The Dow Chemical Company

Condensed Financial Report
May 31, 1935
To the Stockholders of the Dow Chemical Company:

The Dow Chemical Company is pleased to present herewith the following pages of information concerning the financial status of the Company. The earnings per share of the outstanding stock are $3.32, after making allowance for depreciation, income tax and the preferred stock dividends. It is believed the information is clearly set forth and the explanations and comments by the Auditors are also self-explanatory. Further comment here would only be a repetition. A more conclusive presentation of facts would be apparent by paying the Company a visit. We cordially invite all stockholders to visit our home office and the principal manufacturing plant at Midland, Michigan.

Very truly yours,

WILLARD H. DOW,
President.

July 10, 1935.
THE DOW CHE
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BALANCE SHI

ASSETS

CURRENT ASSETS:
Cash ........................................ $ 1,119,451.17
United States Government securities—at cost (face value, $1,000,000.00; market value, $1,066,625.00) ......................... 1,059,375.00
Notes and accounts receivable (customers’, $2,068,879.78; officers and employees, $3,988.23; and sundry, $42,293.49)—less reserve, $105,962.60 ... 2,014,198.82
Inventories of finished goods, work in process, and materials and supplies—at cost ........................................ 4,663,355.92
Total current assets .......................... $ 8,856,380.91

CLAIMS AGAINST BANKS IN LIQUIDATION (less reserve for loss, $35,000.00) ............................................. 35,492.84
RECEIVABLE FROM INDIVIDUALS ON SALES OF HOUSES AND LOTS .................................................. 26,972.63
RECEIVABLE FROM SUBSIDIARY COMPANIES ............... 293,229.28

INVESTMENTS—AT COST:
Subsidiary and affiliated companies (at cost, which is less than this company’s book equity therein) ......................... 604,277.00
Common capital stock in treasury (7,286 no par common shares) .................. 314,958.11
Miscellaneous securities ........................................ 132,103.57
Total investments ........................................ 1,051,338.68

FIXED ASSETS:
Real estate, plants and equipment (less reserves for depreciation, $9,416,563.25) .............................................. 16,068,778.82
Patents (less reserve for amortization, $5,350.02) ....................... 19,407.18
Good-will ........................................ 587,267.50
Total fixed assets ........................................ 16,675,453.50

DEFERRED CHARGES—UNEXPIRED INSURANCE PREMIUMS, UNAMORTIZED NOTE DISCOUNT, ETC. .............. 143,400.13

Total ........................................ $27,082,267.97

NOTATIONS:
Under an agreement providing for the formation of the Cliffs Dow Chemical Company, a partially owned subsidiary organized in 1935, the company has agreed to purchase Class A preferred capital stock of the subsidiary in amounts sufficient to provide funds for plant expansion and working capital, as the need for funds is determined by the parties to the agreement that required for this purpose, to extent not to exceed $75,000.00 requested by the
## LIABILITIES

### CURRENT LIABILITIES:

Accounts payable:
- Trade and miscellaneous $1,245,007.39
- Subsidiary and affiliated companies $84,781.59
- Employees' compensation awards $56,163.30
- Federal income tax—current year $477,754.76
- Serial notes, 2\(\frac{1}{2}\)%, series due January 1, 1936 $720,000.00

Accrued Accounts:
- Local property taxes $104,323.99
- Federal capital stock tax estimated $44,000.00
- Interest $37,500.00

Total current liabilities $2,769,531.03

Serial Notes, 2\(\frac{1}{2}\)% (exclusive of $720,000.00 included in current liabilities) $720,000.00 maturing on January 1 of each of the years 1937 to 1940, inclusive $2,880,000.00

Reserve for Fire and Accident Insurance $193,093.14

Preferred Capital Stock—7% Cumulative (authorized and outstanding, 30,000 shares of $100.00 each) $3,000,000.00

Common Capital Stock (authorized, 1,000,000 shares without par value; issued, 945,000 shares) $12,685,000.00

Earned Surplus $5,554,643.80

Total $27,082,267.97

Note: The commitment has been included as a current liability in the above balance sheet.

