

**Dow AgroSciences
Danmark A/S**
Sorgenfrivej 15
DK-2800 Kgs. Lyngby
Central Business Registration No
12938241

Annual report 2016

The Annual General Meeting adopted the annual report on 24.05.2017

Chairman of the General Meeting

Name: Finn Jeff Lernø

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Entity details

Entity

Dow AgroSciences Danmark A/S
Sorgenfrivej 15
DK-2800 Kgs. Lyngby

Central Business Registration No: 12938241
Registered in: Lyngby-Taarbæk
Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Finn Jeff Lernø, Chairman
Gino Eduardus Angela van Poorten
Lars Geltzer Dinesen

Executive Board

Lars Geltzer Dinesen

Lawyer

Plesner
Amerika Plads 37
DK-2100 Copenhagen Ø

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Dow AgroSciences Danmark A/S for the financial year 01.01.2016 - 31.12.2016.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 24.05.2017

Executive Board

Lars Geltzer Dinesen

Board of Directors

Finn Jeff Lernø

Chairman

Gino Eduardus Angela van
Poorten

Lars Geltzer Dinesen

Independent auditor's report

To the shareholder of Dow AgroSciences Danmark A/S

Opinion

We have audited the financial statements of Dow AgroSciences Danmark A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Violation of legislation on financial reporting and similar

Parts of the accounting records for the Company are kept on file outside of the Danish Borders. They are kept on a file with affiliated companies and can be obtained at short notice. The procedures used are in contravention of Danish legislation on the filing of accounting material in general.

Copenhagen, 24.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Flemming Larsen
State Authorised Public Accountant

Management commentary

	2016	2015	2014	2013	2012
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Revenue	207.092	159.785	158.387	162.296	139.960
Gross profit/loss	32.536	33.191	36.105	37.059	24.836
Operating profit/loss	14.069	17.809	18.306	24.922	11.521
Net financials	(971)	(226)	607	71	191
Profit/loss for the year	8.907	20.692	84.294	52.448	40.936
Total assets	317.844	342.814	313.145	206.617	147.826
Investments in property, plant and equipment	0	991	1.538	1.811	907
Equity	302.403	293.496	272.803	188.510	136.062
Employees in average	13	23	28	19	19

Ratios

Gross margin (%)	15,7	20,8	22,8	22,8	17,7
Return on equity (%)	3,0	7,3	36,5	32,3	35,4
Solvency ratio (%)	94,6	85,6	87,1	91,2	92,0
Profit margin (%)	6,8	11,5	15,4	8,2	9,8
Return on assets (%)	4,4	5,8	12,0	7,8	11,7

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Solvency ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity
Profit margin (%)	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$	The measure of the amount of profit accruing to a firm from sale of a product or service.
Return on assets (%)	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$	A measure of profitability calculated by expressing a company's net income as a percentage of total assets.

[Click here to enter text.](#)

Management commentary

Primary activities

The Company's activity comprises sale and distribution of agricultural chemicals.

Development in activities and finances

The year 2016 has been a very successful year for the business within Dow AgroSciences Danmark A/S. The strong financial result clearly underline that the company continues to be a major player in the market for plant protection products and the increase in revenue is driven by the capability not only to defend its position within the market but also continues to grow its market share by successfully launching new products to the Danish agricultural industry and to the benefit of the Danish farmers.

Profit/(loss) for the year

The financial statements show an operating profit of DKK 14.069.358 which is satisfactory. Gross margin in 2015 was positively influenced by an adjustment relating to prior year. Excluding that items brings the gross margin in line year over year.

Outlook

The company continues to develop and market new plant protection products, why it is expected that Dow AgroSciences Danmark A/S will continue to grow its market leader position also into new segments.

Particular risks

The company has limited operating risk mainly involving bad debt and financing. There is no foreign exchange risk in this entity.

Uncertainty related to recognition and measurement

Anticipated risks and losses that arise before the time of preparation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Unusual circumstances affecting the recognition and measurement

There are not unusual circumstances affecting the recognition and measurement.

