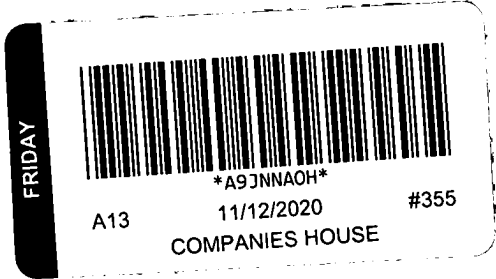


Registered number: 00486170

DOW SILICONES UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



DOW SILICONES UK LIMITED

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DOW SILICONES UK LIMITED

COMPANY INFORMATION

Directors	S F Dopp E Gadea G E A van Poorten P Anstead J E Case
Company Secretary	C A Jenkins
Registered Number	00486170
Registered Office	Barry Plant Cardiff Road Barry Glamorgan CF63 2YL
Independent Auditor	Deloitte LLP Statutory Auditor 3 Rivergate, Temple Quay Bristol BS1 6GD
Bankers	Deutsche Bank AG 1 Great Winchester Street London EC2N 2DB Citibank 111 Wall St New York NY 10005

DOW SILICONES UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the Strategic Report of Dow Silicones UK Limited (the "company") for the year ended 31 December 2019.

BUSINESS REVIEW

Our business strategy in 2019 was a continuation of the main directives defined in 2018, keeping a good balance between sales volume and profit generation. Uncertainty around the UK's position in the global market and in Europe did not decrease in 2019, not really helping to facilitate clear business direction mid-term. The main product lines; feedstocks and intermediates as basics manufacturing and polymers and elastomers as finishing manufacturing remained stable during 2019. Operationally, our focus is constant in having a best in class safety and process safety performance while we continue to improve our reliability and efficiency.

PERFORMANCE REVIEW

As shown in the Company's profit and loss account on page 15, turnover decreased from £536,443,000 in 2018 to £453,811,000 in 2019. The decrease in turnover and cost of sales as a result of a decrease in intercompany sales with fellow subsidiaries of Dow Inc. The decreases in intercompany sales are driven by market conditions in 2019 and 2018.

Operating profit has increased from £11,182,000 in 2018 to £16,119,000 in 2019 while the profit before taxation has decreased from a profit of £12,697,000 in 2018 to £10,580,000. The balance sheet on page 16 of the financial statements shows the Company's financial position. At the year end the Company had net assets of £295,489,000 (2018: £267,121,000) and net current assets of £60,725,000 compared to net current assets of £61,595,000 in 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

Our principal risks fall into four categories. The first is a global oversupply in the silicones industry, especially in Europe. The second is the uncertainty around Brexit and the UK's long-term position and competitiveness in a global market. The third relates to regulatory challenges and energy costs within Europe, and their impact on the competitiveness of EU-based businesses. And the fourth one is the pandemic caused by coronavirus disease 2019 ("COVID-19") and its economic impact on global economy.

Whilst these uncertainties will continue through 2019 and beyond, the company's strategy for long-term success is clear and robust and its foundation remains financially strong. We continue to take the necessary action to strengthen our position and to invest in developing innovative products for the company's customers, especially in front of a current weakening economic environment in some key markets and industries.

The Company manages competitive pressure risk both within the UK and overseas by providing value added services to its customers, having fast response times not only in supplying products but in handling all customer queries and by maintaining strong relationships. The company's product portfolio contains high technology products which increase the company's competitiveness in the market. The company aims to maintain this competitive advantage by continually responding to the high technological needs of the customers.

In order to assess and take action for the possible outcomes of Brexit, project teams have been put in place to focus on supply security and assess potential costs impacts. The project management structure developed is similar to many industrial companies in the UK and it includes a crisis management team for Brexit. The company is working with government authorities on possible problems on duties and transportation that will possibly arise due to the effects of Brexit. All the impacted employees have been notified of the situation and a specific plan is ready for execution.

The pandemic caused by coronavirus disease 2019 ("COVID-19") has impacted all geographic regions where Dow products are produced and sold, including the UK. The local spread of COVID-19 resulted in significant mitigation measures, including government-directed quarantines, social distancing, travel restrictions and/or bans, and restricted access to certain sites. The facilities in the UK have been designated essential operations and as a result these manufacturing sites continue to operate and are doing so safely, having implemented social distancing and enhanced health, safety and sanitization measures.

Dow's regional Crisis Management Teams ("CMTs") continue to work closely with site leadership and are adjusting alert levels as warranted on a site by site basis. At the time of this filing, a large number of Dow Silicones UK Limited workforce is working remotely. The CMTs have initiated the implementation of a comprehensive Return to Workplace plan that is tailored for each site and includes a number of health and safety measures to be followed in a gradual and phased approach.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

SECTION 172

Our ambition is to be the most innovative, customer-centric, inclusive and sustainable materials science company in the world. For this ambition to become reality, successful collaboration internally and externally is critically important. While Dow's ambition and many of the supporting policies and frameworks are global in nature, implementation thereof takes place locally and requires local and national relationships with a variety of stakeholders, including our employees, customers, suppliers, communities, and government and regulators. Dow Silicones UK has a corporate direct shareholder and is ultimately indirectly owned by the publicly listed company, Dow Inc. Dow Inc. shares are traded at the New York Stock Exchange so these shareholders do not have a direct influence on Dow's UK operations.

Employees

The Dow Silicones UK employees play a critical role in achieving our ambition. We work every day to foster a culture where everyone is respected, valued, and has an equal opportunity to contribute and advance. Our people are using their unique perspectives and backgrounds to find new ways to solve challenges and exceed customer expectations in an environment of inclusion, diversity and integrity.

Across the UK several Employee Resource Groups (ERGs) help ensure we lead the way in innovative solutions around inclusion and addressing inclusion or diversity barriers. We consider this to be best practice and continue to encourage open dialogue from our employees and employee resource group members. An Inclusion Council is active in addition to the ERGs. The group, including representatives from all functions and sites, helps identify areas for improvement and helps reinforce communications around UK facilities or policies. The Inclusion Council also includes a number of employee representatives should we need to consult on any fundamental changes.

