EQUATE Petrochemical Company K.S.C.C. and subsidiaries
State of Kuwait

Condensed consolidated interim financial information and independent auditor's report for the six-month period ended 30 June 2020

EQUATE Petrochemical Company K.S.C.C. and subsidiaries
State of Kuwait

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Independent auditor's report on review of condensed consolidated interim financial information

The Board of Directors
EQUATE Petrochemical Company K.S.C.C.
State of Kuwait

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of EQUATE Petrochemical Company K.S.C.C. ("the Company") and its subsidiaries (together "the Group") which comprises the condensed consolidated statement of financial position as at 30 June 2020, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the condensed consolidated interim financial information. Management is responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at and for the six months ended 30 June 2020 are not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Safi A. Al-Mutawa
License No 138 "A"
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

Kuwait: 11 August 2020

EQUATE Petrochemical Company K.S.C.C. and subsidiaries
State of Kuwait

Condensed consolidated statement of financial position
as at 30 June 2020

	Note	USD million 30 June 2020	USD million 31 December 2019 (Audited)
Assets			
Property, plant and equipment		2,426	2,519
Goodwill		1,689	1,689
Intangible assets		294	308
Right-of-use assets		553	571
Deferred tax assets		77	61
Deferred charges and other assets		937	936
Non-current assets		5,976	6,084
Inventories		151	174
Loan to a related party	*5*	-	81
Due from related parties	*5*	49	45
Trade and other receivables		587	502
Deferred charges and other assets		37	37
Notes receivables from a related party	*5*	74	-
Cash and bank balances	*3*	456	798
Current assets		1,354	1,637
Total assets		7,330	7,721
Equity			
Share capital		700	700
Treasury shares		(450)	(450)
Statutory reserve		350	350
Retained earnings		53	368
Remeasurement of retirement benefit obligation		(32)	(32)
Foreign currency translation reserve		(3)	20
Total equity		618	956
Liabilities			
Loans and borrowings	*4*	4,612	4,607
Deferred income		251	268
Lease liability		488	510
Deferred tax liabilities		191	183
Retirement benefit obligation		417	421
Long term incentives		3	3
Non-current liabilities		5,962	5,992
Long term incentives		4	4
Lease liability		63	63
Deferred income		32	32
Due to related parties	*5*	152	194
Trade and other payables		499	457
Notes payable to a related party	*5*	-	23
Current liabilities		750	773
Total liabilities		6,712	6,765
Total equity and liabilities		7,330	7,721

The attached notes on pages 6 to 20 form an integral part of these condensed consolidated interim financial information.

Ramesh Ramachandran
President & Chief Executive Officer

Dawood Al-Abduljalil
Chief Financial Officer

EQUATE Petrochemical Company K.S.C.C. and subsidiaries
State of Kuwait

Condensed consolidated statement of profit or loss and other comprehensive income
for the six month period ended 30 June 2020

	USD million	
	2020	**2019**
Sales	1,457	1,753
Cost of sales	(1,284)	(1,495)
Gross profit	173	258
Management fee	5	5
Reservation right fees	16	16
General, administrative and selling expenses	(41)	(49)
Other income	1	9
Foreign exchange gain	0	1
Profit from operations	154	240
Finance income	7	16
Finance costs	(111)	(77)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), Zakat, tax on subsidiaries and Board of Directors' remuneration	50	179
Contribution to KFAS	(1)	(2)
Contribution to Zakat	(1)	(1)
Tax on subsidiaries	5	10
Board of Directors' remuneration	(0)	(0)
Net profit for the period	53	186
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation differences	(23)	2
Other comprehensive (loss) / income for the period	(23)	2
Total comprehensive income for the period	30	188

The attached notes on pages 6 to 20 form an integral part of these condensed consolidated interim financial information.

