



## MEGlobal B.V.

Consolidated Financial Statements for the  
Years Ended December 31, 2013 and 2012  
and Independent Auditors' Report

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KPMG LLP  
Suite 1900  
150 West Jefferson  
Detroit, MI 48226

## Independent Auditors' Report

The Board of Directors  
MEGlobal B.V.:

We have audited the accompanying consolidated financial statements of MEGlobal B.V. and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MEGlobal B.V. and its subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**KPMG LLP**

Detroit, Michigan  
February 28, 2014

## Signatures and Acknowledgement

The attached Annual Financial Statements of MEGlobal B.V. for the fiscal year ended December 31, 2013 are hereby signed and acknowledged.



Luis Antuna



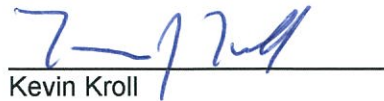
Abdullah Al-Swailem



Ester Baiget



Kamal Al-Behbehani



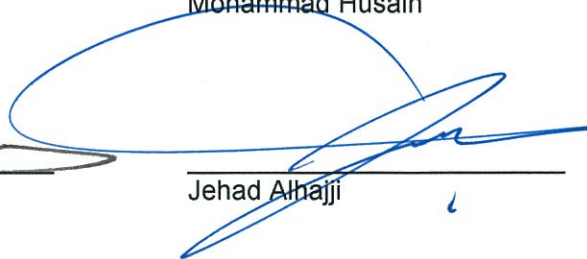
Kevin Kroll



Mohammad Husain



Raja Zeidan



Jihad Alhajji

**MEGlobal B.V.**  
**Consolidated Statements of Comprehensive Income**

(US\$ IN MILLIONS) for the year ended December 31	<b>Notes</b>	<b>2013</b>	<b>2012</b>
Net Sales	13	3691	3362
Cost of sales		3508	3208
Selling, general and administrative expenses		18	15
Research expenses		2	1
Other expense (income)	14	(27)	-
Operating Income		190	138
Net loss (gain) on foreign currency transactions		-	2
Interest income		4	-
Interest expense	6	7	7
Net Finance Costs		3	9
Income Before Income Taxes		187	129
Provision (Benefit) for Income Taxes	9	6	(9)
Net Income		181	138
Other Comprehensive Income			
Exchange differences on translating foreign operations		9	8
Other Comprehensive Income for the year, net of tax		9	8
Total Comprehensive Income for the year		190	146

See Notes to the Consolidated Financial Statements.

**MEGlobal B.V.**  
**Consolidated Statements of Financial Position**

(US\$ IN MILLIONS) at December 31 (except share data)	Notes	2013	2012
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment (net of accumulated depreciation)	4	156	165
Goodwill	3	102	98
Intangible assets (net of accumulated amortization)		1	-
Deferred Income taxes	9	46	39
Deferred charges and other assets		2	3
<b>Total non-current assets</b>		<b>307</b>	<b>305</b>
<b>Current assets</b>			
Cash and cash equivalents		14	21
Accounts receivable	13		
Trade receivable (net of allowance for doubtful accounts \$3 in 2013; \$4 in 2012)	11	554	379
Other		23	31
Notes receivable	5, 11	405	93
Deferred charges and other assets		1	1
Inventories	2	138	221
<b>Total current assets</b>		<b>1135</b>	<b>746</b>
<b>Total Assets</b>		<b>1442</b>	<b>1051</b>
<b>Equity and Liabilities</b>			
<b>Stockholder's Equity</b>			
Common stock, 1,000€ par per share	10	-	-
Class A – authorized, 45 shares; Issued and outstanding, 19 shares in 2013 and 2012		-	-
Class B – authorized, 45 shares; Issued and outstanding, 19 shares in 2013 and 2012		-	-
Additional paid in capital		433	433
Retained earnings (Accumulated deficit)		42	(139)
Effect of foreign currency translation		51	42
<b>Total stockholders' equity</b>		<b>526</b>	<b>336</b>
<b>Non-current liabilities</b>			
Long-term debt – Banks	6	203	155
Obligations under finance lease	6	-	95
Deferred income tax		1	1
Deferred income	15	20	21
Other deferred liabilities		3	2
<b>Total non-current liabilities</b>		<b>227</b>	<b>274</b>
<b>Current liabilities</b>			
Notes payable	5	203	94
Current portion long term debt	6	-	3
Accounts payable			
Trade	11	463	317
Other		7	9
Income taxes payable		3	5
Accrued and other current liabilities		13	13
<b>Total current liabilities</b>		<b>689</b>	<b>441</b>
<b>Total liabilities</b>		<b>916</b>	<b>715</b>
<b>Total Equity and Liabilities</b>		<b>1442</b>	<b>1051</b>

See Notes to the Consolidated Financial Statements.