Through regular (virtual) town halls, internal news updates and direct leader engagement, employees are kept up-to-date on developments in Dow Silicones UK. Through Dow's global Voice survey, employees can provide feedback on their employee experience while also providing leaders with insights into how to improve Dow's working culture. The feedback received is used to drive actions to improve the overall Dow experience for employees across the company. In 2019, follow-up included the addition of agency representation in the Inclusion Council, the opening of two "quiet rooms" where employees can take some time out and de-stress, and a safety open day for families to visit.

Customers

Alongside our customers, we create the materials and solutions that transform our world. We collaborate closely with our customers to help invent solutions to their toughest challenges and strive to make it easier and more enjoyable to do business with us – in person or virtually. To that end the R&D capability at the Dow Silicones UK sites aims to enable close customer collaboration on trials, innovation, application and product development. Personal relationships and interaction are key. Through Dow's commercial teams we understand current and future needs and help develop solutions. A recurring Customer Experience survey provides insights into the Company's performance against a range of indicators including the ease of doing business, technical understanding and supply chain. Survey results have been used to provide additional and more transparent Supply Chain metrics which have helped measure and manage expectations for improved customer relationships.

Suppliers

Our Purchasing teams collaborate with suppliers worldwide to proactively help our businesses meet and exceed their goals for profitability, growth, innovation, and sustainability. We are dedicated to working closely with local suppliers to implement our strategic purchasing requirements. Dow will help local suppliers to understand the needs and the potential actions for their businesses which will help them to be competitive. We also recognise engagement of small and diverse suppliers maximises bottom-line value, drives innovation and supports economic growth.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

SECTION 172 (CONTINUED)

Suppliers (continued)

Dow's supplier diversity initiative focuses on identifying and building relationships with enterprises owned by minorities, women, veterans, LGBTQ and disabled people as well as certified small businesses. In this context, Dow currently collaborates with WEConnect and MSDUK in the UK. WEConnect International is a corporate-led non-profit that helps build sustainable communities and economic growth by empowering women business owners to succeed in global markets. Dow UK is also currently involved in activities promoted by MSDUK which stands for unlocking innovation through diversity. MSDUK brings together innovative and high growth ethnic minority businesses (EMBs) with global corporations committed to creating an inclusive and diverse supply chain.

Communities

Globally, Dow interacts in various ways with communities. Programs are shaped based on the scope of and type of activities on site and local needs. At the Barry site, Dow hosts a Community Advisory Panel (CAP). The CAP consists of representatives of the local community such as residents, councillors and members of the emergency services, and representatives from the companies on the chemical complex. The panel serves as a liaison between the local community and the chemical companies on the complex. It is a forum for the community representatives to convey their questions, concerns or comments. As a result of this interaction four fence line noise meters to identify noise sources have been installed. The panel meets quarterly.

The team in Barry also connects with the community in other ways. Through the Nature Education Centre, Math's Mentoring program, School Eco Club and Dow's donations program, among others, the team volunteers their time and talents to support the community and create platforms for dialogue and exchange of views.

Government & regulators

We aim to maintain dialogue with governments and engage in policy debates that are of concern to us and the communities in which we operate. This includes participation in relevant consultations, calls for evidence and parliamentary inquiries, as well as policy engagement, both directly and through trade or industry bodies. Our business is subject to wide-ranging regulatory oversight. The monitoring of policy initiatives, and the design and implementation of engagement plans around significant issues such as Brexit or Covid-19, is managed by specialist teams both within the United Kingdom and more broadly across the Company. This process is regularly reviewed and reinforced by the Company's operational leadership.

Dow Silicones UK has regular interactions with local regulators (including Natural Resources Wales, the Environment Agency and the Health and Safety Executive) to ensure compliance and sustainability of its business operations. Dow Silicones UK is represented on chemical industry associations (CIA, CEFIC) addressing relevant regulatory issues.

KEY PERFORMANCE INDICATORS

The Dow group manages its operations on the basis of global business units across legal entities globally. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

This report was approved by the board on 8th December 2020 and signed on its behalf by:



J E Case
Director
Adamson House
Towers Business Park
Didsbury
Manchester
M20 2YY

DOW SILICONES UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and the audited financial statements of Dow Silicones UK Limited (the "company") for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The company's principal activity during the year continued to be the manufacture and marketing of silicone products.

RESULTS AND DIVIDENDS

The profit for the financial year amounted to £10,580,000 (2018: profit of £12,697,000).

The results for the year are set out in the accompanying statement of comprehensive income which shows a profit before tax of £13,161,000 (2018: £15,700,000). Earnings before interest, taxation, depreciation and amortisation (EBITDA) amounted to £25,908,000 (2018: £29,757,000).

The company now provides approximately 25.5% (2018: 30.6%) of Dow's global capacity for the manufacture of Di-methyl. Di-methyl siloxanes are the main building blocks for silicones and are the backbone for more than 95% of Dow's approximately 8000 silicone products.

The directors do not recommend the payment of a dividend (2018: £ nil). No dividends have been paid subsequent to 31 December 2019 up until the date of approval of these financial statements.

GOING CONCERN

Dow Silicones UK Limited (the Company) generates turnover by billing product to Dow consolidated entities and acting as a Contract Manufacturer for other Dow companies. The Company is part of The Dow Chemical Company group (the Group).

The cash position of the Company is being managed centrally by the Group's Corporate Treasury team in order to optimise the use of cash across the Group and to minimise exposure to risks (such as currency fluctuations). The Company is therefore dependent on the wider Group for its working capital funding. The Group has provided confirmation to the Company that it will provide support for at least 12 months from the date of approval of these financial statements and will assist in meeting the liabilities of the Company as and when they fall due.

Based on current Group forecasts, current financial position and the ability to access additional available credit lines, the Group directors believe the Group has sufficient liquidity to continue as a going concern for the foreseeable future.

As business slowed down in the course of 2020 due to the global crisis, the Group's production volumes have been adjusted in order to control inventory levels and working capital, as well as to control variable cost such as raw materials and utilities in line with demand. Customer Credit facilities are being controlled tightly as usual to ensure that the risk for potential uncollectible receivables remains low. As part of the Group's crisis management actions, the Supply Chain function closely monitors the developments globally and adjusts where necessary, to ensure product flows to customers as well as raw materials to the respective production locations can continue using the most optimal available Supply Chains and distribution channels.