EQUATE Petrochemical Company K.S.C.C. and subsidiaries
State of Kuwait

Condensed consolidated statement of changes in equity
for the six month period ended 30 June 2020

	USD million						
	Share capital	Treasury shares	Statutory reserve	Retained earnings	Remeasurement of retirement benefit obligation	Foreign currency translation reserve	Total
Balances as at 1 January 2019 (audited)	700	(450)	350	1,031	(39)	14	1,606
Net profit for the period	-	-	-	186	-	-	186
Other comprehensive income	-	-	-	-	-	2	2
Total comprehensive income for the period	-	-	-	186	-	2	188
Dividends paid (Note 9)	-	-	-	(1,031)	-	-	(1,031)
Balance as at 30 June 2019	700	(450)	350	186	(39)	16	763
Balances as at 1 January 2020 (audited)	700	(450)	350	368	(32)	20	956
Net profit for the period	-	-	-	53	-	-	53
Other comprehensive loss	-	-	-	-	-	(23)	(23)
Total comprehensive income for the period	-	-	-	53	-	(23)	30
Dividends paid (Note 9)	-	-	-	(368)	-	-	(368)
Balance as at 30 June 2020	700	(450)	350	53	(32)	(3)	618

The attached notes on pages 6 to 20 form an integral part of these condensed consolidated interim financial information.

EQUATE Petrochemical Company K.S.C.C. and subsidiaries
State of Kuwait

Condensed consolidated statement of cash flows
for the six month period ended 30 June 2020

	Note	USD million 2020	2019
Cash flows from operating activities			
Net profit for the period		53	186
Adjustments for:			
Depreciation		122	101
Amortisation of intangible and deferred assets		38	25
Reservation right fees		(16)	(16)
Deferred income tax		(8)	(13)
Finance costs		111	77
Finance income		(7)	(16)
Provision for retirement benefit obligation		23	25
Foreign exchange loss on retirement benefit obligations		(9)	0
Provision for long term incentives		3	2
		310	371
Changes in:			
Inventories		23	35
Due from related parties		(4)	22
Trade and other receivables		(85)	14
Deferred charges and other assets		(22)	4
Due to related parties		(65)	(39)
Trade and other payables		(114)	(74)
Retirement benefit obligation paid		(18)	(15)
Long term incentives paid		(3)	(3)
Net cash from operating activities		22	315
Cash flows from investing activities			
Purchase of property, plant and equipment		(18)	(258)
Deferred charges payment		-	(409)
Investment in staff saving scheme		(1)	(1)
Matured short term deposits		-	912
Long term loans repaid by related parties	*5*	81	77
Finance income received		13	23
Notes receivables from a related party		(74)	(62)
Net cash from investing activities		1	282
Cash flows from financing activities			
Repayments of long term loan	*4*	(1,900)	-
Proceeds from issue of new notes	*4*	1,600	-
Proceeds from bilateral loans	*4*	300	-
Loan origination fee paid	*4*	(9)	-
Lease payments		(33)	(5)
Finance costs paid		(103)	(81)
Dividends paid	*9*	(221)	(1,031)
Notes payable to related party		-	(362)
Net cash used in financing activities		(366)	(1,479)
Net decrease in cash and cash equivalents		(343)	(882)
Cash and cash equivalents at beginning of the period		746	1,209
Cash and cash equivalents at end of the period	*3*	403	327

The attached notes on pages 6 to 20 form an integral part of these condensed consolidated interim financial information.

1. Reporting entity

EQUATE Petrochemical Company K.S.C.C. ("the Company") is a closed Kuwaiti Shareholding Company incorporated in the State of Kuwait on 20 November 1995 with commercial registration number 63392 dated 20 November 1995.

The Company is owned by Dow Europe Holding B.V. ("DEHBV"), Petrochemical Industries Company K.S.C. ("PIC"), Boubyan Petrochemical Company K.S.C. ("BPC") and Al-Qurain Petrochemical Industries Company K.S.C. ("QPIC").

DEHBV is a subsidiary of The Dow Chemical Company ("TDCC").

The objective of the Company is to manufacture all kinds of petrochemical products. The Company may have interests in, or in any way associate itself with entities, which are carrying on activities similar to its own or which may help the Company to realise its objectives, whether in the State of Kuwait or abroad.

The Group is primarily engaged in the manufacture and sale of ethylene glycol ("EG"), polyethylene ("PE") and polyethylene terephthalate ("PET"). The Company also operates and maintains Olefins II, Styrene, Aromatics and Polypropylene plants on behalf of related entities in Kuwait.

The address of the Company's registered office is Central Ahmadi, Block 12, Kuwait.

These condensed consolidated interim financial information comprise the financial information of the Company and its following directly and indirectly owned subsidiaries (together referred as "the Group" or "EQUATE Group" and individually "the Group entities").

