



MEGlobal B.V.
Amsterdam, The Netherlands
Annual Report for the
year ended 31 December 2020

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Balance sheet as at 31 December 2020 (after profit appropriation)

(all amounts in US\$ thousands)

	<i>Notes</i>	<i>2020</i>	<i>2019</i>
Assets			
Non-current Assets			
Non-current assets			
Participation in group companies	1	711,909	711,509
Long term note receivable	5	1,000,000	1,000,000
Right-of-use assets		583	-
Total Non-current Assets		<u>1,712,492</u>	<u>1,711,509</u>
Current Assets			
Notes receivable	5	723,706	563,613
Accounts receivable from group companies		19,443	-
Trade receivables		11,347	-
Other receivables		11,793	7,718
Cash and cash equivalents	2	104,936	55,423
Inventories		9,564	-
Total Current Assets		<u>880,789</u>	<u>626,754</u>
Total Assets		<u>2,593,281</u>	<u>2,338,263</u>
Shareholders' equity:			
Common stock	3	47	46
Translation Reserve	3	4	5
Additional paid-in capital	3	433,000	433,000
Retained earnings	3	799,690	655,824
Total Shareholders' Equity		<u>1,232,741</u>	<u>1,088,875</u>
Long-term liabilities			
Long term notes payable	5	234,018	226,799
Lease liability		618	-
Deferred tax liability		1,442	-
Total long-term Liabilities		<u>236,078</u>	<u>226,799</u>
Current liabilities			
Notes payable	5	1,074,860	1,010,543
Accounts payable to group companies		18,343	-
Other liabilities		31,259	12,046
Total current liabilities		<u>1,124,462</u>	<u>1,022,589</u>
Total liabilities and shareholders' equity		<u>2,593,281</u>	<u>2,338,263</u>

See Notes to the financial statements

Profit and loss account 2020

(all amounts in US\$ thousands)

	2020	2019
Net sales	42,438	-
Cost of sales	(32,595)	-
Selling, general and administrative expenses	(2,796)	(996)
Operating Result	<u>7,047</u>	<u>(996)</u>
Net gain (loss) on foreign currency transactions	(374)	(2,845)
Finance income - interest income from related parties (<i>note 5</i>)	61,466	83,119
Finance cost – interest expense to related parties (<i>note 5</i>)	(13,448)	(42,297)
Other income (expense)	(763)	(278)
Income before income taxes	<u>53,928</u>	<u>37,259</u>
Provision for income taxes	(20,468)	(2,644)
Dividend income from participations	139,968	169,790
Net profit after tax	173,428	204,405

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Notes to the 2020 financial statements

GENERAL

Reporting entity and relationship with parent company (companies)

MEGlobal B.V. (“the Company”) was formed in 2004 and is domiciled in The Netherlands, the Company is registered at the Dutch Chamber of Commerce under number 22054980. The Company’s registered office is at Gustav Mahlerlaan 1212, Amsterdam, the Netherlands. The company is a wholly owned subsidiary of Equate Petrochemical B.V.

The Company is the Holding Company and has the following 100% owned financial interests (together with the Company referred to as Group):

- MEGlobal Americas Inc., Sugar Land, TX, United States of America
- MEGlobal Asia Limited, Hong Kong
- MEGlobal Mexico S.A. de C.V., Mexico City, Mexico
- MEGlobal Trading Group Ltd., Shanghai, People’s Republic of China
- MEGlobal Europe GmbH, Horgen, Switzerland
- MEGlobal Comercio Do Brasil Ltda., Bahia, Brazil
- MEGlobal EG Singapore Pte. Ltd., Singapore
- Equipolymers GmbH, Schkopau, Germany
- Equipolymers S.r.l., Milan, Italy

Nature of Operations: On December 23, 2015, through a series of transactions (“Equate transaction”), MEGlobal B.V. became a wholly owned subsidiary of Equate Petrochemical B.V. (“Holding Company”). Equate Petrochemical B.V. is in turn a wholly owned subsidiary of EQUATE Petrochemical Company K.S.C.C. (“Ultimate Holding Company”).