Events after the balance sheet date

The entity has made a provision in the 2016 financial statements relating to an insurance claim which was settled beginning of 2017. No other events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Key figures and financial ratios

The gross profit is at the same level as in 2015. The profit before taxes is down from 17.582.665 to 13.097.973 which is due to higher distribution and administration costs. The equity amounts to DKK 302.402.806.

Environmental performance

Sustainability is an important part of The Dow Chemical Company's culture. Description of the Company's sustainability policy is to be found in The Dow Chemical Company 2016 Annual report, "Protection of the environment". The Company also refers to The Dow Chemical Company's webpage for further information: <http://www.dow.com/en-us/science-and-sustainability>

Corporate social responsibility

Translate policies into action

It is the Company's focus to create a positive and healthy work and performance environment, and to be a workplace where employees have the freedom to achieve common goals and optimise opportunities irrespectively of their gender, age, race, religion, disability or sexual orientation.

The board of Directors continuously works to increase diversity within the board. The company defined a target that members of the under-represented gender should constitute at least 33%. The Board of Directors does not currently represent an equal mix of genders. The Company intends to meet the target no later than end of 2017.

Income statement for 2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Revenue	1	207.091.800	159.784.924
Cost of sales		<u>(174.555.304)</u>	<u>(126.593.701)</u>
Gross profit/loss		32.536.496	33.191.223
Distribution costs	2	(17.069.627)	(15.290.595)
Administrative costs		(1.397.511)	(939.453)
Other operating income		<u>0</u>	<u>847.703</u>
Operating profit/loss		14.069.358	17.808.878
Other financial income		1.105.899	522.002
Other financial expenses		<u>(2.077.284)</u>	<u>(748.215)</u>
Profit/loss before tax		13.097.973	17.582.665
Tax on profit/loss for the year	3	<u>(4.191.086)</u>	<u>3.109.788</u>
Profit/loss for the year	4	<u>8.906.887</u>	<u>20.692.453</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Acquired patents		14.035	19.842
Intangible assets	5	14.035	19.842
Other fixtures and fittings, tools and equipment		181.010	1.914.134
Property, plant and equipment	6	181.010	1.914.134
Deposits		243.423	243.423
Fixed asset investments	7	243.423	243.423
Fixed assets		438.468	2.177.399
Manufactured goods and goods for resale		22.578.346	22.185.843
Inventories		22.578.346	22.185.843
Trade receivables		594.510	146.020
Receivables from group enterprises		280.240.433	291.518.284
Other receivables		3.221.799	20.780.190
Income tax receivable		10.680.000	5.987.631
Prepayments	8	90.134	19.111
Receivables		294.826.876	318.451.236
Current assets		317.405.222	340.637.079
Assets		317.843.690	342.814.478

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK</u>	<u>2015 DKK</u>
Contributed capital		500.000	500.000
Retained earnings		301.902.806	292.995.919
Equity		<u>302.402.806</u>	<u>293.495.919</u>
Trade payables		6.184.432	19.393.365
Payables to group enterprises		2.857.052	26.982.934
Income tax payable		3.634.468	392.676
Other payables		2.764.932	2.549.584
Current liabilities other than provisions		<u>15.440.884</u>	<u>49.318.559</u>
Liabilities other than provisions		<u>15.440.884</u>	<u>49.318.559</u>
Equity and liabilities		<u>317.843.690</u>	<u>342.814.478</u>
Unrecognised rental and lease commitments	9		
Related parties with controlling interest	10		
Transactions with related parties	11		
Group relations	12		

Statement of changes in equity for 2016

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	500.000	292.995.919	293.495.919
Profit/loss for the year	0	8.906.887	8.906.887
Equity end of year	500.000	301.902.806	302.402.806

Notes

	2016	2015
	DKK	DKK
1. Revenue		
Goods sold	192.534.131	138.989.112
Commission	14.557.669	20.795.812
	207.091.800	159.784.924

	2016	2015
	DKK	DKK
2. Staff costs		
Wages and salaries	9.245.232	13.784.089
Pension costs	1.026.354	1.480.744
	10.271.586	15.264.833

Average number of employees	13	23
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Remuneration to Management and Board of Directors has not been presented in accordance with The Danish Financial Statements Act, section 98B.

