THE DOW CHEMICAL COMPANY
MIDLAND, MICHIGAN

FINANCIAL REPORT
FOR YEAR ENDED
MAY 31, 1938
THE DOW CHEMICAL COMPANY
MIDLAND, MICHIGAN

Directors
E. O. BARSTOW
W. H. DOW
J. S. CRIDER
L. I. DOAN
G. E. COLLINGS
C. J. STROSACKER
E. W. BENNETT
J. T. PARDEE
J. T. PARDEE
E. W. BENNETT
J. T. PARDEE
A. P. BEUTEL
L. A. CHICHESTER
W. R. VEAZEY

Officers
Chairman of the Board - - - - J. T. PARDEE
President and General Manager - - - - W. H. DOW
Vice President - - - - G. E. COLLINGS
Vice President - - - G. E. COLLINGS
Vice President, Sec'y and Treasurer - - - E. W. BENNETT
Assistant Treasurer - - - - J. S. CRIDER
Assistant General Manager - - - A. P. BEUTEL
Auditor and Assistant Secretary - - - L. A. CHICHESTER
Assistant Secretary - - - - F. H. BROWN

Registrars
The New York Trust Company
100 Broadway
New York City
The National City Bank of Cleveland
Cleveland, Ohio

Transfer Agents
Guaranty Trust Company of New York
140 Broadway
New York City
The Cleveland Trust Company
Cleveland, Ohio
ACCOUNTANTS' CERTIFICATE

The Dow Chemical Company:

We have made an examination of the consolidated balance sheet of The Dow Chemical Company and its subsidiary companies as of May 31, 1938, and of the related statements of consolidated income and earned 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 companies and other supporting evidence in a manner and to the extent which we considered appropriate in view of the systems of internal accounting control. The physical quantities and condition of the inventories were certified to us by officials of the companies.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and related statements of consolidated income and earned surplus fairly present, in accordance with accepted principles of accounting consistently followed by the companies, their financial condition at May 31, 1938, and the results of their operations for the year ended that date.

Haskins & Sells

July 13, 1938.
### ASSETS

**CURRENT ASSETS:**
- Cash: $2,276,563.98
- United States Government securities—at cost (face value, $200,000.00; market value, $225,812.50): $217,750.00
- Notes and accounts receivable:
  - Customers: $2,389,180.33
  - Associated company: $28,520.87
  - Employees: $9,234.09
  - Sun-dry: $77,189.69
  - Total: $2,504,124.98
  - Less reserves for doubtful accounts: $147,211.85
  - Total current assets: $2,356,913.13

**INVESTMENTS:**
- Preferred and common capital stocks of an associated company: $782,500.00
- Miscellaneous securities: $79,496.98
- Receivable from individuals on sales of houses and lots: $18,798.39
- Total investments: $880,795.37

**FIXED ASSETS:**
- Real estate, plants, and equipment—at cost (less reserves for depreciation): $24,101,543.69
- Patents—at cost (less reserves for amortization): $55,513.87
- Total fixed assets: $24,157,057.56

**DEFERRED CHARGES—UNEXPIRED INSURANCE PREMIUMS, UNAMORTIZED NOTE AND DEBENTURE DISCOUNT AND EXPENSE, AND MISCELLANEOUS:**
- Total: $170,006.49

**TOTAL:**
- $38,484,402.39
# THE DOW CHEMICAL COMPANY
(Incorporated in Michigan)

AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET, MAY 31, 1938

## LIABILITIES

### CURRENT LIABILITIES:
- **Accounts payable—Trade and miscellaneous** $1,582,423.64
- **Employees' compensation awards** 74,220.01
- **Serial notes, 2 1/2%, series due January 1, 1939** 720,000.00
- **Federal income taxes** 712,175.40
- **Other taxes accrued—including property taxes, Federal capital stock taxes, and social security taxes** 247,412.50
- **Accrued interest payable** 7,500.00

