The Dow Chemical Company

Condensed Financial Report
May 31, 1936
To the Stockholders of The Dow Chemical Company:

The Company is pleased to present here-with the following pages of information concerning its financial status. The earnings per share of the 945,000 shares of common stock are $4.42 after making allowance for depreciation, income tax and the preferred stock dividends. The stated earnings per share does not include $387,398.90 net profit on sale of 7,286 shares of Company's reacquired common capital stock, equivalent to an additional 40 cents per share. 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 8, 1936.
### ASSETS

**CURRENT ASSETS:**

- Cash .................................................. $ 1,508,901.56
- United States Government securities—at cost (face value, $800,000.00; market value, $867,062.50) .................. 847,812.50
- Notes and accounts receivable (customers, $2,094,906.90; employees, $11,788.45; and sundry, $47,228.58)—less reserve, $104,845.64 ................. 2,049,078.29
- Inventories of finished goods, work in process, and materials and supplies—at cost ........................................ 5,415,540.04

Total current assets .................................. $ 9,821,332.39

**CLAIMS AGAINST BANKS IN LIQUIDATION** (less reserve for loss, $35,000.00) ............................................. 35,473.08

**RECEIVABLE FROM INDIVIDUALS ON SALES OF HOUSES AND LOTS** ................................................................. 216,10.24

**RECEIVABLE FROM SUBSIDIARY AND AFFILIATED COMPANIES** ................................................................. 318,240.37

**INVESTMENTS AT COST:**

- Subsidiary and affiliated companies (less than this company’s book equity therein) .......................... $ 1,155,580.00
- Miscellaneous securities ............................................. 192,814.63

Total investments ............................................. 1,348,394.63

**FIXED ASSETS:**

- Real estate, plants, and equipment (less reserves for depreciation, $10,716.817.63) .................. $17,369,649.61
- Patents (less reserve for amortization, $7,335.08) ................. 26,410.18

Total fixed assets ............................................. 17,396,059.79

**DEFERRED CHARGES—UNEXPIRED INSURANCE PREMIUMS, UNAMORTIZED NOTE DISCOUNT, AND DEFERRED SELLING EXPENSES** ................................................................. 100,269.41

**TOTAL** ............................................. $29,041,379.91

NOTES: Under an agreement providing for the formation of a subsidiary organized in 1935, the company has agreed to pay amounts sufficient to provide funds for plant expansion to the Board of Directors of the subsidiary, to an extent not in the Class A preferred capital stock of the subsidiary.

At May 31, 1936, there was a contingent liability
## LIABILITIES

### CURRENT LIABILITIES:
- Accounts payable—Trade and miscellaneous: $1,110,295.74
- Employees' compensation awards: 53,983.30
- Serial notes, 21/2%, series due January 1, 1937: 720,000.00
- Federal income tax current year: 660,733.08
- Other taxes accrued—including local property taxes, Federal capital stock tax, and unemployment insurance taxes: 186,628.67
- Accrued interest payable: 30,000.00

Total current liabilities: $2,761,640.79

### SERIAL NOTES, 21/2% (exclusive of $720,000.00 included in current liabilities)—$720,000.00 maturing on January 1 of each of the years 1938 to 1940, inclusive: 2,160,000.00

### RESERVE FOR FIRE AND ACCIDENT INSURANCE: 193,693.14

### PREFERRED CAPITAL STOCK—SHARES $100.00 PAR VALUE EACH (authorized, 60,000 shares of 5% cumulative; outstanding, 30,000 shares of 7% cumulative which have been called for exchange for 5% stock on a share-for-share basis; all 7% shares not exchanged to be redeemed as of August 15, 1936, at $105.00 per share plus accrued dividends): 3,000,000.00

### COMMON CAPITAL STOCK (authorized, 2,000,000 shares without par value; issued and outstanding, 945,000 shares): 12,685,000.00