**MEGlobal B.V.**  
**Consolidated Statements of Cash Flows**

(US\$ IN MILLIONS) for the year ended December 31	<b>Notes</b>	<b>2013</b>	<b>2012</b>
<b>Operating Activities</b>			
Net income		181	138
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property, plant and equipment	4	19	18
Deferred income taxes	9	(7)	(23)
Changes in assets and liabilities that provided (used) cash:			
Accounts receivable	13	(171)	146
Inventories	2	82	(10)
Accounts payable	11, 13	144	(111)
Other assets and liabilities		1	(8)
<b>Cash provided by operating activities</b>		<b>249</b>	<b>150</b>
<b>Investing Activities</b>			
Capital expenditures	4	(5)	(4)
Deposit with Dolpa S.a.r.l.	5	(85)	10
Deposit with security trustee	5	-	2
Payments on Ottana Quota Transfer agreement	5	-	(2)
Lending to MEGlobal Canada Inc.	5	(227)	(93)
<b>Cash used in investing activities</b>		<b>(317)</b>	<b>(87)</b>
<b>Financing Activities</b>			
Net borrowing (payments) from medium term revolving credit facility	5	157	(100)
Issuance of long-term debt	6	48	155
Payments on long-term debt	6	(96)	(158)
Borrowings from MEGlobal Canada	5	-	(10)
Borrowings from Dolpa S.a.r.l.	5	(48)	49
<b>Cash from (used in) financing activities</b>		<b>61</b>	<b>(64)</b>
<b>Summary</b>			
Increase (decrease) in cash and cash equivalents		(7)	(1)
Cash and cash equivalents at January 1		21	22
<b>Cash and cash equivalents at December 31</b>		<b>14</b>	<b>21</b>

See Notes to the Consolidated Financial Statements.

MEGlobal B.V.  
Consolidated Statements of Changes in Equity

(US\$ IN MILLIONS)	Share capital	Additional paid in capital	Retained Earnings (Accumulated deficit)	Foreign currency translation reserve	Total
Balance at January 1, 2012	-	433	(277)	34	190
Profit for the year	-	-	138	-	138
Other comprehensive loss for the year	-	-	-	8	8
<b>Total comprehensive income for the year</b>	-	-	138	8	146
Balance at December 31, 2012	-	433	(139)	42	336
Profit for the year	-	-	181	-	181
Other comprehensive income for the year	-	-	-	9	9
<b>Total comprehensive income for the year</b>	-	-	181	9	190
Balance at December 31, 2013	-	433	42	51	526

See Notes to the Consolidated Financial Statements.



## Notes to Consolidated Financial Statements Years Ended December 31, 2013 and 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Operations** – MEGlobal B.V. (“the Company”) formed in 2004, is a Limited Liability Company incorporated in The Netherlands. It is a joint venture between Dow Europe Holding B.V. (“DEH”) and Petrochemical Industries Company (“PIC”). Each party holds a 50% interest. MEGlobal Canada Inc. (“MEGlobal Canada”) a related party joint venture was formed simultaneously by Dow Chemical Canada Inc. (“DCCI”, now doing business as Dow Chemical Canada ULC) and PicCan Holdings Inc. (“PicCan”).

The Company’s registered office is located at Herbert H. Dowweg 5, 4542 NM Hoek, Postbus 48, 4530 AA Terneuzen, The Netherlands.

The Company has two cash generating units (“CGU”):

- Ethylene Glycol (“EG”) - globally markets and distributes monoethylene glycol (“MEG”) and diethylene glycol (“DEG”), collectively known as EG through its MEGlobal subsidiaries.
- Polyethylene Terephthalate (“PET”) - a regional manufacturer and marketer of PET in Europe through its Equipolymers subsidiaries. There are two manufacturing facilities located in Schkopau Germany, which utilize MEG and Pure Terephthalic Acid (“PTA”) as the primary raw materials.

The Company has the following 100% owned subsidiaries:

- MEGlobal Americas Inc., Midland, MI, United States of America
- MEGlobal Asia Limited, Hong Kong, Peoples Republic of China
- MEGlobal International FZE, Dubai, United Arab Emirates
- MEGlobal Mexico S.A. de C.V., Mexico City, Mexico
- MEGlobal Trading Company Ltd., Shanghai, Peoples Republic of China
- MEGlobal Europe GmbH, Horgen, Switzerland
- MEGlobal Comercio Do Brasil Ltda. Bahia, Brazil
- Equipolymers GmbH, Schkopau, Germany
- Equipolymers Srl, Milan, Italy
- Equipolymers Global GmbH, Horgen, Switzerland (liquidated in 2012)

**Basis of Presentation** – The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and have been prepared on the historical cost basis except for the revaluation of certain financial instruments. All amounts in the notes are expressed in millions and presented in U.S. dollars, unless otherwise noted.

**Principles of Consolidation** – The consolidated financial statements include the accounts of the Company and entities controlled by the Company. Upon consolidation, all material intercompany accounts, transactions and profits have been eliminated. Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

**Financial Instruments and Risk Management** – The Company’s financial instruments consist of cash and cash equivalents, accounts receivable, notes receivable, notes payable, accounts payable, long term debt – banks, obligations under a finance lease and foreign exchange forward contracts. The Company’s estimate of the fair value of these financial instruments approximates their carrying amounts as of December 31, 2013 and 2012. The estimated fair value amounts have been determined by the Company using available market information and valuation methodologies. Foreign exchange forward contracts are derivative instruments used by the Company to hedge its foreign currency exposure. Where hedge accounting can be applied, a hedge relationship is designated by the Company as a fair value hedge. The hedge is documented at inception detailing the particular risk management objective and the strategy for undertaking the hedge transaction. The documentation identifies the specific future commitment or liability being hedged, the risk that is being hedged, the type of instrument used and how effectiveness will be measured. The hedge must be highly effective in accomplishing the objective of offsetting changes in the fair value being hedged, both at inception and over the life of the hedge. Gains and losses on derivative instruments designated and qualifying as fair value hedging instruments, as well as the offsetting losses and gains on the hedged items, are reported within income in the same accounting period.