A list of significant directly owned subsidiaries are as follows:

Name of entity	**Country of incorporation**	**Principal business**	**Percentage of holdings**	
			30 June 2020	**31 December 2019**
Equate Petrochemical B.V. ("EQUATE BV")	Netherlands	Holding Company	100%	100%
MEGlobal Canada ULC ("MEGC")	Canada	Manufacturing and sales of EG	100%	100%
EQUATE Sukuk SPC Limited	UAE	Special Purpose Company	100%	100%
MEGlobal International FZE *	UAE	Marketing and distribution of EG	100%	-
Held through EQUATE BV				
MEGlobal B.V ("MEG B.V")	Netherlands	Holding Company	100%	100%
MEGlobal Americas Inc	USA	Marketing and distribution of EG	100%	100%
MEGlobal Asia Limited	China	Marketing and distribution of EG	100%	100%
MEGlobal International FZE	UAE	Marketing and distribution of EG	-	100%
MEGlobal Mexico S.A. de C.V.	Mexico	Marketing and distribution of EG	100%	100%
MEGlobal Trading Group	China	Marketing and distribution of EG	100%	100%
MEGlobal Europe GmbH	Switzerland	Marketing and distribution of EG	100%	100%
MEGlobal Comercio Do Brasil Ltda	Brazil	Marketing and distribution of EG	100%	100%
Equipolymers GmbH	Germany	Manufacturing and sales of PET	100%	100%
Equipolymers Srl	Italy	Marketing of PET	100%	100%
Held through MEGC				
Alberta & Orient Glycol Company ULC	Canada	Manufacturing and sales of EG	100%	100%

* Effective from 1 January 2020, the Company acquired 100% share capital of MEGlobal International FZE which was a fully owned subsidiary held through EQUATE BV.

These condensed consolidated interim financial information were authorised for issue by the President and Chief Executive Officer of the Group on 11 August 2020.

2. Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial information for the six months period ended 30 June 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2019 ("last annual consolidated financial statements"). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements. Operating results for the six month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

b) Judgments and estimates

In preparing these condensed consolidated interim financial information, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those described in the last annual consolidated financial statements.

c) Significant accounting policies

The accounting policies applied in these condensed consolidated interim financial information are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019. A number of new standards are effective from 1 January 2020, but they do not have a material effect on the Group's condensed consolidated interim financial information.

3. Cash and bank balances

	USD million	
	30 June 2020	**31 December 2019 (Audited)**
Cash balances	0	0
Bank balances	256	122
Term deposits	200	676
Total cash and bank balances	456	798
Less: Amount reserved relating to staff saving scheme	(53)	(52)
Cash and cash equivalents for the statement of cash flows	403	746

The effective interest rate on time deposits as at 30 June 2020 was 1.61% (as at 31 December 2019: 2.59%) per annum.

4. Loans and borrowings

The movement in loans and borrowings is as follows:

	USD million	
	30 June 2020	**30 June 2019**
Balance at 1 January	4,607	4,591
Loan origination fee	(9)	-
Amortization for the period	14	3
Repayment of long term loan	(1,900)	-
Issue of conventional bonds	1,600	-
New loan facilities (Murabaha and Term loan facility)	300	-
Balance at 30 June	4,612	4,594

Long term loan

On 23 June 2016, the Group had entered into a USD 5 billion long term loan agreement ("Term Loan") with a consortium of banks. The Term Loan consisted of USD 2 billion Tranche A 5-year bullet facility, USD 2 billion Tranche B 3-year bullet facility, and USD 1 billion 3-year revolving credit facility. The Group was jointly and severally a guarantor along with The Kuwait Olefins Company K.S.C.C. ("TKOC") for the Term Loan and the credit facilities included customary covenants. On 23 June 2016 and on 30 November 2016, the Group drawdown USD 2 billion from Tranche A facility and USD 0.5 billion from Tranche B facility, respectively.

In February 2017, the Group early settled Tranche B 3-year bullet facility amounting to USD 500 million and cancelled the undrawn available facility of Tranche B.

On 13 December 2018, the Group completed the restructuring and extended the Tranche A term loan facility until 23 June 2023, revolver credit facility until 23 June 2022 and spread on both term loan and the revolver credit facility was reduced. As part of the amendment and extension of the facilities, the Group repaid an amount of USD 100 million, thereby reducing the Tranche A Term loan Facility outstanding balance to USD 1.9 billion.