As at the date of this report, the global outlook as a result of COVID-19 is significantly uncertain and the range of potential outcomes is wide-ranging and unknown. In particular, should the impacts of the pandemic on trading conditions be more prolonged or severe than currently forecast by the Group directors further actions may need to be taken. The Group directors consider such eventuality to be remote based upon its current trading and financing position.

Based upon these considerations, the Company directors have a reasonable expectation that the Group from which it receives working capital funding has adequate resources to continue in operational existence for the foreseeable future. Thus, the Company directors continue to adopt the going concern basis in preparing the annual financial statements.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

COVID-19

The pandemic caused by coronavirus disease 2019 ("COVID-19") has impacted all geographic regions where Dow products are produced and sold, including the UK. The local spread of COVID-19 resulted in significant mitigation measures, including government-directed quarantines, social distancing, travel restrictions and/or bans, and restricted access to certain sites. The facilities in the UK have been designated essential operations; as a result these manufacturing sites continue to operate and are doing so safely, having implemented social distancing and enhanced health, safety and sanitization measures.

Dow's regional Crisis Management Teams ("CMTs") continue to work closely with site leadership and are adjusting alert levels as warranted on a site by site basis. The CMTs have initiated the implementation of a comprehensive Return to Workplace plan that is tailored for each site and includes a number of health and safety measures to be followed in a gradual and phased approach.

The following assessment is valid for the current business activities of Dow Silicones UK Limited:

a) Turnover

Net sales for the first 8 months of 2020 have decreased by approximately 13.5% compared to the same period in the previous year. There are signs of cautious recovery in some business segments. The margin or profit on product sold is a given through the application of the agreed upon intercompany profit. As business slows down in the course of 2020 due to the global crisis, production volumes have been adjusted in order to control inventory levels and working capital, as well as to control variable cost such as raw materials and utilities in line with demand. Most of the companies sales are intercompany, therefore company is not facing a uncollectable receivable risk. We do not expect that any of the customers, being consolidated Dow companies, will have issues to settle their payables. The biggest internal customer in this sense is Dow Silicones Corporation, given the contract manufacturing agreement which is in place.

b) Supply Chain and Procurement

As part of the Company's crisis management actions, the Supply Chain function closely monitors the developments globally and adjusts where necessary, to ensure product flows to customers as well as raw materials to the respective production locations can continue using the most optimal available Supply Chains and distribution channels.

With regards to Procurement, the functional experts operate in a global network of experts to try and secure continued supply of raw materials and services in line with production levels and demand of the respective sites, plants and functions.

c) Cash and Cash Flow

Cash positions of Dow subsidiaries are being managed very successfully since many years centrally by the Corporate Treasury team in order to optimize the use of cash across Dow and to minimize exposures and risks (such as currency fluctuations). Based on current models, expectations and the current financial position of Dow globally, the Corporate Executives continue to express their conviction that Dow has sufficient cash available, as well as additional available credit lines, to keep cash flow in operations normal. As can be expected under the current conditions, the Company tries to limit and reduce the cash out flow by reducing expenses where possible on the short term, without materially affecting the longer term ability to conduct business and limit our ability to serve its customers. Dow Silicones UK Limited does not have any direct external financing facilities or debt.

d) Profitability and Business Volume

Based on other global market conditions, product prices were already under pressure, but the profitability of Dow was still good and earnings were not worse than that of main competitors. The company already had plans in place to further restore margins and maintain its competitive position. At this point in time, and due to the recent increased impact of this COVID-19 crisis, the Company is still assessing the future impact on business outlook and volumes. On the other hand, some of the products in Dow's portfolio serve as key materials for applications and products that will enable a faster control and containment of the virus outbreak, and will be in higher demand.

COVID-19 (CONTINUED)

e) Management and Corporate actions –

Dow globally has very active Crisis Management Teams (CMT) in place for each country or region. These teams are responsible to implement Corporate decisions and guidelines, as well as country specific and authorities' guidelines and actions given the specific circumstances of each of the Dow entities and the environment in which operate. The CMT is keeping a close look at the operability at each of the sites, the development of illness cases, the availability of protective and medical equipment, and the conditions under which production installations, Supply Chain channels, employees, customers and suppliers are able to continue to function under these unprecedented conditions. The CMT also ensures the continuous communication with all Company's stakeholders, including employees, authorities and communities. This way the Company can be as flexible as possible to react to fast changing conditions, externally or internally. One of the actions taken by the CMT in the UK was to mandate people to work from home as much as possible, to observe social distancing, and to be able to limit the risk of infections and thereby the quicker containment of the virus.

POST BALANCE SHEET EVENTS

See note **Error! Reference source not found.** to the financial statements for the subsequent events affecting the company.

DIRECTORS

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

S F Dopp
E Gadea
G E A van Poorten
P Anstead (appointed 4 July 2019)
J E Case (appointed 1 April 2019)
A M Jones (resigned 1 April 2019)
D Brookes (resigned 4 July 2019)

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The company's ultimate parent company has made qualifying third party indemnity provisions for the benefit of the company's directors which were made during the year and remain in force at the date of this report.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

FINANCIAL RISK MANAGEMENT

The main financial risks arising from the company's activities are credit risk, foreign currency risk, liquidity risk and interest rate cash flow risk.

Credit risk

The credit risk to the company is made up of cash, trade debtors, amounts owed by group companies and other debtors. A large proportion of the company's sales are to other companies within the group. The company has implemented appropriate credit control policies that require credit evaluations on potential third party customers before sales are made.

Foreign currency risk

The company conducts business in many foreign countries and as a result is exposed to movements in foreign currency exchange rates. The company's exposure to exchange rate effects is from exchange rate movements on financial instruments and transactions denominated in foreign currencies that impact earnings. The company's most significant foreign currency exposures relate to the US Dollar and the Euro. The exchange rate risks are managed on a group basis by the group's treasury function and; as a result, the company selectively enters into foreign exchange forward contracts and options with other group companies to hedge its exposure to these risks. There are no forward contracts in place at 31 December 2019.