**Cash and Cash Equivalents** – Cash and cash equivalents consist of cash and money market funds with an original maturity of three months or less.

**Inventories** – Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out (“FIFO”) method.

**Property** – Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses and include expenditures for major renewals and betterments. Expenditures for normal maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Properties under construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Maintenance and repairs are normally expensed during the financial period in which they are incurred. If major renewals are performed and these activities bring to the Company future economic benefits in excess of the originally assessed standard of performance, the expenditures are capitalized and depreciated over the remaining useful life of the related asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income.

**Goodwill** – Goodwill represents the excess of the contributed value of DEH and PIC over the fair value of net tangible and identifiable intangible assets of the Company at formation. Goodwill is not amortized, but is subject to impairment testing. Any impairment is recognized immediately in income and is not subsequently reversed.

**Leasing** – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases and the related payments are treated as rentals and recognized in the statement of comprehensive income on a straight-line basis over the lease terms.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as obligations under finance leases.

Rent payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are spread on a straight-line basis over the lease term.

**Provisions** – Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. When the Company expects a provision to be reimbursed, the inflow is recognized as an asset only when the reimbursement is certain.

**Income Taxes** – Deferred income tax assets and liabilities are computed for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future. Such deferred income tax asset and liability computations are based on substantially enacted tax laws and rates applicable to periods in which the differences are expected to affect taxable income.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities. The Company's foreign operations are subject to tax under laws of their respective countries. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**Government Grants** – Government grants related to assets are recognized in the statement of financial position as deferred income.

**Revenue Recognition** – The Company recognizes revenue when the risk and reward of the ownership of goods have been transferred to the customer and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or expected to be received and represents amounts for goods and services provided in the normal course of business, net of discounts and sales related taxes.

**Retirement Benefit Costs** – The Company has various pension plans in accordance with the local conditions and practices in the countries in which they operate. Payments to defined contribution plans are charged to expense as they fall due. Payments made to state-managed retirement benefit plans are charged to expense where the Company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

**Foreign Currency Translation** – The functional currency for the Company as well as its subsidiaries in the United States, Mexico, Brazil, Dubai and Hong Kong is U.S. dollars. The subsidiaries in Switzerland, Germany and Italy use the Euro, while the subsidiary in Shanghai uses the Renminbi. The translation from the applicable foreign currencies to U.S. dollars is performed for statement of financial position accounts using current exchange rates in effect at the reporting date. For expenses and

revenues, the transaction date exchange rate or an average exchange rate is used. Gains or losses resulting from the translation are included in equity. Foreign currency transaction gains or losses are reflected on a separate line item in the consolidated statements of comprehensive income. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**Recent Accounting Pronouncements** –The Company has adopted all new and revised standards and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB that are relevant to its operations and effective for annual reporting periods beginning on January 1, 2013. This has resulted in no changes to the Company’s accounting policies. The Company has also considered standards and interpretations which were issued but not yet effective, and anticipate that their adoption in future periods will have no material impact on the financial statements of the Company.

**Critical Accounting Judgments and Key Sources of Estimation Uncertainty** – In the application of the Company’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenue recognition – Sales that are billed to customers based on provisional pricing are subsequently adjusted for the actual settlement prices. As of the end of the reporting period the Company estimates the final settlement price based on the prices observed in the market.

Estimation of useful life and residual value for property, plant and equipment – The Company assesses the carrying value of property, plant, equipment, identifiable intangible assets, and long-lived assets annually, or more frequently if events or changes in circumstances indicate that such carrying value may not be recoverable. Factors that trigger an impairment review include underperformance relative to historical or projected future results, significant changes in the manner of use of the acquired assets or the strategy for the overall business and significant negative industry or economic trends. The most significant variables in determining cash flows are discount rates, terminal values, the number of years on which to base the cash flow

projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. Amounts estimated could differ materially from what will actually occur in the future.

Allowances for doubtful accounts – The Company creates an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. If the customers' financial conditions were to deteriorate, additional allowances may be required in future periods.

Allowances against inventory – The Company periodically reviews inventory for excess amounts, obsolescence and declines in net realizable value below cost, and creates an allowance against the inventory balance for any such decline. These reviews require management to assess the estimated future demand for products. Possible changes in these estimates could result in revisions to the evaluation of inventory in future periods.

Legal contingencies – Legal contingencies cover a wide range of matters threatened in various jurisdictions against the Company. Provisions are recorded for pending litigation when it is determined that an unfavorable outcome is probable and the amount of loss can be reasonably estimated, after consideration of advice from attorneys. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of the settlement may materially vary from estimates.

Deferred tax assets – The net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and are recorded on the statement of financial position. Deferred income tax assets are recorded to the extent that realization of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes reasonable judgments and estimates based on taxable profits and expectations of future income. As tax losses do not expire in Germany and Italy, utilization of these tax losses require management to consider taxable profits well into the future. This significant long-term view increases the uncertainty of such projections. As a result of this and certain limits on annual tax loss usage, the Company limits its consideration of German and Italian tax losses to 10 years, which is being considered a more foreseeable future, even though the ability to potentially utilize the tax losses extends beyond this period. Projections of future profitability used for the purpose of assessing usage of tax assets is consistent with considerations elsewhere, such as in impairment analyses.

