products sold was 10.1 cents compared with 9.7 cents for the same period of 1999.

Partnership income increased by $13 million and $10 million for the quarter and six month period ended June 30, 2000, respectively, as compared with the same periods in 1999. These increases primarily reflect higher earnings for the corporation's UOP and Petromont ventures. Additionally, for the second quarter of 2000, compared with the same quarter in 1999, the corporation's Aspell partnership showed some improvement from a cost-savings program completed in the first quarter of 2000. Income from corporate investments carried at equity increased substantially from a loss of $18 million in the second quarter of 1999 to income of $43 million for the same quarter in 2000 and from a loss of $50 million in the first half of 1999 to income of $82 million in the same half of 2000. The majority of the increase during these periods related to better performance of the corporation's EQUATE and Polimeri Europa joint ventures.

Other income for the three and six month periods ended June 30, 2000 included an $18 million ($11 million after-tax) gain on shares received and sold in connection with the demutualization of Metropolitan Life Insurance Company ("Met Life"), a provider of certain employee benefit programs for the corporation. Other income for the three and six month periods ended June 30, 1999 included a $12 million net gain ($9 million after-tax) from a litigation settlement.

Operating profit was increased by a reduction in pension expense of $22 million and $46 million for the three and six month periods ended June 30, 2000, respectively, as compared with the same periods in 1999, the result of amortization of investment gains and changes in actuarial assumptions reflecting long-term investment returns on pension plan assets.

Interest expense increased $10 million and $16 million for the three and six month periods ended June 30, 2000, respectively, as compared with the similar three and six month periods of 1999. These increases are the result of higher interest rates and additional short-term debt, partly offset by an increase in capitalized interest related to the corporation's current capital projects.

The corporation's effective tax rate for the three and six month periods ended June 30, 2000 and 1999 was approximately 25 percent.

Corporate Matters

Interest Rate and Currency Risk Management

The corporation selectively uses financial instruments to manage its exposure to market risk related to changes in foreign currency exchange rates and interest rates. The corporation does not hold derivative financial instruments for trading purposes.

At June 30, 2000, the corporation held open foreign currency forward contracts with net notional amounts of $97 million and an unrecognized net loss of less than $1 million. At June 30, 2000, the corporation did not hold any derivatives related to its interest rate exposure.

The corporation uses sensitivity analysis to evaluate the potential effect of movements in foreign currency exchange rates and interest rates on the condensed consolidated financial statements. Based on this analysis, a hypothetical 10 percent weakening in the U.S. dollar across all currencies would have resulted in a $10.4 million net loss at June 30, 2000. Alternatively, a hypothetical 10 percent strengthening in the U.S. dollar across all currencies would have resulted in a $9.1 million net gain at June 30, 2000. These gains and losses would generally be offset by fluctuations in the underlying currency transactions.

At June 30, 2000, the corporation had long-term debt of $1,759 million, of which $15 million was variable-rate debt. A 10 percent increase in market interest rates would have decreased the net fair market value of fixed-rate debt instruments by $102 million at June 30, 2000, and a 10 percent decrease in market interest rates would have increased the net fair market value of fixed-rate debt instruments by $115 million at June 30, 2000.

Outlook - Corporate

On August 3, 1999, the corporation and The Dow Chemical Company ("Dow") entered an Agreement and Plan of Merger providing for the merger of a subsidiary of Dow with and into the corporation. As a result of the merger, the corporation will become a wholly-owned subsidiary of Dow and the corporation's shareholders will receive 1.611 shares of Dow common stock for each share of UCC common stock they own as of the date of the merger. On December 1, 1999, the corporation's shareholders approved the merger. On May 3, 2000, the European Commission approved the merger subject to the divestiture of certain assets and the licensing of certain technology. The merger is still subject to certain additional conditions including review by antitrust regulatory authorities in the United States. The transaction is intended to qualify as a tax-free reorganization for United States Federal income tax purposes and is expected to be accounted for under the pooling-of-interests method of accounting.