Liquidity risk

Dow Silicones UK Limited makes use of the group treasury function which is based in the Netherlands. The group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the group has sufficient funds for operations and planned expansions.

Interest rate cash flow risk

The company is generally funded by intra-group borrowings. The principal terms of these borrowings are disclosed in note 19.

Brexit comment

The United Kingdom left the European Union on 31 January, thereafter entering a status-quo transition period that is expected to last until 31 December 2020. However, the impact of the COVID-19 pandemic may lead to an extension in the current scenario.

In the case of a no-deal scenario, EU / UK customs, tariffs, and regulatory barriers are expected to be implemented immediately. Also, possible structural impacts and one-time cost related to Brexit is expected regardless of which scenario is realized.

The main goal of the company is to maintain the ability to continue to do business in the UK and minimize disruption to the supply chain and people. A project management structure developed including a crisis-management team for the immediate Brexit period within the company. The team focused on supply security, pre-buying by customers, increased inventory, temporary storage, and possible effects of no-deal scenario which would be only known in Q4 2020. Also, all impacted employees have been notified with the situation and a specific action plan is ready for execution.

The Directors have reviewed the various Brexit scenarios and following that review, the directors are satisfied that the company will be able to deal with the various potential outcomes of Brexit and continue in business.

DOW SILICONES UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

ENVIRONMENTAL MATTERS

The company seeks to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The company has complied with all applicable legislation and regulations.

CLIMATE CHANGE

The company gives high importance to climate change. The sustainability policy of the company is managed globally. At Dow Inc., the Sustainability Team is charged to identify material sustainability risks and opportunities, including climate-related issues, and reports to the Board every quarter.

The company believes in the scientific consensus that climate change caused in part by increasing greenhouse gas from human activity has serious consequences for the planet and society if left unaddressed. The company support the Paris Agreement and are committed to achieving its goal of keeping global temperature rise below 2°C. At this point, it is difficult to predict and assess the probability of potential risks related to climate change trends on the Company specifically.

The company is one of the pioneer companies incorporating a carbon price into its business planning and risk management strategies. The price of carbon is included in the Company's internal calculations used for prioritizing capital projects.

The company's innovations are already at work improving people's lives around the world – making clothes fresher, foods healthier, water cleaner, medicines more effective and homes more energy-efficient. And that's just the beginning of the company's growing portfolio of solutions.

Specifically for the Silicones business. Buildings account for 17-40 percent of total energy consumption. DOWSIL™ silicone sealants and structural glazing products contribute to the reduction of energy use and carbon emissions from buildings and achievement of LEED certification. Flexible anchors provided by DOWSIL™ silicone structural glazing systems minimize air infiltration, resulting in the potential for more energy-efficient performance. Thermal modelling programs demonstrate the thermal gains of silicone bonding in residential window manufacturing. With longer life cycles and application durability than their petroleum-based organic counterparts, silicones resist natural breakdown from environmental factors. With more than 40 years of proven performance, Dow silicone sealants have been used in building envelope, curtainwall and weatherproofing applications to withstand hurricanes, earthquakes, acid rain, typhoons and extreme humidity, heat and freeze conditions.

FUTURE DEVELOPMENTS

The company intends to continue the management policies of innovation and development.

POLICY FOR PAYMENT TO CREDITORS

It is the company's policy to agree the terms of each transaction with each of its major suppliers, ensuring suppliers are aware of the terms of payment, and then abide by the terms of payment.

RESEARCH AND DEVELOPMENT

During 2019 the company has continued to support a research and development activity at its Barry site. The focus is on improving process efficiency, reducing waste and minimising the carbon footprint. The company spent £1.1 million on research and development during the year (2018: £0.9 million).

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

INVOLVEMENT OF EMPLOYEES IN COMPANY AFFAIRS

The company operates many formal and informal programmes to encourage the involvement of employees in its affairs. Regular management communication meetings are organised where senior representatives of management communicate the company's performance and plans with employees including regular team meetings, quarterly country leader briefings, and global quarterly company performance webcast. The company also consult employees, or their representatives, for views on matters affecting them via annual employee surveys and regular ongoing contact between leaders and teams. In addition, in order to increase employee involvement in the company's performance, the company promotes long term incentive plan and an annual bonus plan if certain performance targets are met. Employee Stock Purchase Plan was put on hold following the DuPont merger

EMPLOYMENT OF DISABLED PERSONS

The company operates a policy of employee selection and promotion which is impartial and based on capability for job accomplishment and career development. This includes being able to comply with health, safety and environmental legislation and site rules and regulations.

No employee, potential employee or past employee shall receive less favourable treatment or consideration on the grounds of gender, sexual orientation, age, race, ethnic origin, colour, religion or beliefs, disability, nationality or marital status. Registered disabled employees or potential employees will not be discriminated against, other than on operational grounds of health, safety or excessive costs in relation to being competitive in our industry.

The company will ensure that adequate facilities are provided to meet the needs of all employees. When new facilities are being designed, such factors as access for the disabled or the provision of facilities for employees of specific religions/beliefs will be considered and accommodated where possible, subject to costs not being excessive.

SOCIAL MATTERS

The company committed to making positive change through community partnerships, charitable giving and volunteerism. The company committed to solve world's challenging problems through its science, expertise, volunteerism and donations. Through relationships with its neighbors and partners company, the company support initiatives that address the goals and needs of the community and seek to leverage our capabilities to support those communities.

HUMAN RIGHTS

As company policy the dignity, rights and aspirations of all people are respected by the company. The company recognize and respect all applicable labor and employment laws including those addressing freedom of association, privacy and equal employment opportunity. The company strive to work cooperatively with duly chosen employee representatives in the common pursuit of the interests of the employees and the Company's mission. The company comply with all applicable child labor laws and laws against human trafficking. In addition per local laws and regulations and companies code of conduct, forced or involuntary labor in not used by the company.