During the period, the Group fully settled Tranche A term loan facility amounting to USD 1,900 million using the proceeds from issuing of new notes amounting to USD 1,600 million and a new 3 year term and murabaha loans amounting to USD 300 million. This loan facility has been guaranteed by TKOC.

On 28 June 2020, the existing revolver facility commitment was reduced to USD 500 million and extended the maturity by one year to 23 June 2023.

At 30 June 2020, the details of the term & murabaha loan and revolving credit facility are as follows:

	Term and murabaha loan	Revolving credit facility	Total Facility
Islamic financing	75	47	122
Conventional financing	225	453	678
Total	300	500	800

Drawn / outstanding as at 30 June 2020 is as follows:

			USD million	
		Repayment terms	**30 June 2020**	**31 December 2019**
Islamic financing	Tranche A	Bullet repayment on 5th year	-	188
Conventional financing	Tranche A	Bullet repayment on 5th year	-	1,712
Islamic financing		Bullet repayment on 3rd year	75	-
Conventional financing		Bullet repayment on 3rd year	225	-
			300	1,900

The effective interest rate as at 30 June 2020 on the term and murabaha loans is 2.66% (31 December 2019: Tranche A is 3.5%).

At the reporting date, the Group had available for its utilization, USD 500 million (31 December 2019: USD 1,000 million) of undrawn committed revolving credit facility.

Medium term notes

In 2016, the Group established a USD 4 billion Global Medium Term Note Programme (“GMTN 1”), and on 3 November 2016 EQUATE B.V. issued notes (“GMTN 1 notes”) amounting to US$ 2.25 billion.

During the period, the Group established a USD 4 billion Global Medium Term Note Programme (“GMTN 2”), and on 18 May 2020 MEGlobal Canada ULC issued notes (“GMTN 2 notes”) amounting to US$ 1.6 billion.

The payments due in respect of both GMTN 1 and GMTN 2 notes are unconditionally and irrevocably guaranteed, jointly and severally, and not severally, by EQUATE and TKOC. all the notes are listed on EURONEXT.

At the reporting date, the Group had issued following outstanding Notes.

	USD million	
	30 June 2020	**31 December 2019**
i) Fixed interest rate Notes amounting to USD 1,000 million, having a term of 5 years, maturing in 2022, with an effective interest rate of 3.338% and carrying a coupon rate of 3% per annum payable on a semi-annual basis.	983	983
ii) Fixed interest rate Notes amounting to USD 1,250 million having a term of 10 years, maturing in 2026, with an effective interest rate of 4.402% and carrying a coupon rate of 4.25% per annum payable on a semi-annual basis.	1,235	1,235
iii) Fixed interest rate Notes amounting to USD 1,000, million having a term of 5 years, maturing in 2025, with an effective interest rate of 5.000% and carrying a coupon rate of 5.000% per annum payable on a semi-annual basis.	1,000	-
iv) Fixed interest rate Notes amounting to USD 600, million having a term of 10 years, maturing in 2030, with an effective interest rate of 5.875% and carrying a coupon rate of 5.875% per annum payable on a semi-annual basis.	600	-
	3,818	2,218

As at 30 June 2020, medium term notes described in i) and ii) above are quoted at 101.23 and 105.81 respectively (31 December 2019: 100.47 and 107.19 respectively) The medium term notes described in iii) and iv) are quoted at 108.12 and 114 respectively These quotes are based on level 1 inputs of fair value

Sukuk programme

In December 2016, the Group established a USD 2 billion Sukuk programme (Sukuk 1) and issued Sukuk amounting to USD 500 million on 21 February 2017 having a term of 7 years, maturing in February 2024, with a profit rate of 3.944% per annum payable on a semi-annual basis. The Sukuk is guaranteed by the Company and TKOC and is listed on Euronext Dublin. As at 30 June 2020, Sukuk are quoted at 103.47 (31 December 2019: 104.25), based on level 1 inputs.

In the current period, the Group established a USD 2 billion sukuk programme (Sukuk 2). The sukuk is guaranteed by TKOC. The trust certificates are not yet issued under Sukuk 2.