The financial data of the Company and its subsidiaries are included in the consolidated financial statements of its parent company, Equate Petrochemical B.V., registered in Amsterdam (The Netherlands) and of its ultimate parent company, EQUATE Petrochemical Company K.S.C.C., registered in Kuwait.

Effective from 1 January 2020, 100% shares of MEGlobal International FZE was transferred by its fully owned subsidiary, MEGlobal Europe GmbH, to EQUATE Petrochemical Company K.S.C.C. (“EQUATE Kuwait”).

Effective from 27 March 2020, MEGlobal EG Singapore Pte. Ltd., was incorporated as a fully owned subsidiary of the Company.

The Company is mainly involved in financing activities for the companies in the Group and managing its investments therein.

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

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

The company applies generally accepted accounting principles as understood in the Netherlands.

Financial Reporting period

These financial statements cover the year 2020, which ended at the balance sheet date of 31 December 2020.

Basis of preparation

The financial statements have been prepared in accordance with Title 9 of Book 2 of the Netherlands Civil Code. The accounting policies applied for measuring assets and liabilities and the determination of result are based on the historical cost convention, unless otherwise stated in the further principles.

Application of Section 408, Book 2 of the Netherlands Civil Code

The Company has made use of the exemption in Section 408, Book 2 of the Netherlands Civil Code. As a result, no consolidated financial statements have been prepared. The financial data of the Company and its subsidiaries are included in the consolidated financial statements of its parent company, Equate Petrochemical B.V., registered in Amsterdam (The Netherlands). The consolidated financial statements of Equate Petrochemical B.V. have been filed with the trade register in the Netherlands.

Going concern

These financial statements have been prepared on the basis of the going concern assumption.

SIGNIFICANT ACCOUNTING POLICIES

General

Assets and liabilities are measured at nominal value, unless otherwise stated in the further principles.

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

A liability is recognised in the balance sheet when it is expected to result in an outflow of resources embodying economic benefits and the amount of the obligation can be measured reliably.

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An asset or liability that is recognised in the balance sheet, remains on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability.

An asset or liability is no longer recognised in the balance sheet when a transaction results in all or substantially all rights to economic benefits and all or substantially all the risks related to the asset or liability being transferred to a third party.

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

Revenues and expenses are allocated to the period to which they relate. Revenues are recognized when the company has transferred the significant risks and rewards of ownership of the goods to the buyer.

The financial statements are presented in U.S dollars which is the Company's functional currency. All amounts in these financial statements are expressed in thousands of U.S. dollars unless mentioned otherwise.

Transactions in foreign currencies - Transactions denominated in foreign currency are translated into the relevant functional currency of the company at the exchange rate applying on the transaction date.

Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date into to the functional currency at the exchange rate applying on that date. Exchange differences resulting from the settlement of monetary items, or resulting from the translation of monetary items denominated in foreign currency, are recognised in the profit and loss account in the period in which they arise.

Non-monetary assets and liabilities denominated in foreign currency that are stated at historical cost, are translated into US Dollars at the exchange rates applying on the transaction date.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at current value, are converted into US Dollars at the exchange rates at the time when the actual current value is determined. Exchange rate differences arising from the translation are directly recognised in equity as part of the revaluation reserve.

Foreign operations - The assets and liabilities that are part of the net investment in a foreign operation are translated into USD at the exchange rate prevailing at the balance sheet date. The revenues and expenses of such a foreign operation are translated into USD at the exchange rate on the transaction date. Currency translation differences are recognised in the translation reserve within equity.

Financial Fixed Assets

Notes receivable - Notes receivable are measured at initial recognition at fair value, plus transaction costs (if material). After initial recognition, receivables are measured at amortised cost. If no premium or discount and transaction costs are applicable, the amortised cost is equal to the nominal value of the receivables, less a provision for uncollectible debts. These provisions are determined by individual assessment of the receivables.

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Participations in Group companies- Participations in group companies are valued at cost price in view of the application of Article 2:408 of the Dutch Civil Code. With the valuation of participations any impairment in value is taken into account. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.