BRIBERY AND CORRUPTION

The company committed to maintaining the highest ethical and legal standards in its relationships around the world. In order to conduct this relationship no bribery or corruption in any form is not tolerated. According to code of conduct of the company, any kind of interaction with government officials and gifts are subject to intercompany approval policy.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:

INDEPENDENT AUDITOR

Under section 487(2) of the Companies Act 2006, Deloitte LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.



J E Case
Director

Adamson House
Towers Business Park
Didsbury
Manchester, M20 2YY

Date: 8 December 2020

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (applicable law and United Kingdom Accounting Standards), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DOW SILICONES UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DOW SILICONES UK LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Dow Silicones UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 201 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 31 of the financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, 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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DOW SILICONES UK LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have 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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DOW SILICONES UK LIMITED (CONTINUED)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Boxall FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom
Date: 8 December 2020

DOW SILICONES UK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
Turnover	4	453,811	536,443
Cost of sales		(435,983)	(514,261)
Gross profit		<u>17,828</u>	<u>22,182</u>
Distribution costs		(7,713)	(18,313)
Administrative expenses		(1,768)	(2,323)
Other operating income		7,772	9,636
Operating profit	5	<u>16,119</u>	<u>11,182</u>
Interest receivable and similar income	9	230	44
Interest payable and similar expenses	10	(449)	(761)
Other finance income	25	1,142	647
(Loss) / gain on foreign income		(3,881)	4,588
Profit before tax		<u>13,161</u>	<u>15,700</u>
Tax on profit	12	(2,581)	(3,003)
Profit for the financial year		<u>10,580</u>	<u>12,697</u>
Actuarial gains / (losses) on defined benefit pension scheme	25	21,431	(7,482)
Movement of deferred tax relating to pension (deficit)/surplus	20	(3,643)	1,272
Other comprehensive income / (expense) for the financial year		<u>17,788</u>	<u>(6,210)</u>
Total comprehensive income for the financial year		<u>28,368</u>	<u>6,487</u>
Total comprehensive income attributable to the shareholders of the company		<u>28,368</u>	<u>6,487</u>

The statement of comprehensive income relates wholly to continuing operations.

The notes on pages 19 to 39 form part of these financial statements.

DOW SILICONES UK LIMITED
REGISTERED NUMBER: 00486170

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Non-current assets			
Tangible assets	13	157,489	154,793
Deferred tax asset	20	10,701	14,382
Pension asset	25	66,744	38,871
		<u>234,934</u>	<u>208,046</u>
Current assets			
Stocks	14	46,585	40,218
Deferred tax asset	20	-	2,543
Debtors	16	107,102	124,760
Cash at bank and in hand	15	3	152
		<u>153,690</u>	<u>167,673</u>
Creditors: amounts falling due within one year	17	<u>(92,965)</u>	<u>(106,078)</u>
Net current assets		<u>60,725</u>	<u>61,595</u>
Total assets less current liabilities		<u>295,659</u>	<u>269,641</u>
Creditors: amounts falling due after more than one year	18	-	(1,922)
Provisions for liabilities			
Other provisions	21	<u>(170)</u>	<u>(598)</u>
Net assets		<u><u>295,489</u></u>	<u><u>267,121</u></u>
Capital and reserves			
Called-up share capital	22	250,000	250,000
Share premium account	23	3,063	3,063
Revaluation reserve	23	275	275
Profit and loss account	23	42,151	13,783
Total shareholder's funds		<u><u>295,489</u></u>	<u><u>267,121</u></u>

The financial statements were approved and authorised for issue by the board on 8 December 2020 and were signed on its behalf by:



J E Case
 Director

The notes on pages 19 to 39 form part of these financial statements.

DOW SILICONES UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called-up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000	Total shareholder's funds £'000
At 1 January 2018	250,000	3,063	275	7,296	260,634
Comprehensive income for the financial year					
Profit for the financial year	-	-	-	12,697	12,697
Actuarial loss on pension scheme and associated deferred tax movement (notes 20 and 25)	-	-	-	(6,210)	(6,210)
Other comprehensive loss for the financial year	-	-	-	(6,210)	(6,210)
Total comprehensive income for the financial year	-	-	-	6,487	6,487
At 31 December 2018 and 1 January 2019	250,000	3,063	275	13,783	267,121
Comprehensive income for the financial year					
Profit for the financial year	-	-	-	10,580	10,580
Actuarial gains on pension scheme and associated deferred tax movement (notes 20 and 25)	-	-	-	17,788	17,788
Other comprehensive income for the financial year	-	-	-	17,788	17,788
Total comprehensive income for the financial year	-	-	-	28,368	28,368
At 31 December 2019	250,000	3,063	275	42,151	295,489

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. GENERAL INFORMATION

The Dow Silicones UK Limited (the "company") is a private company limited by shares and is incorporated in the United Kingdom under Companies Act 2006 and registered in Wales. The address of its registered office is Barry Plant, Cardiff Road, Barry, Glamorgan CF63 2YL.

The principal activity is that of the manufacturing and marketing of silicone products.

2. ACCOUNTING POLICIES

2.1 GENERAL INFORMATION AND BASIS OF ACCOUNTING

Dow Silicones UK Limited (the Company) is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 4.

The principal activities of the Company and the nature of the company's operations are set out in the strategic report on pages 2 to 4.

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements have been modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Group has applied the amendments to FRS 102 issued by the FRC in December 2017 with effect from 1 January 2019. The transitional provisions relating to the triennial review amendments have not resulted in any restatements of comparative information by the Group.

The functional currency of the company is considered to be pounds sterling because this is the currency of the primary economic environment in which the company operates.

The following principal accounting policies have been applied consistently throughout the year:

2.2 FINANCIAL REPORTING STANDARD 102 - REDUCED DISCLOSURE EXEMPTIONS

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Dow Inc. as at 31 December 2019 and these financial statements may be obtained from Dow Inc. Corporate Trust Centre, 1209 Orange Street, Wilmington, New Castle 19801, Delaware, USA.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)

2.3 GOING CONCERN

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons.

The Company is part of The Dow Chemical Company ('the Group') from which it received confirmation that for at least 12 months from the date of approval of these financial statements the Group will continue to assist in meeting the liabilities of the Company as and when they fall due. As with any entity placing reliance on other Group entities for financial support, the Company acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this understanding the Company directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence; thus they continue to adopt the going concern basis in preparing the financial statements.