5. Related party transactions

In the normal course of business, the Group enters into transactions with its shareholders PIC (directly owned by Kuwait Petroleum Corporation ("KPC"), BPC, QPIC and DEHBV, part of TDCC.

EQUATE Marketing Company EC, Bahrain ("EMC"), which is owned by PIC and DEHBV, is the exclusive sales agent in certain territories for the marketing of PE produced by the Company. The Company reimburses all the actual expenses incurred by EMC.

During 2004, DEHBV and PIC initiated a number of joint venture petrochemical projects ("Olefins II projects") in Kuwait to manufacture polyethylene, ethylene glycol and styrene monomer. The Olefins II projects consist of the EQUATE expansion project, and the incorporation and development of The Kuwait Olefins Company K.S.C.C ("TKOC"), The Kuwait Styrene Company K.S.C.C ("TKSC") and Kuwait Aromatics Company K.S.C.C. ("KARO"). TKOC is owned by DEHBV (42.5%), PIC (42.5%), BPC (9%) and QPIC (6%). TKSC is a joint venture of DEHBV (42.5%) and KARO (57.5%). KARO is owned by PIC (20%), Kuwait National Petroleum Company K.S.C. ("KNPC") (60%) and QPIC (20%).

On 2 December 2004, the Company signed a Materials and Utility Supply Agreement ("MUSA") with TKOC, TKSC, KARO and PIC. Under the terms of the MUSA, the Company receives a reservation right fee from the above entities that equals the total capital construction costs incurred by the Company on the new utilities and infrastructure facilities under the Olefins II projects

On 2 December 2004, the Company signed an Operations, Maintenance and Services Agreement ("OMSA") with TKOC, TKSC, KARO and PIC. Under the terms of the OMSA, the Company provides operating, maintenance and other services to the above entities and for which the Company receives a fixed management fee over and above the actual operating cost.

On 2 December 2004, the Company signed an Ethylene Supply Agreement with TKOC. Under the terms of the agreement, the price per metric tonne of Ethylene is paid to TKOC based on the quantities delivered by them at the contract price.

During 2005, services agreements were signed between DEHBV, PIC and the Company with TKOC, TKSC, KARO and PIC for the provision of various services to the Olefins II projects.

An agreement to amend the MUSA and service agreements ("primary agreements") was signed between the parties to the primary agreements on 8 February 2006 releasing KARO from its obligations and liabilities under the primary agreements and appointing Kuwait Paraxylene Production Company K.S.C.C. ("KPPC") in place of KARO to assume and perform all obligations of KARO as if KPPC were and had been a party to the primary agreements. KPPC is a 100% owned subsidiary of KARO.

On 31 May 2006, the Company signed a term loan agreement with TKOC, under which the Company provided a USD 1.5 billion term loan to TKOC. The term loan is repayable over a period of 11 years in biannual instalments starting from 15 December 2009 and carry coupon rate of LIBOR + 0.625% till 19 May 2013, LIBOR + 0.725% till 19 May 2016 and LIBOR + 0.825% till the maturity date. This term loan has been fully settled by TKOC as of 30 June 2020.

Operational Facility– Under the cash management services provided by MEG B.V, the Group entities and TKOC have an overnight cash sweeping facility with MEG B.V. Under this arrangement, the Company, the subsidiaries of the Group and TKOC sweep selected bank accounts with MEG B.V. This allows the subsidiaries and TKOC either to invest or borrow funds on an overnight basis. Under the terms of the agreement, the subsidiaries and TKOC can borrow or deposit with MEG B.V at an interest rate of LIBOR plus a positive spread set by the management. The spread is determined by taking into consideration of economic factors such as the creditworthiness of counterpart, characteristics of the debt financing arrangement etc. Amounts outstanding for the Group as at 30 June 2020 under these arrangements were a net asset of USD 74 million towards TKOC (2019: Net liability of USD 23 million). These are indefinite credit arrangements subject to termination by either party of which the interest is accrued monthly.

All transactions with related parties are carried out on a negotiated contract basis.