Impairment of goodwill – Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. These calculations use cash flow projections based on financial budgets approved by management covering a five year period, with adjustments as necessary to reflect better subsequent information, and extrapolate cash flows for the following five years based on an estimated margin growth rate. These computations require management to estimate operating results, economic factors, commodity prices, consumer demand and many other factors, often with limited external information available for the entire forecasted period, which could cause amounts to materially differ in the future.

Employee benefits – Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is performed. Liabilities are recognized for the amount expected to be paid under the short and long term incentive programs offered by the Company. These obligations can be estimated reliably.

**Reclassifications** – Certain comparative figures have been reclassified, where applicable, to conform to the presentation adopted in the current year.

**Disclosure** – The financial statements were authorized for issue by the Chief Financial Officer on February 28, 2014.

## 2. INVENTORIES

Details of inventory at December 31 are as follows:

	<u>2013</u>	<u>2012</u>
Finished Goods	134	216
Raw Materials & Supplies	4	5
Total inventory	<u>138</u>	<u>221</u>

## 3. GOODWILL

	<u>2013</u>	<u>2012</u>
Carrying amount at January 1	98	96
Foreign currency exchange differences	4	2
Carrying amount at December 31	<u>102</u>	<u>98</u>

Goodwill acquired in a business combination is allocated at acquisition to the CGU that is expected to benefit from that business combination. The carrying amount of goodwill has been allocated to the PET CGU, attached to the plants in Schkopau.

The Company tests goodwill annually for impairment. The recoverable amounts of the CGU are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rate, the margin over raw materials, the growth rates of the margin over the period, freight cost and the capacity utilization rates. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts.

Margin over raw materials is based on historic information, industry projections and various other market economic and Company specific considerations. The utilization rates, which indicate the capacity level at which the plants are expected to operate in the future, are based on the name-plate capacity.

The Company prepares cash flow forecasts derived from the most recent financial budgets and market updates reviewed by management for the next five years, with adjustments as necessary to better reflect subsequent information, and extrapolates cash flows for the following five years based on an estimated margin growth rate of 1% per annum. This rate does not exceed the average long-term revenue growth rate for the relevant markets. The rate used to discount the forecast cash flows is 6.50% in 2013 and 6.40% in 2012.

#### 4. PROPERTY

	Land* and waterway improvements	Buildings	Machinery & other equipment	Utilities & supply lines	Property under construction	Total
<b>Estimated useful life in years</b>	<b>10-25</b>	<b>20-40</b>	<b>5-25</b>	<b>20</b>	<b>N/A</b>	
<b>Cost</b>						
<b>At January 1, 2012</b>	<b>3</b>	<b>46</b>	<b>251</b>	<b>2</b>	<b>-</b>	<b>302</b>
Additions	-	-	-	-	4	4
Disposals	-	-	(2)	-	-	(2)
Capitalized	-	-	3	-	(3)	-
Foreign currency	-	1	5	-	-	6
<b>At January 1, 2013</b>	<b>3</b>	<b>47</b>	<b>257</b>	<b>2</b>	<b>1</b>	<b>310</b>
Additions	-	-	-	-	3	3
Disposals	-	-	(2)	-	-	-2
Capitalized	-	-	4	-	(4)	-
Foreign currency	-	2	11	-	-	13
<b>At December 31, 2013</b>	<b>3</b>	<b>49</b>	<b>270</b>	<b>2</b>	<b>-</b>	<b>324</b>
<b>Accumulated depreciation and impairment</b>						
<b>At January 1, 2012</b>	<b>1</b>	<b>9</b>	<b>116</b>	<b>1</b>	<b>-</b>	<b>127</b>
Depreciation charge for the year	-	1	16	-	-	17
Eliminated on disposal	-	-	(2)	-	-	(2)
Foreign currency	-	-	3	-	-	3
<b>At January 1, 2013</b>	<b>1</b>	<b>10</b>	<b>133</b>	<b>1</b>	<b>-</b>	<b>145</b>
Depreciation charge for the year	-	1	17	1	-	19
Eliminated on disposal	-	-	(2)	-	-	(2)
Foreign currency	-	-	6	-	-	6
<b>At December 31, 2013</b>	<b>1</b>	<b>11</b>	<b>154</b>	<b>2</b>	<b>-</b>	<b>168</b>
<b>Carrying amount</b>						
<b>At January 1, 2012</b>	<b>2</b>	<b>37</b>	<b>135</b>	<b>1</b>	<b>-</b>	<b>175</b>
<b>At January 1, 2013</b>	<b>2</b>	<b>37</b>	<b>124</b>	<b>1</b>	<b>1</b>	<b>165</b>
<b>At December 31, 2013</b>	<b>2</b>	<b>38</b>	<b>116</b>	<b>-</b>	<b>-</b>	<b>156</b>

\* Land is not depreciated

At December 31, 2012, the carrying amount of the Company's machinery and other equipment included an amount of \$89 in respect to assets held under a finance lease that was repaid in 2013.

The carrying amount of property, plant and equipment approximates their fair value.