Further details can be found in the Directors' Report on page 5.

2.4 TURNOVER

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Turnover is recognised in accordance with 'inco-terms' that are agreed on a customer-by-customer basis. These 'inco-terms' identify when the risks and rewards of ownership pass to the customer, at which point the company recognises the sale.

2.5 INTEREST INCOME

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.6 FINANCE COSTS

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)

2.7 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold buildings	- up to 50 years
Short leasehold buildings	- up to 50 years
Plant and equipment	- 18 years
Assets under construction	- Not depreciated

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income within other operating income.

2.8 STOCKS AND WORK IN PROGRESS

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Stocks are recognised as an expense in the period in which the related turnover is recognised.

Cost is determined on a first in, first out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the stock to its present location and condition. The cost of manufactured finished goods and work in progress includes design costs, raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity).

At the end of each reporting period stocks are assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)

2.9 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.10 DEBTORS

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 CREDITORS

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 FINANCIAL INSTRUMENTS

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors and loans from group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)

2.13 FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Financial liabilities (continued)

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as Creditors: amounts falling due within one year if payment is due within one year or less. If not, they are presented as Creditors: amounts falling due after more than one year. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.14 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Derivative financial instruments are managed throughout the group by a centralised treasury function. The group uses derivative financial instruments to reduce the impact of changes in foreign exchange rates on its earnings, cash flows and fair values of assets and liabilities. The group enters into derivative financial contracts based on analysis of specific and known economic exposures. The group's policy prohibits holding or issuing derivative financial instruments for trading or speculative purposes. The types of instruments typically used are forward contracts, but may also include option combinations and purchased option contracts.

At 31 December 2019 the company has no derivative contracts (2018: none).

2.15 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)

2.16 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.17 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period-end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)

2.13 RESEARCH AND DEVELOPMENT

Research and development costs are written off in the year in which they are incurred. Research and development expenditure comprises wages and salaries, materials and attributable overheads.

2.14 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 LEASED ASSETS

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.16 PENSIONS

Defined benefit pension plan

The company operated a defined benefit pension scheme, which closed to new entrants in December 2005 and closed for future service accrual in December 2013, with assets held in a separately administered fund. The assets of the scheme are valued using closing market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability.

The actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are included in other comprehensive income.

The company contributes to a fully insured group personal pension plan managed by an outside insurer, for all employees. The pension cost in respect of the personal pension plan comprises contributions payable in respect of the year.

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (CONTINUED)

2.17 IMPAIRMENT OF FIXED ASSETS AND GOODWILL

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical accounting judgements and the key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make 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.

Critical judgements in applying the Company's accounting policies

There are no critical judgements in applying the company's accounting policies.

Key source of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Carrying value of the deferred tax asset

The company has recognised a significant deferred tax asset. The company considers the carrying value of the deferred tax asset by estimating its future taxable profits over a three-year period and recognising a deferred tax asset that will be utilised against these taxable profits over that period. The estimation of the future taxable profits requires a combination of assumptions including revenues and costs, together with the tax rate used. See note 20 for the disclosures relating to the deferred tax asset.

Defined benefit pension scheme

The company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 25 for the disclosures relating to the defined benefit pension scheme.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. TURNOVER

An analysis of turnover by class of business is as follows:

	2019	2018
	£000	£000
Sale of goods	453,811	536,443

Analysis of turnover by country of destination:

	2019	2018
	£000	£000
United Kingdom	1	4,459
Rest of the World	453,810	531,984
	453,811	536,443

Further geographical analysis is not given here, as the directors believe it would be seriously prejudicial to the business.

5. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2019	2018
	£000	£000
Research and development charged as an expense	1,062	940
Depreciation of tangible assets	13,671	13,987
Loss / (Gain) on foreign exchange	3,881	(4,588)
Operating lease rentals	1,236	1,748
Loss on disposal of fixed assets	-	6
Impairment of stock recognised as an expense	162	485

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

6. AUDITOR'S REMUNERATION

	2019	2018
	£000	£000
Fees payable to the company's auditor for the audit of the company's annual financial statements	21	16
Other non-audit services	-	-

7. EMPLOYEES

Staff costs were as follows:

	2019	2018
	£000	£000
Wages and salaries	36,908	37,878
Social security costs	3,811	3,569
Other pension costs	(1,142)	(685)
	39,577	40,762

The average monthly number of employees, including the directors, during the year was as follows:

	2019	2018
	Number	Number
Management and administration	74	58
Production and research	503	490
Sales	9	9
	586	557

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

8. DIRECTORS' REMUNERATION

	2019 £000	2018 £000
Aggregate directors' remuneration		
Emoluments	374	453
Company contributions to money purchase pension scheme	7	21
Emoluments	<u>381</u>	<u>474</u>

The highest paid director received remuneration of £309,000 (2018: £305,000).

Retirement benefits have accrued for no directors (2018: none) in respect of defined benefit pension schemes. There are no directors participating in the company's personal pension plan (2018: none). There are no (2018: none) directors participating in the company's Group Self Invested Personal Pension Plan effective 1 January 2015.

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £000	2018 £000
Interest receivable from group companies	<u>230</u>	<u>44</u>

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2019 £000	2018 £000
Bank interest payable	-	1
Other loan interest payable	449	760
	<u>449</u>	<u>761</u>

The interest on loans from group undertakings relates to the inter-company revolving loan with Dow International Finance SARL, Luxembourg, dated 1 July 2016.