The following is a description of significant related party agreements and transactions, other than described above:

a) Supply by Union Carbide Corporation ("UCC") of technology and licences relating to manufacture of PE and EG
b) Feed gas and fuel agreement with PIC
c) Supply by the Group of certain materials and services required by PIC to operate and maintain the polypropylene plant
d) Excess EG Marketing Agreement
e) General Services Agreement
f) Secrecy Agreement
g) Long Term Land Lease Agreement
h) Site Services Agreement
i) Employee Seconding Agreement
j) Catalyst License Agreement
k) Binding Term sheet – Gulf Coast
l) Other Assignment and Assumption Agreements
m) Ethylene supply agreement by MEGC with DEHBV / TDCC
n) Feedstock supply agreement by MEGC with DEHBV / TDCC for the USGC Project
o) Master service agreement with DEHBV / TDCC
p) Ethylene Oxide (EO)/EG Swap Agreement (MEGC)
q) Technology License Intellectual Property (IP) Agreement (MEGC)
r) Catalyst Supply Agreement (MEGC)
s) Storage Sublease (MEGC)
t) Ground Lease (MEGC)
u) Utilities Services Agreements (MEGC)
v) Technical Services Agreement (MEGC)

Details of significant related party transactions are disclosed below:

	USD million	
	2020	**2019**
a) Sales and management fee		
Polypropylene plant management fees from PIC	1	1
Olefins plant management fees from TKOC	1	1
Styrene plant management fees from TKSC	1	1
Aromatics plant management fees from KPPC	2	2
Operating cost reimbursed by PIC for running of Polypropylene plant	14	19
Operating and utility cost reimbursed by TKOC for running of Olefins plant	59	68
Operating and utility cost reimbursed by TKSC for running of Styrene plant	21	30
Operating and utility cost reimbursed by KPPC for running of Aromatics plant	36	43
Interest income on long-term loan and notes receivables to TKOC	2	6

	USD million	
	2020	**2019**
b) Purchases and expenses		
Feed gas and fuel gas purchased from KPC	107	123
Purchase of Ethylene Glycol from TKOC	168	249
Catalyst purchased from DEHBV	-	5
Catalyst purchased from Dow Chemical Canada ULC	22	-
Ethylene purchase from Dow Chemical Canada ULC	96	122
Ethylene purchase from TDCC	57	-
Service cost reimbursed to Dow Chemical Canada ULC	7	6
Service cost reimbursed to TDCC	6	-
Service cost reimbursed to DEHBV	17	17
Glycol purchased from TDCC	50	69
Purchase of sea cooling water from PIC	10	10
Catalyst purchased from UNIVATION	-	5
Operating costs reimbursed to EMC	1	1
Staff secondment costs reimbursed to DEHBV	2	4
Ethylene and other purchases from TKOC	43	42
Interest expenses on notes payables from TKOC	1	4
c) Key management compensation		
Salaries, short term and terminal benefits	2	3

	USD million	
	30 June 2020	**31 December 2019 (Audited)**
d) Due from related parties		
Due from PIC	19	7
Due from UCC	1	1
Due from TDCC	0	3
Due from Dow Chemical Canada ULC	2	2
Due from TKOC	14	13
Due from TKSC	4	5
Due from KPPC	6	12
Due from KNPC	2	2
Due from Others	1	-
	49	45

	USD million	
	31 December 2020	**31 December 2019 (Audited)**
e) Notes receivables		
Working capital facility from TKOC	74	-

	USD million	
	31 December 2020	**31 December 2019 (Audited)**
f) Notes payables		
Working capital facility with TKOC	-	23

g) Loan to a related party

Current portion		
TKOC	-	81

Movement of long-term loan: TKOC

	USD million	
	2020	**2019**
Balance at 1 January	81	237
Payment during the period	(81)	(77)
Balance at 30 June	-	160

	USD million	
	30 June 2020	**31 December 2019**
		(Audited)
h) Due to related parties		
Due to KPC	40	46
Due to PIC	47	36
Due to TDCC	2	3
Due to Dow Olefinverbund GMBH	1	3
Due to KPPC	0	0
Due to TKSC	0	1
Due to TKOC	54	104
Due to Dow Canada Limited	1	0
Due to Dow Chemical Canada ULC	3	-
Due to DEHBV	2	(0)
Due to Dow Chemical China	2	-
Due to Others	0	1
	152	194
i) Dividend payables (included in Trade and other payables)		
Payable to shareholders (Note 9)	147	-

6. Additional Business and Geographical Information

Basis for segmentation

The Group has one significant business segment i.e.; Performance Materials & Chemicals ("PMC"), which is the reportable segment. This business segment manufactures and markets different types of basic petrochemical products.