Specialties and Intermediates

Millions of dollars, except as indicated	Quarter Ended June 30, 2000	Quarter Ended June 30, 1999	Six Months Ended June 30, 2000	Six Months Ended June 30, 1999
Segment revenues	$1,125	$1,036	$2,233	$2,070
Depreciation and amortization	67	62	134	125
Partnership income (loss)	8	(2)	10	2
Operating profit	92	188	174	396
Income (loss) from corporate investments carried at equity	(2)	-	(1)	4
Unit variable margin (cents/pound)	18.6	22.7	18.8	24.3
Fixed cost per pound of products sold (cents/pound)	13.3	13.0	13.1	13.5
Capital expenditures	47	93	116	162

S&I segment revenues increased 8.6 percent for the quarter ended June 30, 2000 compared with the same quarter in 1999, the result of a 10.4 percent increase in average selling prices partially offset by a 1.6 percent decline in volume. Revenues of the S&I segment for the first half of 2000, compared with the same half of 1999, increased 7.9 percent on a 6.1 percent increase in average selling prices and a 1.7 percent increase in volume. Although average selling prices increased from the prior year's second quarter and first half, the increases were insufficient to offset the continuing increases in purchased material and energy costs and the impact of the strong United States dollar on competitive international pricing.

Increases in partnership income for the three and six month periods ended June 30, 2000 compared with the same periods in 1999, reflected better results from the UOP and Petromont partnerships. The second quarter of 2000 reflected lower losses from Aspell, resulting from a cost-savings program completed in the beginning of 2000.

Operating profit for the quarter and six month periods ended June 30, 2000 includes a $12 million gain on shares received and sold in connection with the demutalization of Met Life, a provider of certain employee benefit programs. Operating profit for the quarter and six month period ended June 30, 1999 includes a $12 million net gain from a litigation settlement.

Outlook - Specialties & Intermediates

Looking ahead to the third quarter, it is anticipated that the S&I segment will benefit from increases in average selling prices and volumes, somewhat offset by continued high purchased material and energy costs.

Basic Chemicals & Polymers

Millions of dollars, except as indicated	Quarter Ended June 30, 2000	Quarter Ended June 30, 1999	Six Months Ended June 30, 2000	Six Months Ended June 30, 1999
Segment revenues	$ 655	$436	$1,263	$ 857
Depreciation and amortization	35	33	70	74
Partnership income (loss)	1	(2)	2	-
Operating profit (loss)	74	(42)	104	(75)
Income (loss) from corporate investments carried at equity	45	(18)	83	(54)
Unit variable margin (cents/pound)	11.6	4.7	10.5	5.2
Fixed cost per pound of products sold (cents/pound)	6.3	5.2	6.2	5.2
Capital expenditures	80	115	206	219

Revenues of the BC&P segment for the second quarter of 2000 increased over the same quarter of 1999 as the result of a 46.0 percent increase in average customer selling prices, slightly offset by a 1.7 percent decline in customer volume. BC&P segment revenues for the first half of 2000 increased over the same period in 1999 on a 45.1 percent increase in average customer selling prices and a 2.8 percent decline in customer volume. Unit variable margin was positively affected by the strong increase in average customer selling prices, which more than offset the increasing cost of raw materials and energy. Declines in customer volume for the quarter and six month comparative periods reflected the reduction in ethylene oxide/glycol volume, which is now being produced and sold by EQUATE, the corporation's joint venture in Kuwait.

Income from corporate investments carried at equity increased substantially from a loss in the three and six month periods ended June 30, 1999 to income for the same periods of 2000. This increase represents better performance at EQUATE and Polimeri Europa, where demand was strong and increases in average selling prices were experienced. Additionally, the corporation's EQUATE joint venture benefits from advantaged raw material supply contracts.

Operating profit for the quarter and six month period ended June 30, 2000 includes a $6 million gain on shares received and sold in connection with the demutalization of Met Life, a provider of certain employee benefit programs.

Outlook - Basic Chemicals & Polymers

The corporation anticipates that results for the third quarter will reflect a reduction in average customer selling prices and the continued high cost of raw materials and energy, which may be partially offset by higher customer volumes. Income from corporate investments carried at equity are expected to be lower than second quarter 2000 levels.

Environmental

Estimates of future expenses related to environmental protection for compliance with Federal, state and local laws regulating solid and hazardous wastes and discharge of materials to air and water, as well as for waste site remedial activities, have not changed materially since December 31, 1999. The reliability and precision of the loss estimates are affected by numerous factors, such as different stages of site evaluation, the allocation of responsibility among potentially responsible parties and the assertion of additional claims. The corporation's environmental exposures are discussed in more detail in the "Commitments and Contingencies" footnote to the financial statements on pages 10 through 12 of this report on Form 10-Q.