The Group tests participations in group companies annually for impairment, or more frequently if there are indications that the participation might be impaired. The recoverable amounts of the participations are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rate, growth rates, freight cost and forecasted CFR prices. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. The Group prepares cash flow forecasts derived from the most recent financial budgets and market updates reviewed by management for the next five years, with adjustments as necessary to better reflect subsequent information, and extrapolates cash flows for the following years based on an estimated growth rate of 1 % per annum which is also the terminal growth rate applied. The terminal growth rate does not exceed the average long-term revenue growth rate for the relevant markets. The rate used to discount the forecast cash flows is in the range of 8% to 9%. Though a period longer than 5 years is used for cash flow projections, this is not expected to impact the impairment assessment as the expected sales volumes are constant after the fifth year.

Cash and cash equivalents – Cash and cash equivalents consist of cash at bank and deposits with an original maturity of three months or less.

Cash and cash equivalents denominated in foreign currencies are translated at the balance sheet date in the functional currency at the exchange rate ruling at that date.

Shareholders' equity – Financial instruments that are designated as equity instruments by virtue of the legal reality are presented under shareholders' equity. Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution.

Financial instruments that are designated as a financial liability by virtue of the legal reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recognised in the profit and loss as financial income or expense.

Provision for claims, disputes and lawsuits – A provision for claims, disputes and lawsuits is established when it is expected that the company will be sentenced in legal proceedings. The provision represents the best estimate of the amount for which the claim can be settled, including the costs of litigation.

Long-term liabilities – At initial recognition, long-term liabilities are recognised at fair value. Transaction costs that are directly attributable to the acquisition or issue of a liability are included in the initial measurement. After initial recognition, long-term liabilities are measured at amortised cost. If no premium or discount and transaction costs are applicable, the amortised cost is equal to the nominal value of the liability.

Current liabilities – At initial recognition, current liabilities are recognised at fair value. After initial recognition, current liabilities are measured at amortised cost. If no premium or discount and transaction costs are applicable, the amortised cost is equal to the nominal value of the liability.

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Employee benefits - Employee benefits are charged to the profit and loss account in the period in which the employee services are rendered and, to the extent not already paid, as a liability on the balance sheet. If the amount already paid exceeds the benefits owed, the excess is recognised as a current asset to the extent that there will be a reimbursement by the employees or a reduction in future payments by the Company.

For benefits with accumulating rights, sabbatical leave, profit-sharing and bonuses the projected costs are taken into account during the employment. An expected payment resulting from profit-sharing and bonus payments is recognised if the obligation for that payment has arisen on or before the balance sheet date and a reliable estimate of the liabilities can be made.

If a benefit is paid in case of non-accumulating rights (e.g., continued payment in case of sickness or disability), the projected costs are recognised in the period in which such benefit is payable. For existing commitments at the balance sheet date to continue the payment of benefits (including termination benefits) to employees who are expected to be unable to perform work wholly or partly due to sickness or disability in the future, a provision is recognised.

The recognised liability relates to the best estimate of the expenditure necessary to settle the obligation at the balance sheet date. The best estimate is based on contractual agreements with employees (collective agreement and individual employment contract). Additions to and reversals of liabilities are charged or credited to the profit and loss account.

The Company sponsors a defined contribution pension plan. The pension charge to be recognised for the reporting period is equal to the pension contributions payable to the pension provider over the period. In so far as the payable contributions have not yet been paid as at balance sheet date, a liability is recognised. If the contributions already paid at balance sheet date exceed the payable contributions, a receivable is recognised to account for any repayment by the fund or settlement with contributions payable in future

Finance income and finance costs - The Company's finance income and finance costs include interest income and interest expense. Interest income is recognised in the profit and loss account on an accrual basis, using the effective interest rate method. Interest expenses and similar charges are recognised in the period to which they belong.

Corporate Income Taxes – Corporate income tax comprises the current income tax payable for the reporting period. Corporate income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity, or to business combinations.

Current tax comprises the expected tax payable or recoverable on the taxable profit or loss for the financial year, calculated using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Related party transactions - Transactions with related parties (refer to note 5 for the identified related parties) are executed at arm's length basis. If related party transactions are not executed at arm's length they are disclosed separately. Disclosed are the nature and amounts involved with such transactions, and other information that is deemed necessary for an insight into the transactions.