Equate Management Team ("EMT"), a committee comprises of certain board members and key members of management, reviews the internal management reports of segments to monitor the performance and allocate capital. Earnings before Interest, Tax, Depreciation and Amortization ("EBITDA") is the key measure used to monitor the performance of business because management believes that this information is the most relevant in evaluating the results of the business relative to other entities that operate in the similar industries. In addition to PMC business, the Group is engaged in managing operations of petrochemical plants of certain related parties, which did not meet the quantitative threshold for reportable segment.

Information about reportable segments

	2020 (USD million)			2019 (USD million)		
	PMC	**Others**	**Total**	**PMC**	**Others**	**Total**
External segment revenue	1,327	130	1,457	1,593	160	1,753
EBITDA	275	23	298	345	5	350
Net profit for the period	48	5	53	181	5	186
Interest income	(7)	-	(7)	(16)	-	(16)
Interest expenses	106	5	111	77	-	77
Depreciation, amortization and reservation rights	131	13	144	110	-	110
Income tax/ KFAS/ Zakat	(3)	(0)	(3)	(7)	-	(7)

Revenue by product / services and geography

PMC business is managed on a worldwide basis, but operate manufacturing facilities and sales offices primarily in Kuwait, Canada, Germany, Dubai, Hong Kong, Singapore and United States of America. The geographical information analyses the Group's revenue by the Company's country of domicile and other countries. In presenting the geographical information, the segment revenue has been based on geographic location of customers.

	EG (USD million)	**PE (USD million)**	**PET (USD million)**	**Others (USD million)**	**Total (USD million)**
30 June 2020					
Americas	154	-	-	-	154
North East Asia	502	145	-	-	647
India sub-continental	97	20	-	-	117
Europe	82	29	139	-	250
Rest of the World*	41	118	-	130	289
External revenue	876	312	139	130	1,457
30 June 2019					
Americas	213	-	-	-	213
North East Asia	446	192	-	-	638
India sub-continental	171	21	-	-	192
Europe	94	47	195	-	336
Rest of the World*	71	143	-	160	374
External revenue	995	403	195	160	1,753

* Rest of the World includes revenue from Kuwait of USD 23 million (2019: USD 33 million).

There are no customers that contributed more than 5 % of the revenue.

EBITDA by product line	**EG (USD million)**	**PE (USD million)**	**PET (USD million)**	**Others (USD million)**	**Total (USD million)**
30 June 2020	150	123	2	23	298
30 June 2019	159	174	12	5	350

7. Financial instruments - fair value measurement and risk management

Fair value measurement

The fair value of the financial instrument is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of all financial instruments carried by the Group as at 30 June 2020, that are not carried at fair value, are not materially different from their carrying values.

Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2019.

8. Commitments and contingent liabilities

The Group has a fixed gas purchase commitment with a related party of approximately USD 1 million (31 December 2019: USD 1 million) per day until the agreement is cancelled in writing by both parties.

The Group under the Excess EG marketing agreement has a commitment to purchase from Dow an annual volume for a term to 2024.

The Group under the Ethylene Supply Agreement has a commitment to purchase and obligates DCC ULC to supply a contract quantity of ethylene each year through 2024 with an additional two five year extensions to 2034.

The Group under the Ethylene Supply Agreement has a commitment to purchase and obligates The Dow Chemical Company to supply 26.7% of output of one of Dow's ethylene crackers (TX-9), for USGC project, through the earlier of A) Dow Cracker facility permanently cease to operate or B) MEGlobal USGC plants cease to operate, subject to certain other conditions. The useful life of this asset is 25 years, starting from 2019.

In addition to the above, the Group had the following commitments and contingent liabilities outstanding as at 30 June 2020:

	USD million	
	30 June 2020	**31 December 2019**
		(Audited)
Letters of credit and letters of guarantee	628	1
Capital commitments	0	23

Contingent liabilities

Corporation Income Tax Assessment from the Canadian Revenue Agency

In December 2018, ME Global Canada ULC received a Corporation Income Tax Assessment from the Canadian Revenue Agency (CRA) for a transfer pricing adjustment amounting to CAD$ 62 million (USD 45 million) resulting in additional tax impact of CAD$ 13 million (USD 9 million) relating to tax year 2013. In November 2019, ME Global Canada ULC received a Corporation Income Tax Assessment from the Canadian Revenue Agency (CRA) for an additional tax impact CAD$ 14.4 million (USD 11.07 million) relating to tax year of 2014. This assessment is issued subsequent to the final audit report completed for the tax years 2013, 2014 and 2015 by the CRA.