## 5. NOTES PAYABLE / NOTES RECEIVABLE

	Notes Payable		Notes Receivable	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Dolpa operational facility	1	49	85	-
MEGlobal Canada Inc.	-	-	320	93
Revolving facility (see note 6)	202	45	-	-
	<u>203</u>	<u>94</u>	<u>405</u>	<u>93</u>

**Operational Facility** – Under the cash management services provided by Dow, the Company also has in place an overnight cash sweeping facility with a subsidiary of Dow, Dolpa S.a.r.l. (“Dolpa”). Under this arrangement, the Company sweeps all of the bank accounts and either invests or borrows funds on an overnight basis. Under the terms of the agreements, the Company can borrow from Dolpa at interest rates ranging from LIBOR plus a positive spread as set by Dow each half year that represents transactions with unrelated parties under similar terms and conditions plus 0.125% and inversely invest with Dolpa at LIBOR plus a positive spread as set by Dow each quarter that represents transactions with unrelated parties under similar terms and conditions minus 0.125%. Amounts outstanding at December 31 under these arrangements amongst the Company’s subsidiaries were a net deposit of \$84 at interest rates ranging from 0.41% to 1.01% in 2013 and a net borrowing of \$49 at interest rates ranging from 0.28% to 1.02% in 2012. These are indefinite credit arrangements subject to termination by either party. Interest is accrued monthly and capitalized. Alternatively, the Company can also, at its discretion, directly invest through the cash management activities excess funds with third party banks.

**Intra / Inter- JV Revolving Credit Facilities** – The Company has various revolving credit facilities in place for working capital financing with its foreign direct and indirect subsidiaries, as well as with MEGlobal Canada for working capital financing up to a maximum of \$400 at December 31, 2013 and \$300 at December 31, 2012. These facilities can also be used to deposit excess funds with the Company. The respective borrowing rate is at 1.5% above funding costs of the Company, and the respective deposit rate is at 1.225% above the three months USD LIBOR. At December 31, MEGlobal Canada had borrowed \$320 at an interest rate of 3.17% in 2013 and borrowed \$93 at an interest rate of 2.93% in 2012. These are indefinite credit agreements subject to termination by either party. Interest is accrued monthly and capitalized.

**Guarantees** – The Company has guaranteed the following facilities:

- \$40 import trade facility with National Bank of Kuwait PLC on behalf of MEGlobal International FZE and MEGlobal Europe GmbH. This guarantee is joint with MEGlobal Canada Inc.
- \$20 import trade facility with Mizuho Corporate Bank Ltd. on behalf of MEGlobal International FZE.
- €30 PTA supply agreement with Orlen on behalf of Equipolymers GmbH
- \$21 MXP with Mexico government tax authority on behalf of MEGlobal Mexico
- Tank car agreement with GATX on behalf of MEGlobal Americas Inc.
- Silver lease agreements with HSBC Bank USA, Sumitomo, Standard Charter and Toronto Dominion Bank on behalf of MEGlobal International FZE
- PTA delivery agreement with BP Aromatics Limited N.V.

## 6. LONG-TERM DEBT & OBLIGATIONS UNDER FINANCE LEASE

	<u>2013</u>			<u>2012</u>		
	Total	Current	Long Term	Total	Current	Long Term
Term Loan	203	-	203	155	-	155
Obligations under finance Lease	-	-	-	98	3	95
	203	-	203	253	3	250

**Syndicated Loan & Facility** - On March 1, 2013, the Company upsized the existing medium term and revolver facility, which was refinanced through a syndication of banks in 2012 from \$310 to \$405. The facility is secured by assets of the Company and is secured with a \$500 demand debenture by MEGlobal Canada.

**\$202.5 Medium Term Syndicated Loan** – This five year loan matures on December 19, 2017, with a fixed bullet payment of \$202.5. Facility allows the Company to elect an interest setting period of one, two, three or six month LIBOR plus 1.50%. As of December 31 2013, the interest rate was 1.665% per annum.

**\$202.5 Medium Term Revolving Credit Facility** – This five year revolving facility, inclusive of \$50 swing line, matures on December 19, 2017 and allows the Company to borrow funds and elect an interest setting period of one, two, three or six month LIBOR plus 1.50%. As of December 31, 2013, the interest rate was 1.66% on the revolving facility and 3.75% on the swing line.

The Syndicated Loan and Revolving Credit Facility require the Company and its subsidiaries to meet certain restrictive financial covenants. The Company was in compliance with its covenants at December 31, 2013.

Interest on the above obligations totaled \$5 and \$3 for 2013 and 2012, respectively.

**Obligations under finance lease** – Buna Sow Leuna Olefinverbund GmbH (“BSL”), a wholly-owned subsidiary of DOW, entered into an agreement in February 2003 with BTM Capital Corporation, a substantive leasing company (“Lessor”) for the construction and leasing of a PET manufacturing facility (“the Facility”) at its Schkopau, Germany site. This lease agreement was assigned to Equipolymers GmbH as part of the formation of the joint venture. Interest on this obligation was immaterial in 2013, and totaled \$2 in 2012. This lease was paid off on January 28, 2013.

## 7. OPERATING LEASES

The Company has entered into leases for rail cars and terminal storage as shown below:

<u>Minimum lease commitments</u>	<u>2013</u>	<u>2012</u>
2013	19	18
2014	20	14
2015	15	7
2016	11	4
2017 and beyond	58	17
Total	<u>123</u>	<u>60</u>

MEGlobal International FZE has entered into short term leases totaling 4,506,760 troy ounces of silver with a variety of banks, with maturities staggering over various dates in 2014. The facilities are guaranteed by MEGlobal BV and sub leased to MEGlobal Canada Inc. and Alberta & Orient Glycol Company Ltd. for utilization in its manufacturing operations at similar conditions. At year end, \$98 of silver was being leased at an average rate of 1.10% (1.97% in 2012) per annum.