11. OTHER FINANCE INCOME AND EXPENSE

	2019 £000	2018 £000
Net interest on net defined benefit assets (note 25)	(1,142)	(1,089)
Past Service Cost (note 25)	-	442
Net benefit income before special events (note 25)	<u>(1,142)</u>	<u>(647)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

12. TAX ON PROFIT

	2019 £000	2018 £000
Current tax		
Adjustments in respect of prior periods	-	2,393
Total current tax	<u>-</u>	<u>2,393</u>
Deferred tax		
Origination and reversal of timing differences	2,581	610
Total deferred tax	<u>2,581</u>	<u>610</u>
Total Tax	<u><u>2,581</u></u>	<u><u>3,003</u></u>

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2018: lower than) the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below:

	2019 £000	2018 £000
Profit before taxation	13,161	15,700
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	2,500	2,983
Effects of:		
Expenses not deductible for tax purposes	543	430
Deferred tax impact on movement in temporary differences (19.00% v 17.00%)	(320)	(359)
Current tax impact on adjustments in respect of prior periods	-	2,393
Deferred tax impact on adjustments in respect of prior periods	(142)	(2,444)
Total tax charge for the year	<u><u>2,581</u></u>	<u><u>3,003</u></u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The standard rate of tax applied to reported profit or loss is 19% (2018: 19%), having reduced from 20% to 19% effective 1 April 2017. Deferred tax has been provided at 17% (2018: 17%) however, in the 2020 budget, it was announced that the tax rate will stay at 19%.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Short leasehold land and buildings £000	Plant and equipment £000	Assets under construction £000	Total £000
Cost					
At 1 January 2019	97,045	189	630,118	9,796	737,148
Additions	2,731	-	9,981	3,655	16,367
Transfers between classes	314	-	5,122	(5,436)	-
At 31 December 2019	<u>100,090</u>	<u>189</u>	<u>645,221</u>	<u>8,015</u>	<u>753,515</u>
Depreciation					
At 1 January 2019	59,867	185	522,303	-	582,355
Charge for the year	2,835	4	10,832	-	13,671
At 31 December 2019	<u>62,702</u>	<u>189</u>	<u>533,135</u>	<u>-</u>	<u>596,026</u>
Net book value					
At 31 December 2019	<u>37,387</u>	<u>-</u>	<u>112,087</u>	<u>8,015</u>	<u>157,489</u>
At 31 December 2018	<u>37,178</u>	<u>4</u>	<u>107,815</u>	<u>9,796</u>	<u>154,793</u>

Included within plant and equipment above is capitalised interest with a net book value of £nil (2018: £nil) and commissioning costs with a net book value of £nil (2018: £nil). No interest (2018: £nil) was capitalised during the year.

Included within freehold land and buildings are amounts for external valuations performed on certain freehold land as at 30 June 1966.

The historic cost of the freehold land is £553,000 (2018: £553,000). The amounts of the valuation are as follows:

	2019 £000	2018 £000
Freehold land	<u>828</u>	<u>828</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

14. STOCKS

	2019 £000	2018 £000
Raw materials and consumables	40,251	31,631
Finished goods and goods for resale	6,334	8,587
	<u>46,585</u>	<u>40,218</u>

An impairment loss of £162,000 (2018: £485,000) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

The replacement cost of stock is not materially different from that stated above.

15. CASH AT BANK AND IN HAND

	2019 £000	2018 £000
Cash at bank and in hand	3	152

16. DEBTORS

	2019 £000	2018 £000
Due within one year		
Trade debtors	1,320	3,562
Amounts owed by group undertakings	104,777	117,032
Other debtors	1,005	4,166
	<u>107,102</u>	<u>124,760</u>

Amounts owed by group undertakings are unsecured, interest-free and repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

17. CREDITORS: amounts falling due within one year

	2019 £000	2018 £000
Loans from group undertakings	36,281	16,630
Trade creditors	27,448	41,946
Amounts owed to group undertakings	14,650	20,102
Other taxation and social security	10,783	17,802
Accruals and deferred income	3,803	9,598
	<u>92,965</u>	<u>106,078</u>

Amounts owed to group undertakings are unsecured, interest-free and repayable on demand.

Loans from group undertakings are revolving unsecured loans with the interest rate based on the one - month LIBOR rate and a credit spread that is representative of transactions with unrelated parties under similar terms and conditions.

The terms of the loans from group undertakings are detailed in note 19.

18. CREDITORS: amounts falling due after more than one year

	2019 £000	2018 £000
Accruals and deferred income	-	1,922
	<u>-</u>	<u>1,922</u>

19. LOANS FROM GROUP UNDERTAKINGS

	2019 £000	2018 £000
Due within one year:		
Inter-company revolving credit agreement with Dow International Finance SARL, Luxemburg dated 1 July 2016; zero-cash balancing.	36,281	16,630
	<u>36,281</u>	<u>16,630</u>

The net amount of exchange gains and losses on foreign currency borrowings that has been recognised in the statement of comprehensive income in the year is a gain of £nil (2018: £nil).

Loans from group undertakings are revolving unsecured loans with the interest rate based on the one month LIBOR rate and a credit spread that is representative of transactions with unrelated parties under similar terms and conditions.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

20. DEFERRED TAXATION

	£000
At 1 January 2019	16,925
Charged to the profit or loss account	(2,581)
Changes to other comprehensive income	(3,643)
At 31 December 2019	10,701

The deferred tax asset is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	(5,395)	(3,992)
Tax losses carried forward	26,778	26,636
Other short-term timing differences	664	889
Pension deficit	(11,346)	(6,608)
	10,701	16,925

The deferred tax asset is recoverable against future forecast taxable profits within a time horizon that the directors consider to be more likely than not to occur.

21. PROVISIONS

	2019	2018
At 1 January 2019	598	2,101
Charged to profit or loss	612	658
Utilised in year	(1,040)	(2,161)
At 31 December 2019	170	598

The provision relates to the estimated cost of restructuring the business and is due to be utilised over the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

22. CALLED-UP SHARE CAPITAL

	2019 £000	2018 £000
SHARES CLASSIFIED AS EQUITY		
Allotted, issued, called up and fully paid		
250,000,000 (2018: 250,000,000) Ordinary shares of £1 (2018: £1) each	250,000	250,000
	<u>250,000</u>	<u>250,000</u>

The company has one class of ordinary shares which carry no right to fixed income.

23. RESERVES

Share premium account

Share premium represents the amount subscribed for share capital in excess of the nominal value.

Revaluation reserve

The revaluation reserve represents any increases in the carrying amounts of tangible assets on revaluation.

Profit and loss account

Retained earnings represents all net gains and losses and transactions with owners that are not recognised elsewhere.