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If a subsidiary company (or business operation) is acquired from a related party, the difference between the fair value of the company (business) acquired and the consideration paid is recognized in shareholders' equity.

If a subsidiary company (or business operation) is disposed to a related party, the difference between the fair value of the business (operation) disposed and its carrying value is recognized in the profit and loss account. The difference between the consideration received and the fair value is recognized in shareholders' equity.

1. PARTICIPATIONS IN GROUP COMPANIES

A summary of the participations in group companies can be specified as follows:

	2020	2019
MEGlobal Americas Inc.	1	1
Additional investment 2019	500,000	500,000
Balance Participation MEGlobal Americas Inc.	500,001	500,001
MEGlobal Asia Limited	1	1
MEGlobal Mexico S.A. de C.V.	5	5
MEGlobal Europe GmbH	16	16
MEGlobal Trading Company Ltd	5,500	5,500
MEGlobal Singapore Pte. Ltd. (est. in 2020)	400	-
Equipolymers SRL	424,000	424,000
Impairment recognized in 2009	(328,503)	(328,503)
Impairment recognized in 2010	(78,070)	(78,070)
Balance Participation Equipolymers SRL	17,427	17,427
Equipolymers GmbH	294,000	294,000
Impairment recognized in 2016	(119,000)	(119,000)
Additional investment in 2017	12,704	12,704
Balance Participation Equipolymers GmbH	187,704	187,704
MEGlobal Comercio Do Brasil Ltda	855	855
Balance	711,909	711,509

As a result of the annual impairment analysis carried out during the current year, there was no change in the carrying amount of the participations in Equipolymers SRL and Equipolymers GmbH in comparison to the recoverable amount (2019: no impairment).

Effective from 27 March 2020, MEGlobal EG Singapore Pte. Ltd., was incorporated as a fully owned subsidiary of the Company.

2. CASH AND CASH EQUIVALENTS

The cash and cash equivalents as at balance sheet date are immediately accessible.

3. SHAREHOLDERS' EQUITY

Share capital

The Company has two classes of common stock: Class A and Class B. Both classes of shares carry a par value of 1,000 Euros per share. Authorized are 90 shares of which 38 shares are issued and fully paid-in. The issued common stock did not change in the financial year. In accordance with Section 373 sub 5 of Book 2 of the Netherlands Civil Code, the issued common stock is converted into USD at the exchange rate as at balance sheet date. The difference between the share capital in USD at the current exchange rate and the share capital at the historical rate is expressed in the (non-distributable) translation reserve.

Proposed appropriation of the result for the year

The Profit for the year 2020 contains a gain of USD 26,408,688 related to the transfer of the shares in MEGlobal International FZE to EQUATE Petrochemical Company K.S.C.C. As this gain is not realized, it is a deemed dividend distribution to the parent company and recognized in equity as a distribution to shareholders

Management proposes to add the remaining profit for the year to Retained earnings and to distribute no additional dividend. In anticipation of the decision of the General Meeting, this proposal is already reflected in the balance sheet.

Reconciliation of shareholders' equity

	Share capital	Translation reserve	Additional Paid in Capital	Retained Earnings	Total 2020	Total 2019
Balance at January 1	46	5	433,000	655,824	1,088,875	884,470
Exchange difference	1	(1)	-	-	-	-
Other*	-	-	-	(3,152)	(3,152)	-
Profit (Loss) for the year	-	-	-	173,428	173,428	204,405
Dividend distribution	-	-	-	(26,409)	(26,409)	-
Balance at December 31	47	4	433,000	799,690	1,232,741	1,088,875

*Effective 1 October 2020, the Company purchased the business of MEGlobal Europe GmbH for CHF 10,300,000 (USD 9,425,502). The net asset acquired is USD 6,273,787. The difference between the net asset acquired from MEGlobal Europe GmbH and the purchase consideration paid, amounting to USD 3,151,715, has been deducted from retained earnings.

4. EMPLOYEE INFORMATION

The Company had 6 employees in 2020 (2019: 7).