Bank	2013			2012	
	Credit Limit MM\$	Qty (TOZ)	Silver Value MM\$	Qty (TOZ)	Silver Value MM\$
HSBC	115	678,484	14	2,062,984	66
Sumitomo	50	500,000	10	-	-
Standard Chartered	85	2,000,000	46	-	-
Toronto Dominion	60	1,328,276	29	-	-
<b>Total</b>	<b>310</b>	<b>4,506,760</b>	<b>99</b>	<b>2,062,984</b>	<b>66</b>

In addition, the Company routinely leases premises for use as offices, warehouses, vehicles, equipment and software under operating leases. At December 31, 2013, future minimum rental commitments under these non-cancelable leases are immaterial.

## 8. DERIVATIVE INSTRUMENTS AND HEDGING

The Company's operations require active participation in foreign exchange markets. The Company enters into foreign exchange forward contracts to hedge various currency exposures. Exposures primarily relate to assets and liabilities denominated in foreign currencies. The primary business objective of the activity is to optimize the U.S. dollar value of the Company's assets and liabilities with respect to exchange rate fluctuations. Assets and liabilities denominated in the same foreign currency are netted, and only the net exposure is hedged. At December 31, 2013 and 2012, the Company had forward contracts to buy, sell or exchange foreign currencies. These contracts had various expiration dates and are with Dow Financial Services Inc., Banco Itau Sa, The Dow Chemical Company and Dow International Mexicana S.A. de C.V.

The Company has not engaged in any cash flow hedges.

	2013			2012		
	Gain	Loss	Fair Value	Gain	Loss	Fair Value
Derivatives relating to: Foreign Currency	2	(1)	1	3	-	3

## 9. INCOME TAXES

The provision for income taxes consists of the following:

	2013	2012
Current	13	14
Deferred	(7)	(23)
Total	6	(9)

### Tax Rate Reconciliation:

	2013		2012	
Income before income taxes	187		129	
Tax at the Netherlands rate	47	25.0%	32	25.0%
Tax effect of expenses that are not deductible in determining taxable profit	-		(2)	
Tax effect of current year losses for which no deferred tax assets have been recognized	-		-	
Tax effect of recognition of previously unrecognized tax losses	(1)		(20)	
Effect of different tax rates of subsidiaries operating in other jurisdictions	(40)		(19)	
Tax expense (benefit) and effective tax rate for the year	6	3.2%	(9)	(7.0%)

Net income taxes paid during 2013 were \$8 and in 2012 were \$13.

The following are the major deferred tax assets recognized by the Company and the movements thereon:

	Accelerated tax depreciation	Timing difference related to finance lease	Goodwill & Intangible assets	Tax losses	Other	Total
At December 31 2012	(34)	(3)	(13)	84	5	39
(Charge) / credit to the income statement	1	3	(3)	4	1	6
Foreign currency exchange	(2)	-	(1)	4	-	1
At December 31 2013	(35)	-	(17)	92	6	46

At December 31 2013, the Company has unused tax losses of \$455 available for offset against future profits, with no expiration date as follows:

	Equipolymers Srl	Equipolymers GmbH
Recognized tax losses	46	275
Unrecognized tax losses	134	--
Total tax losses	180	275

Tax losses in Germany do not expire and can be utilized to offset the first million and 60% of the remaining balance of taxable income in a given year. The Company expects to begin utilizing the German tax losses in 2015. The Company applied a tax rate of 29.1% for 2013.

Tax losses in Italy do not expire and can be utilized to offset 80% of the balance of taxable income in a given year. As this company is not expected to realize significant earnings, the majority of tax losses remain unrecognized. The Company applied a tax rate of 27.5% for 2013.

## 10. COMMON STOCK

The Company has two classes of common stock: Class A and Class B. Both classes of shares carry a par value of 1,000 Euros per share.

Class A shares:

Authorized: 45 shares

Issued and outstanding: 19 shares

Stockholder: Dow Europe Holding B.V.

Class B shares:

Authorized: 45 shares

Issued and outstanding: 19 shares

Stockholder: Petrochemical Industries Company

These classes of common stock have the same rights, preferences and restrictions.

## 11. RELATED PARTY TRANSACTIONS

The Company has entered into certain commercial arrangements with its stockholders as part of the formation of the venture. They include:

- Excess EG Marketing Agreement
- General Services Agreement
- Secrecy Agreement
- Long Term Land Lease Agreement
- Site Services Agreement
- Employee Seconding Agreement
- Other Assignment and Assumption Agreements

In addition, The Company has entered into the following agreement with Dow Olefinverbund GmbH (DOG), a related party to DOW, which operates and owns the site on which the PET production facility is located in Schkopau, Germany.

- Manufacturing Service Agreement - to provide manufacturing and operational services for an initial period of two years, effective January 2011 and automatically extended for a period of two years at a time, if not terminated earlier by one of the parties. This agreement comprises the lease by the Company of its manufacturing facilities in order for DOG to transform the raw materials owned by The Company into finished goods. The Company pays a fixed amount and a variable fee per metric ton produced. These values are defined annually.