### EARNED SURPLUS: 8,241,045.98

Total: $29,041,379.91

As of May 31, 1936, the investment purchased under this agreement, amounted to $665,000.00, $33,338.91 on commercial letters of credit.
THE DOW CHEMICAL COMPANY

SUMMARY OF INCOME AND SURPLUS FOR THE
YEAR ENDED MAY 31, 1936

GROSS PROFIT FROM SALES BEFORE PROVIDING FOR DEPRECIATION ......................................................... $ 7,689,795.85
SELLING AND ADMINISTRATIVE EXPENSES ................................................................. 1,153,766.65
PROFIT FROM OPERATIONS BEFORE PROVIDING FOR DEPRECIATION .......................................................... $ 6,536,029.20
PROVISION FOR DEPRECIATION ......................................................................................... 1,451,724.73
PROFIT FROM OPERATIONS ......................................................................................... $ 5,084,304.47

OTHER INCOME:
Dividends from subsidiary and affiliated companies (these dividends are less than equity in earnings of such companies for the year) ........................................................................ $ 595,305.00
Cash discounts on purchases, interest earned, royalties, and miscellaneous ...................................... 203,882.69

GROSS INCOME ........................................................................................................ $ 5,883,492.16

INCOME CHARGES:
Research and experimental ................................................................................................. $ 595,415.46
Interest .............................................................................................................................. 98,005.24
Cash discounts allowed, uncollectible accounts, and miscellaneous ........................................ 206,587.33

NET INCOME BEFORE PROVIDING FOR FEDERAL INCOME TAX ......................................................... $ 4,983,484.13
PROVISION FOR FEDERAL INCOME TAX ON NET INCOME ............................................... 598,973.83
NET INCOME ................................................................................................................... $ 4,384,510.30

SURPLUS AT BEGINNING OF THE YEAR ........................................................................... $5,554,643.80

SURPLUS CREDITS:
Profit on sale of 7,286 shares of company's reacquired common capital stock, $449,158.15, less Federal income tax thereon of $61,759.25 ........................................ $ 387,398.90
Restoration to surplus of special reserve for depreciation created in a prior year in addition to regular provision for depreciation ........................................ 493,096.65
Adjustments of provision for depreciation and obsolescence losses of prior years ................................ 123,775.01

GROSS SURPLUS ........................................................................................................... $10,943,424.66

SURPLUS CHARGES:
Cash dividends:
Common capital stock ................................................................................................. $ 1,879,071.00
Preferred capital stock ................................................................................................. 210,000.00
Total ............................................................................................................................. $ 2,089,071.00
Good will written off .................................................................................................... 587,267.50
Additional assessments of Federal income taxes for prior years ........................................ 26,040.18

SURPLUS AT END OF THE YEAR ...................................................................................... $ 8,241,045.98
ACCOUNTANTS' CERTIFICATE

The Dow Chemical Company:

We have made an examination of the balance sheet of The Dow Chemical Company as of May 31, 1936, 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 and examined or tested accounting records of the company and other supporting evidence in a manner and to the extent which we considered appropriate in view of the system of internal accounting control. 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.

The accounts of subsidiary and affiliated companies carried as investments at cost of $1,155,580.00 in the accompanying balance sheet were not examined by us at May 31, 1936. Examinations of the accounts of three of the companies, the investment in which amounted to $341,579.00, are now in progress, and the accounts of another of the companies, the investment in which amounted to $665,001.00, were examined by us as of March 31, 1936. We have not made an examination of the accounts of one remaining company, the investment in which amounted to $149,000.00.

In our opinion, based upon such examination and subject to the foregoing, the accompanying balance sheet 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, 1936, and the results of its operations for the year ended that date.

HASKINS & SELLS.

Detroit, July 1, 1936.
THE DOW
CHEMICAL COMPANY

DIRECTORS—JULY 8, 1936
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 8, 1936
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
Assistant Secretary ............... F. H. BROWN

Registrar and Transfer Agent
THE CLEVELAND TRUST COMPANY
CLEVELAND, OHIO