24. CAPITAL COMMITMENTS

At 31 December the company had capital commitments as follows:

	2019 £000	2018 £000
Contracted but not provided in these financial statements	1,862	7,765
	<u>1,862</u>	<u>7,765</u>
		£000
Capital commitments for tangible assets		1,858
Capital commitments for intangible assets		4
At 31 December 2019		<u>1,862</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

25. PENSION AND SIMILAR OBLIGATIONS

Group Self Invested Personal Pension Plan

All employees are now members of the Group Self Invested Personal Pension Plan; the plan is administered separately with no amounts outstanding at the end of 2019.

Defined Benefit Pension Scheme

The active employees of the company are enrolled into the AON mastertrust defined contribution plan which is operated by AON.

Previously the company operated a Defined Benefit Pension Scheme. Some employees were members of a personal pension plan, the assets of which were held separately from those of the company in an independently administered fund. Other employees were members of the company defined benefit pension scheme with assets held in a separately administered fund. Effective 31 December 2013 the scheme was closed to the future accrual of benefits. Active members at the date of closure became Employee Deferred Members with the link to future salary escalation replaced with deferred revaluations, but with enhanced benefits compared to ordinary Deferred Pensioners while they remain in continuous employment with the company.

A comprehensive actuarial valuation of the company pension scheme was carried out at 31 December 2019 by AON, independent consulting actuaries.

Composition of plan assets:

	2019 £000	2018 £000
Equities	223,095	176,901
Bonds	70,737	51,272
Others	250,301	252,798
Total plan assets	544,133	480,971

	2019 £000	2018 £000
Fair value of plan assets	544,133	480,971
Present value of plan liabilities	(477,389)	(442,100)
Net pension scheme asset	66,744	38,871

The amounts recognised in profit or loss are as follows:

	2019 £000	2018 £000
Net interest on defined benefit liability	1,142	1,089
Past service cost	-	(442)
Net benefit before special events	1,142	647
Actual return on scheme assets	76,703	(11,358)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

25. PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

Return on plan assets was as follows:

	2019	2018
	£000	£000
Interest return on asset	13,041	12,616
Asset gain / (loss) during period	63,662	(23,974)
Actual return on asset	76,703	(11,358)

Reconciliation of fair value of plan liabilities was as follows:

	2019
	£000
Opening defined benefit obligation	442,100
Interest expense	11,899
Actuarial gains on liabilities	42,231
Net benefits paid out	(18,841)
Closing defined benefit obligation	477,389

Reconciliation of fair value of plan assets was as follows:

	2019
	£000
Opening fair value of scheme assets	480,971
Actuarial gain	63,662
Interest income	13,041
Contributions by employer	5,300
Net benefits paid out	(18,841)
Closing fair value of plan assets	544,133

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2019	2018
	%	%
Discount rate at 31 December	2.00	2.75
Future pension increases	3.15	3.15
CPI - Increases to deferred benefits during deferment	2.40	2.45
RPI - Increases to deferred benefits during deferment	3.15	3.45

Mortality table

2018	-	S2PXA improvements in line with the CMI 2017 projections and a long-term rate improvement of 1.75% pa.
2019	-	S2PXA improvements in line with the CMI 2017 projections and a long-term rate of improvement of 1.75% pa.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

25. PENSION AND SIMILAR OBLIGATIONS (CONTINUED)

	2019 £000	2018 £000
Amount recognised in other comprehensive income (OCI)		
Asset gains / (losses) arising during the year	63,662	(23,974)
Liability (losses) / gains arising during the year	(42,231)	16,492
	<u>21,431</u>	<u>(7,482)</u>
	<u><u>21,431</u></u>	<u><u>(7,482)</u></u>

26. COMMITMENTS UNDER OPERATING LEASES

At 31 December the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £000	2018 £000
Not later than one year	27	33
	<u>27</u>	<u>33</u>
	<u><u>27</u></u>	<u><u>33</u></u>

27. LONG-TERM SUPPLY CONTRACTS

The company has entered into long-term contracts with various suppliers for the supply of steam and other services. The expiry dates of the contracts along with the minimum payments due as of 31 December 2019 are shown as follows:

Contract expiry date	Other services £000
2020	5,738
2021	5,807
2022	5,880
2023	5,660
2024	2,623

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

28. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

At 31 December 2019, the company has bank guarantees totalling £1,025,000 and EUR 348,000 (2018: £1,025,000 and EUR 348,000) held with its bankers. These guarantees have arisen in the normal course of business and relate to guarantees provided to HMRC for £225,000 (2018: £225,000), National Resource Wales for £800,000 (2018: £800,000), and Dutch tax authority for EUR 348,000 (2018: EUR 348,000).

29. RELATED PARTY TRANSACTIONS

The company has taken exemption under Section 33 of Related Party Disclosures paragraph 33.7 hence no disclosure has been made.

30. POST BALANCE SHEET EVENTS

Towards the end of January 2020, the United Kingdom identified the first case of COVID-19 infection, like most countries around the world. The global, regional and local spread of COVID-19 resulted in significant global mitigation measures, including government-directed quarantines, social distancing and shelter-in-place mandates, travel restrictions and/or bans, and restricted access to certain corporate facilities and manufacturing sites. As of the time this report being issued, the Company's manufacturing sites and facilities continue to operate and are doing so safely, having implemented social distancing and enhanced health, safety and sanitization measures as directed by Dow's regional Crisis Management Teams ("CMTs"), and the business for the first quarter of 2020 was reasonably steady, but the second quarter has had a decline in the activities of the company considering the fact of reduced economic activities throughout the world.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance. As a result, we are unable to estimate the potential impact on the company's operations as at the date of these financial statements.

31. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Dow Europe Holding B.V., a company incorporated in the Netherlands,

Herbert H. Dowweg 5
4542NM
Hoek.
Netherlands

Dow Inc. was the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2019.

The consolidated financial statements of Dow Inc. a company incorporated in Delaware, USA are available from Dow Inc. registered office:

Dow Inc.
Corporate Trust Centre
1209 Orange Street
Wilmington
New Castle 19801
Delaware
USA