A summary of the significant transactions with affiliated entities is as follows:

		2013			2012		
		Dow consolidated companies	MEGlobal Canada	PIC, Equate, TKOC	Dow consolidated companies	MEGlobal Canada	PIC Equate, TKOC
	Inventory	309	896	1,246	307	758	1,086
Purchases	Seconded Services – key management	3	-	1	3	-	1
	Services	54	1	-	48	1	-
Included in the December 31 Statement of Financial Position	Receivables	5	320	-	4	94	-
	Payables	38	86	125	48	29	2

- Dow consolidated companies includes: DOW, Union Carbide Corporation, Ethylene Oxide Glycol Company, Dow Chemical Canada ULC, DEH, DCOMCO, Dolpa S.a.r.l, and other TDCC subsidiaries and or related companies to a smaller extent.
- MEGlobal Canada includes: MEGlobal Canada Inc. and Alberta & Orient Glycol Company Ltd.
- PIC, Equate, TKOC includes: Petrochemical Industries Company (K.S.C.), Equate Petrochemical Company (Equate), and The Kuwait Olefins Company (TKOC).

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in accordance with standard terms of the agreements

The Company is committed to purchase from DOW under the Excess EG Marketing Agreement an annual firm volume of EG for a term of 240 months commencing on July 1, 2004.

The Company also acts as the host to key seconded employees from PIC and subsidiaries of DOW. These individuals retain benefits from their respective home company. The Company reimburses the relevant PIC or DOW subsidiaries for employment costs incurred.

There were no material transactions with directors requiring disclosure in accordance with IAS 24.17 (R) as it relates to compensation and benefits.

## 12. EMPLOYEE BENEFIT PROGRAMS

All company benefit programs, including compensation expenses, totaled \$17 and \$19 in 2013 and 2012, respectively.

Employees in MEGlobal Americas Inc. and MEGlobal Europe GmbH participate in Company sponsored health, welfare and pension programs.

Employees in MEGlobal Asia Limited participate in Company sponsored health and welfare programs, while participating in Dow Chemical Pacific Ltd. sponsored pension plans.

Employees in MEGlobal International FZE participate in Dow Export GmbH sponsored health and welfare programs, with the exception of life insurance, which is in the Company's name. Provisions for employees' end of service indemnity are made in accordance with Dubai Airport Free Zone regulations, and are based on current remuneration and cumulative years of service at the reporting date.

Employees in MEGlobal Trading Company Ltd. participate in Dow China sponsored health, welfare and pension programs.

Employees in Equipolymers Srl participate in legally mandatory and Dow Italy sponsored health, welfare and pension programs.

### 13. RISK MANAGEMENT

#### **Markets**

**EG** - The Company operates its EG business globally in a highly competitive market for commodity petrochemical products. Prices are primarily affected by industry cycles and supply and demand balances. To address these business risks, management aims to diversify its customer base geographically, differentiate its products through consistent quality and service, and maximize its favorable cost position through its own manufacturing and third party supply partners for which the Company acts as a distributor and marketer. Sales totaled \$3,199 and \$2,861 in 2013 and 2012 respectively.

**PET** - The Company operates its PET business primarily in Europe. Different pricing formulas and quotes are all priced in EUR. Most formulas are based on major raw material prices (PTA and MEG) and unit ratios adding a margin (referred to as MOR).

Sales totaled \$492 and \$501 in 2013 and 2012 respectively.

The Company's geographic distribution of net sales is shown hereafter:

<b>Sales by region:</b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Asia	1,845	1,182
Americas	825	829
Europe	765	924
Middle East	256	427
	<u>3,691</u>	<u>3,362</u>

Set forth below are sales to customers that reached 10% of net sales for the years ended December 31:

	<b><u>2013</u></b>	<b><u>2012</u></b>
Jiangsu Sanfanxiang Group Co., Ltd	367	284
Gruppo Mossi & Ghisolfi	261	324



**Capital Management** – The Company has a solid capital structure with relatively low debt leveraging. Adequate liquidity is provided through operational cash flow and committed credit facilities from third party banks which ensure sustainability and financial viability as an ongoing concern. The Company’s overall risk and financial strategy is reviewed quarterly by the Finance Committee, and remains unchanged from the prior year, and is in line with target ratios.

	<u>2013</u>	<u>2012</u>
Long term debt	203	250
Long term debt due within one year	202	48
Accounts payables and accruals	483	339
Income tax payable	3	5
Notes payable	1	49
Deferred taxes	1	1
Less: cash and cash equivalents	(14)	(21)
Net debt	<u>879</u>	<u>671</u>
Total Capital	<u>526</u>	<u>336</u>
Capital and net debt	<u>1405</u>	<u>1007</u>

**Credit** – The Company is selling products to customers on open account and secured terms and applies an active and conservative credit management policy, which includes credit insurance, appropriate credit-limits for open account customers, risk categories and order control mechanisms on medium-high risk accounts. Management believes there are no significant past due receivables subject to credit risk.

In 2012, the Company secured credit insurance policies on open accounts, resulting in a reduction of its previously booked allowances for doubtful accounts. The Company is also insuring selective high sovereign risks derived from letters of credit with banks. The policy is offered by major credit insurance in the Middle East covering exports from the Middle Eastern region.