	2016	2015
	DKK	DKK
3. Tax on profit/loss for the year		
Tax on current year taxable income	3.634.468	392.676
Adjustment concerning previous years	556.618	(3.502.464)
	4.191.086	(3.109.788)

	2016	2015
	DKK	DKK
4. Proposed distribution of profit/loss		
Retained earnings	8.906.887	20.692.453
	8.906.887	20.692.453

Notes

	Acquired patents DKK
	<u>DKK</u>
5. Intangible assets	
Cost beginning of year	89.037
Cost end of year	<u>89.037</u>
Amortisation and impairment losses beginning of year	(69.195)
Amortisation for the year	(5.807)
Amortisation and impairment losses end of year	<u>(75.002)</u>
Carrying amount end of year	<u>14.035</u>
	Other fixtures and fittings, tools and equipment DKK
	<u>DKK</u>
6. Property, plant and equipment	
Cost beginning of year	8.746.900
Disposals	(8.115.283)
Cost end of year	<u>631.617</u>
Depreciation and impairment losses beginning of the year	(6.832.766)
Depreciation for the year	(136.611)
Reversal regarding disposals	6.518.770
Depreciation and impairment losses end of the year	<u>(450.607)</u>
Carrying amount end of year	<u>181.010</u>
	Deposits DKK
	<u>DKK</u>
7. Fixed asset investments	
Cost beginning of year	243.423
Cost end of year	<u>243.423</u>
Carrying amount end of year	<u>243.423</u>

Notes

8. Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

	2016	2015
	DKK	DKK
	<u> </u>	<u> </u>
9. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	965.928	1.160.536
	<u> </u>	<u> </u>

10. Related parties with controlling interest

Controlling interests

The Company is a wholly owned subsidiary of Dow Agrosience BV, the Netherlands. The ultimate parent is The Dow Chemical Company.

Related parties with a controlling interest in Dow AgroSciences A/S are the Parent, the Board of Directors, and the Executive Board.

Other related parties consist of group consolidated companies in The Dow Chemical Company Group.

	Other related parties.
	<u> </u>
	DKK
11. Transactions with related parties	
Recharges	56.532.755
Purchase of products	163.183.680
Sale of products	36.801.280
Product related accounts receivable	13.269.322
Product related accounts payable	7.735.989
Others	1.235.402
Receivables	266.971.111

Notes

12. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
The Dow Chemical Company, Michigan, USA

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
The Dow Chemical Company, Michigan, USA

The annual report for The Dow Chemical Company may be obtained at the following address:

The Dow Chemical Company
Customer Information Centre
P.O. Box 1206
Midland Michigan 48641-1206
USA

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The annual report is presented in DKK.

The accounting policies applied for these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Accounting policies

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts.

Cost of sales

Cost of sales comprises cost of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets.

Administrative costs

Administrative expenses comprise expenses incurred for the Entity's administrative functions including stationary and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Other financial income

Other financial income comprises interest income and interest income on receivables from group enterprises as well as realised and unrealised exchange adjustments.

Other financial expenses

Other financial expenses comprises interest expenses and interest expenses on payables from group enterprises as well as realised and unrealised exchange adjustments.

Accounting policies

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish affiliated entities. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise patents.

Intellectual property rights are valued at cost less accumulated depreciation.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Patents	15 years
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Property, plant and equipment

Plant and machinery as well as fixtures, fittings and equipment are valued at cost less accumulated depreciation.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-20 years
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New acquisitions costing less than DKK 20.000 are expensed fully in the year of acquisition. Depreciation and profits and losses on current replacement of property, plant and equipment are expensed under administrative expenses

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation. If so, the asset is written down to its lower recoverable amount.

Accounting policies

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets should be assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The cash flow statement of Dow AgroSciences Danmark A/S and group enterprises is included in the annual report of The Dow Chemical Company, Michigan, USA (Ultimate Parent).