### Total current liabilities $3,343,731.55

- **FIFTEEN YEAR 3% DEBENTURES, DUE DECEMBER 1, 1951** (subject to redemption through sinking fund commencing June 1, 1941) 5,000,000.00
- **RESERVES FOR FIRE AND ACCIDENT INSURANCE AND DAMAGE CLAIMS** 240,152.97
- **MINORITY INTEREST IN CAPITAL STOCK AND SURPLUS OR DEFICIT OF SUBSIDIARY COMPANIES** 798,961.05
- **PREFERRED CAPITAL STOCK—5% CUMULATIVE** (authorized and outstanding, 60,000 shares of $100.00 par value each) 6,000,000.00
- **COMMON CAPITAL STOCK** (authorized, 2,000,000 shares without par value; outstanding, 945,000 shares) 12,685,000.00

### SURPLUS:
- **Capital surplus (increase during year arising from sale of preferred capital stock, $73,987.54)** $100,407.54
- **Earned surplus** 10,316,149.28

### Total surplus 10,416,556.82

**TOTAL** $38,181,102.39

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**NOTE:** Accrued dividends on the Class A preferred capital stock held by a minority interest of the Cliffs Dow Chemical Company, a subsidiary company consolidated herein, which had not been declared by the Board of Directors of that company or provided for in this balance sheet, amounted to $52,212.00 at May 31, 1938.
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (net of returns, allowances, cash discounts, and freight)</td>
<td>$24,871,196.06</td>
</tr>
<tr>
<td>Cost of Sales (exclusive of provision for depreciation)</td>
<td>$15,761,032.76</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>$9,110,163.30</td>
</tr>
<tr>
<td>Selling and Administrative Expenses</td>
<td>$1,921,985.94</td>
</tr>
<tr>
<td>Profit from operations before providing for depreciation</td>
<td>$7,188,177.36</td>
</tr>
<tr>
<td>Provision for depreciation</td>
<td>$2,159,341.38</td>
</tr>
<tr>
<td>Profit from operations</td>
<td>$5,028,835.98</td>
</tr>
<tr>
<td>Other Income</td>
<td></td>
</tr>
<tr>
<td>Dividends from an associated company</td>
<td>$948,285.75</td>
</tr>
<tr>
<td>Interest earned, royalties, and miscellaneous</td>
<td>$201,200.75</td>
</tr>
<tr>
<td>Gross Income</td>
<td>$6,178,322.48</td>
</tr>
<tr>
<td>Income Charges</td>
<td></td>
</tr>
<tr>
<td>Research and experimental expenses</td>
<td>$1,406,328.83</td>
</tr>
<tr>
<td>Interest and amortization of discount on serial notes and debentures</td>
<td>$193,251.00</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$20,509.47</td>
</tr>
<tr>
<td>Net income before providing for Federal income taxes</td>
<td>$4,558,233.18</td>
</tr>
<tr>
<td>Provision for Federal income taxes (including $124,370.20 surtax on undistri</td>
<td>$708,422.84</td>
</tr>
<tr>
<td>buted profits)</td>
<td></td>
</tr>
<tr>
<td>Net income before adjustment for minority interests in subsidiary companies</td>
<td>$3,849,810.34</td>
</tr>
<tr>
<td>Minority interests' share of profits and losses of subsidiary companies (ne</td>
<td>$45,458.24</td>
</tr>
<tr>
<td>t loss)</td>
<td></td>
</tr>
<tr>
<td>Net income for the year</td>
<td>$3,895,268.58</td>
</tr>
</tbody>
</table>
# THE DOW CHEMICAL COMPANY AND SUBSIDIARY COMPANIES

## STATEMENT OF CONSOLIDATED EARNED SURPLUS FOR THE YEAR ENDED MAY 31, 1938

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, June 1, 1937</td>
<td>$9,453,742.74</td>
</tr>
<tr>
<td>Credit—Net Income for the Year</td>
<td>$3,895,268.58</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$13,349,011.32</strong></td>
</tr>
<tr>
<td>Charge—Cash Dividends:</td>
<td></td>
</tr>
<tr>
<td>Common capital stock</td>
<td>$2,835,000.00</td>
</tr>
<tr>
<td>Preferred capital stock</td>
<td>$197,862.04</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,032,862.04</strong></td>
</tr>
<tr>
<td>Balance, May 31, 1938</td>
<td><strong>$10,316,149.28</strong></td>
</tr>
</tbody>
</table>