Accounts Receivable Aging Analysis:

	<u>2013</u>	<u>2012</u>
Current	575	408
Past Due 1-30 days	1	1
Past Due Over 30 days	1	1
Total	<u>577</u>	<u>410</u>

Movement in the allowance for doubtful receivables:

	<u>2013</u>	<u>2012</u>
Allowance reconciliation		
As at January 1	4	10
Risk analysis reserve changes	(1)	(6)
Amounts written off	-	-
As at December 31	<u>3</u>	<u>4</u>

In accordance with management procurement policies, trade payables are settled in accordance with the agreed credit terms. With respect to financial assets, the

maximum exposure is equal to the carrying amount of the assets on the statement of financial position. Temporary surplus cash is placed either with Dolpa under the cash management process or invested on an over-night basis with top rated third party banks.

**Interest** – The Company has floating interest rate debt and deposits, and is exposed to interest rate fluctuations. These are discussed in detail in notes 5 and 6.

A market rate sensitivity analysis (floating versus fixed rate) was completed on the Medium Term Syndicated Loan, reflecting that the sensitivity of a change from floating to a one year fixed rate would be immaterial from an interest expense perspective. The sensitivity analysis shows that an increase of 1% in the interest rate has a negative impact on the statement of comprehensive income of approximately \$2.

**Concentration** – The Company participates in the manufacturing and trade industry sector and key balance sheet items can be analyzed by the following geographic regions post intercompany eliminations:

	2013			2012		
	Trade Receivables	Inventory	Notes Receivables	Trade Receivables	Inventory	Notes Receivables
Geographic region:						
Asia	293	44	-	145	88	-
Americas	67	27	320	73	50	93
Europe	105	67	85	95	83	-
Middle East	89	-	-	66	-	-
	<u>554</u>	<u>138</u>	<u>405</u>	<u>379</u>	<u>221</u>	<u>93</u>

**Foreign exchange** – The Company is exposed to foreign currency translation and transaction gains and losses based on the nature and structure of its operations and changes in reporting and transaction currencies. The Company manages these foreign currency risks with foreign exchange contracts. See note 8 for details of the contracts. The Company has small Note Receivable or Payables denominated in EUR or other currency. Any change in exchange rate would have minimal impact on the statement of comprehensive income.

**Liquidity** – The Company manages its short term obligations by means of its own cash flow and committed third party short term debt. The dividend policy of the Company is driven by a targeted debt to equity ratio, cash flow and liquidity, and is restricted by certain tax and legal provisions prevailing in the various jurisdictions in which the Company operates.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments:

	<u>2013</u>				<u>2012</u>			
	0 to 3 months	3 to 12 months	> 1 year	Total	0 to 3 months	3 to 12 months	> 1 year	Total
Long term debt	1	2	220	223	-	-	268	268
Long term debt due within one year	-	-	-	-	2	6	-	8
Accounts payables and accruals	483	-	-	483	339	-	-	339
Notes payable	51	153	-	204	94	-	-	94
<b>Total Liabilities</b>	<b>535</b>	<b>155</b>	<b>220</b>	<b>910</b>	<b>435</b>	<b>6</b>	<b>268</b>	<b>709</b>

#### 14. OTHER INCOME AND EXPENSE

The Company reviewed their transactions with MEGlobal Canada Inc., and due to a change in the estimate for 2012, profit before tax in 2013 was adjusted by \$27.

#### 15. DEFERRED INCOME

The Company received a total of \$34 in 2005 and 2006 in government grants for the construction of the PET manufacturing facility at its Schkopau site. The German grants are presented as deferred income and recognized to income on a systematic and rational basis over a period of 20 years.

	<u>2013</u>	<u>2012</u>
Deferred Income – Government Grants	20	21

**16. RECONCILIATION TO UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (“USGAAP”) (UNAUDITED)**

The financial statements of the Company are prepared in accordance with IFRS, which differ in certain respects from USGAAP. Retrospective application of new USGAAP has been incorporated. The significant differences and their effect on the net income and stockholders’ equity are set out below:

Year ended December 31,	<u>2013</u>
<b>Income as reported in the consolidated statement of comprehensive income</b>	181
Items increasing / (decreasing) reported net income:	
Depreciation on basis difference of contributed assets, net of tax	5
<ul style="list-style-type: none"> <li>• Depreciation on carrying value of assets under finance lease</li> </ul>	-
<hr/>	
<ul style="list-style-type: none"> <li>• <b>Profit in accordance with US GAAP</b></li> </ul>	186
<hr/>	
Year ended December 31,	<u>2013</u>
<b>Equity as reported in the consolidated statement of financial position</b>	526
Items increasing / (decreasing) reported equity:	
<ul style="list-style-type: none"> <li>• Carrying value of assets under finance lease</li> </ul>	-
<ul style="list-style-type: none"> <li>• Finance lease obligation</li> </ul>	-
<ul style="list-style-type: none"> <li>• Basis difference on formation of venture - Contributed assets</li> </ul>	(28)
<ul style="list-style-type: none"> <li>• Basis difference on formation of venture - Goodwill</li> </ul>	(40)
<ul style="list-style-type: none"> <li>• Tax effect of USGAAP differences on Deferred Tax Assets</li> </ul>	(4)
<hr/>	
<b>Equity in accordance with US GAAP</b>	454
<hr/>	