Accounting Changes

Effective January 1, 1999, the corporation adopted the provisions of the American Institute of Certified Public Accountants' Statement of Position ("SOP") 98-5, "Reporting on the Costs of Start-Up Activities." This SOP requires the expensing of certain costs, such as preoperating expenses and organizational costs associated with an entity's start-up activities. In accordance with this SOP's provisions, on January 1, 1999, the corporation recognized a charge of $27 million ($20 million after-tax) as a cumulative effect of change in accounting principle, the majority of which represented formation costs associated with the corporation's joint ventures.

In 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("Statement") No. 133, "Accounting for Derivative Instruments and Hedging Activities." It requires that an entity recognize all derivative instruments as either assets or liabilities in the statement of financial position and measure those instruments at fair value. This Statement, as amended by Statement No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133," and Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133," is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. The corporation is currently evaluating the effect Statement No. 133 will have on its financial position and results of operations in the period of adoption.

In 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") 101, "Revenue Recognition in Financial Statements," which summarizes the staff's views regarding the application of generally accepted accounting principles to selected revenue recognition issues. The corporation is evaluating whether SAB 101 will cause any change in its revenue recognition policies and procedures.

Financial Condition - June 30, 2000

Cash flow from operations for the first six months of 2000 was $259 million, an increase of $11 million from the same period in 1999. This increase is principally the result of a decrease in working capital requirements and an increase in income before the cumulative effect of change in accounting principle, partly offset by a decrease in net noncash charges to income, principally resulting from increases in undistributed earnings of the corporation's joint ventures and the reduction in pension expense.

Cash flow used for investing totaled $422 million, a decrease of $12 million from $434 million in the comparable period of 1999. This decrease is principally due to a decrease in capital expenditures and an increase in the sale of available-for-sale securities partially offset by an increase in

investments, advances and acquisitions. Funding of major capital projects in the first half of 2000 and 1999 included a new olefins facility, being built jointly with NOVA Chemicals Corporation, and a polyolefins project, both in Canada. The increase in investments, advances and acquisitions relates principally to the corporation's funding of its share of the cost of the Malaysian joint ventures.

At June 30, 2000, the corporation had approximately $217 million in commitments related to authorized construction projects and investments. These commitments are anticipated to be sourced through operating cash flows.

Cash flow from financing was $180 million for the first half of 2000, as compared with $178 million for the same half of 1999. The first half of 2000 primarily included cash received for issuances of common stock of $20 million and net borrowings of $216 million offset by cash paid for dividends of $61 million. The first half of 1999 included net proceeds of $250 million from the April issuance of 6.70 percent Public Notes, common stock repurchases of $50 million, cash dividends totaling $60 million and net repayments of debt, excluding the April 1999 issuance of 6.70 percent Public Notes, of $3 million.

The corporation's ratio of debt to total capital was 50.3 percent at June 30, 2000 as compared with 49.9 percent at December 31, 1999. At June 30, 2000 there were no borrowings outstanding under the existing major bank credit agreement aggregating $1 billion.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 6 to the corporation's consolidated financial statements on pages 10 through 12 of this report on Form 10-Q.

Item 2. Changes in Securities and Use of Proceeds

(c) On May 16, 2000, the corporation issued 662 shares of Union Carbide Corporation common stock to a participant under the Union Carbide Non-Employee Director's Compensation Deferral Plan pursuant to the terms of the plan in reliance on Section 4(2) of the Securities Act of 1933.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

The following exhibit is filed as part of this report:

27 Financial Data Schedule

(b) The corporation filed the following current reports on Form 8-K for the three months ended June 30, 2000:

1. Form 8-K dated April 26, 2000, contained the corporation's press release dated April 26, 2000.

2. Form 8-K dated May 1, 2000, contained the corporation's press release dated May 1, 2000.

3. Form 8-K dated June 14, 2000, contained a joint press release issued by the corporation and The Dow Chemical Company dated June 14, 2000.

SIGNATURE

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: August 4, 2000

By: /s/ John K. Wulff
JOHN K. WULFF
Vice-President, Chief Financial Officer and Controller

EXHIBIT INDEX

Exhibit No.	Exhibit	Page No.
27	Financial Data Schedule	24

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This schedule contains summary financial information extracted from Union Carbide Corporation's Form 10-Q for the quarter ended June 30, 2000, and is qualified in its entirety by reference to such financial statements.
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