The Management has filed a notice of objection for the 2014 assessment within the stipulated period as it did for the 2013 assessment in March 2019. The management is confident that it can defend their submitted inter-company transfer price and get the assessment reversed through the appeal process, similar to prior years and is of the view that no additional tax liability is required for this assessment. The company has not received the final Corporation Tax Assessment for the tax year 2015.

Unutilized tax losses no longer available for deduction

In September 2018, a subsidiary, Equipolymers GmbH received a notice from the German Tax Office as a conclusion of the tax audit opinion relating to the fair valuation of Equipolymers GmbH during the merger of Equipolymers BV with MEGlobal BV in 2011 concluding that the full amount of the unutilized tax losses not offset or deducted as at 1 July 2011 is no longer available for deduction against future profits (EUR 171 million of Corporate Tax loss / EUR 161 million of trade tax loss) on the basis that the valuation report submitted by the subsidiary on 15 July 2013 was not prepared based on the merger date of July 1, 2011. The subsidiary submitted a revised valuation report with full compliance to the German Valuation Standards to the tax office on 19 December 2018 which reflected hidden reserves of EUR 137 million. Following the multi-year tax assessment, which included the new valuation report submitted, the subsidiary and the German tax authority arrived at a negotiated settlement on a forfeiture of corporate tax losses amounting to EUR 87.38 million and trade tax losses amounting to EUR 77.42 million.

Accordingly, the subsidiary has carried forward corporate tax loss of EUR 86.7 million (USD 97.3 million) and trade tax loss of EUR 86.3 million (USD 96.86 million) as at the date of merger (1 July 2011). The management has determined that the position is no longer uncertain and the carried forward losses are available for utilization by the subsidiary post restructuring after the forfeiture.

Forward foreign exchange contracts

Foreign currency exposure risks are managed by dealing in forward contracts within the pre-approved limits. The Group deals in forward foreign exchange contracts to manage its foreign currency positions and cash flows.

The net notional value of the forward exchange contracts (off Balance Sheet exposure) as at 30 June 2020 is as follows:

	USD million	
	30 June 2020	**31 December 2019**
		(Audited)
Long position		
KD	824	741
CAD	210	216
EURO	317	488
Others	16	4
Short position		
KD	237	224
CAD	108	110
EURO	177	255
Others	35	8

The fair value of forward foreign exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate. These are classified as Level II.

9. Annual General Assembly

At the Company's Annual General Meeting held on 20 February 2020, the shareholders approved the Board of Directors recommendation to distribute cash dividend of 17.99 cents per share amounted to USD 368 million (2019: 50.39 cents per share amounted to USD 1,031 million). In the current period, the Group paid dividend amounting to USD 221 million (2019: USD 1,031 million) and the balance amount of USD 147 million is recognised as liability.

10. Subsequent events

Coronavirus ("COVID-19") a global pandemic. The COVID-19 pandemic and related economic repercussions have created significant volatility, uncertainty and turmoil in the oil and gas and related industries. This outbreak and the related responses of governmental authorities to limit the spread of the virus have significantly reduced global economic activity, resulting in an unprecedented decline in the demand for commodities. This supply-and-demand imbalance coincided with decisions of various global oil producers to increase the production levels, putting severe downward pressure on commodity prices. These factors caused a swift and material deterioration in commodity prices during the period and have continued to have an effect subsequent to the period end. Due to above, the Group experienced among other things decline in revenue and profit. leading to an impact on the Group's financial results and financial position.

The full extent and impact of the COVID-19 pandemic and related factors is unknown at this time and the degree to which it may impact the Group's business operations and financial results will depend on future developments, which are highly uncertain and cannot be predicted with any degree of confidence, including: the duration, severity and geographic spread of the COVID-19 virus.

In response to the event, the Group has taken several executive decisions in response to minimise the financial impact as a result of the pandemic. In addition to the above, the Group also expects the market to recover in the coming months with an upward trend in the market prices subsequent to the period end.