At May 31, 1935, there were contingent liabilities of $35,546.92 on account of notes receivable sold under repurchase agreement and of $16,826.04 on a commercial letter of credit.
THE DOW CHEMICAL COMPANY
SUMMARY OF INCOME AND SURPLUS FOR THE
YEAR ENDED MAY 31, 1935

GROSS PROFIT FROM SALES BEFORE PROVIDING FOR DEPRECIATION $ 6,437,268.43
SELLING AND ADMINISTRATIVE EXPENSES 1,043,818.73

PROFIT FROM OPERATIONS BEFORE PROVIDING FOR DEPRECIATION $ 5,393,449.70
PROVISION FOR DEPRECIATION 1,387,532.75

PROFIT FROM OPERATIONS $ 4,005,916.95

OTHER INCOME:
Cash discounts on purchases, interest earned, and premium on Canadian funds $ 82,378.15
Dividends from subsidiary and affiliated companies (these dividends are less than equity in earnings of such companies for the year) 317,651.27
Royalties 74,703.87
Miscellaneous 33,202.53 507,935.82

GROSS INCOME $ 4,513,052.77

INCOME CHARGES:
Cash discounts on sales $ 145,462.74
Provision for uncollectible accounts 35,200.00
Research and experimental 368,876.94
Interest 162,487.85
Miscellaneous 3,290.01 715,317.54

NET INCOME BEFORE FEDERAL INCOME TAX $ 3,798,535.23
FEDERAL INCOME TAX 477,564.82

NET INCOME $ 3,320,970.41

SURPLUS AT BEGINNING OF THE YEAR 8,729,089.39

GROSS SURPLUS $12,050,059.80

SURPLUS CHARGE—DIVIDENDS:
Cash:
Preferred capital stock $ 210,000.00
Common capital stock 1,875,416.00
Total $2,085,416.00

Stock—50% common stock dividend 4,410,000.00 6,495,416.00

SURPLUS AT END OF THE YEAR $ 5,554,643.00
ACCOUNTANTS' CERTIFICATE

The Dow Chemical Company:

We have made an examination of the balance sheet of The Dow Chemical Company as of May 31, 1935, and of the related summary of income and surplus for the year ended that date. In connection therewith, we made a review of the accounting methods, examined or tested, in a manner and to the extent which we considered appropriate in view of the company's system of internal accounting control, accounting records of the company and other supporting evidence, and made a general review of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

The accounts of subsidiary and affiliated companies carried as investments at a cost of $604,277.00 in the accompanying balance sheet were not examined by us at May 31, 1935. Examinations of the accounts of four of the companies, the investment in which amounted to $359,276.00, are now in progress but no examination is contemplated by us of the remaining companies.

We did not verify the quantities in the inventories but were furnished with a certificate of officials of the company as to the quantities upon which the inventory values were based.

In our opinion, subject to the foregoing, the accompanying balance sheet, with the notations thereon, and related summary of income and surplus fairly present, in accordance with accepted principles of accounting consistently followed by the company, its financial condition at May 31, 1935, and the results of its operations for the year ended that date.

HASKINS & SELLS.

Detroit, July 2, 1935.
THE DOW
CHEMICAL COMPANY

DIRECTORS—JULY 10, 1935
E. O. BARSTOW     L. I. DOAN
E. W. BENNETT     W. H. DOW
G. E. COLLINGS    J. T. PARDEE
J. S. CRIDER      C. J. STROSACKER
W. R. VEAZEY

OFFICERS—JULY 10, 1935
Chairman of the Board ............... J. T. PARDEE
President and General Manager ....... W. H. DOW
Vice President ......................... G. E. COLLINGS
Vice President ......................... J. T. PARDEE
Vice President, Sec’y and Treasurer .. E. W. BENNETT
Assistant Treasurer .................. J. S. CRIDER
Auditor and Assistant Secretary ...... L. A. CHICHESTER

Registrar and Transfer Agent
THE CLEVELAND TRUST COMPANY
CLEVELAND, OHIO