5. RELATED PARTY TRANSACTION

The related party transactions related to the Balance Sheet items are as follows:

Related Companies	Notes Receivables		Notes Payable		Long Term Notes Receivable		Long Term Notes Payable	
	2020	2019	2020	2019	2020	2019	2020	2019
EQUATE Petrochemical Co. K.S.C.C	-	1,005	189,798	11,374	-	-	-	-
The Kuwait Olefins Company K.S.C.	67,322	2	-	22,097	-	-	-	-
MEGlobal Canada ULC	32,470	254	-	25,462	-	-	-	-
Alberta & Orient Glycol Co ULC	-	279	19,853	52,701	-	-	-	-
Equate Petrochemical BV	354,527	268,511	686,988	686,986	-	-	234,018	226,799
MEGlobal International FZE	-	137	94,128	52,084	-	-	-	-
MEGlobal Europe GmbH	-	41	32,859	128,762	-	-	-	-
MEGlobal Americas Inc	217,629	253,245	230	-	1,000,000	1,000,000	-	-
MEGlobal Asia Limited	-	196	11,293	5,924	-	-	-	-
MEGlobal Mexico S.A de C.V	12,990	11,248	-	-	-	-	-	-
Equipolymers GmbH	32,718	24,283	920	-	-	-	-	-
Equipolymers S.R.L	-	-	38,791	23,726	-	-	-	-
MEGlobal Comercio Do Brasil	4,458	4,368	-	-	-	-	-	-
Dow International Finance SARL	-	43	-	43	-	-	-	-
MEGLobal EG Singapore Pve Ltd	1,592	-	-	-	-	-	-	-
TOTAL	723,706	563,612	1,074,860	1,010,543	1,000,000	1,000,000	234,018	226,799

Intra / Inter- JV Revolving Credit Facilities – The Company has various revolving credit facilities in place for working capital financing with its foreign direct and indirect subsidiaries, as well as with MEGlobal Canada ULC for working capital financing.

There is no specific tenure of this facility and the current and non-current classification of amount outstanding against this facility is based on management’s estimate of the period over which the amount is expected to be repaid.

Effective 1 January 2019, the Company entered into an 8-year unsecured term loan agreement with its subsidiary MEGlobal Americas Inc. for USD 1 billion. The interest rate is fixed at 5.5% per annum and the loan will mature on 1 January 2027. Interest is accrued and calculated on the basis of 360 days a year.

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The related party transactions related to the Income Statement items are as follows:

Related Companies	Interest Expenses		Interest Income	
	2020	2019	2020	2019
MEGlobal Canada ULC	418	5,881	-	4,901
Alberta & Orient Glycol Co ULC	885	3,237	-	2,000
Equate Petrochemical BV	6,360	9,842	2,231	3,060
MEGlobal International FZE	416	836	1,244	1,521
MEGlobal Europe GmbH	794	1,458	14	105
MEGlobal Americas Inc	107	1,385	54,672	64,805
MEGlobal Asia Limited	196	360	117	223
MEGlobal Mexico S.A de C.V	-	-	228	268
MEGlobal Comercio do Brasil Ltda	-	-	106	175
Equipolymers GmbH	5	-	309	1,029
Equipolymers S.R.L	358	647	-	-
The Kuwait Olefins Company K.S.C.	1,396	4,901	2,117	2,783
EQUATE Petrochemical Co. K.S.C.C	2,511	13,751	108	2,249
TOTAL	13,448	42,297	61,145	83,119

The Company has entered into certain commercial and recharge arrangements with some of its related parties or affiliates. They include:

- Purchase EG Agreement
- Sales EG Agreement
- Sales Promotion Agreement
- Intercompany Service Agreement

Related Companies	Purchase EG 2020	Sales EG 2020	Sales Promotion Agreement 2020	Intercompany Service Agreement 2020
MEGlobal International FZE	9,137	-	-	-
Equipolymers GmbH	-	13,003	-	-
Dow Europe GmbH	27,659	2,998	-	-
Equipolymers Srl			857	588

6. SUBSEQUENT EVENTS

There is no reportable material subsequent event that has occurred after the balance sheet date until the financials are issued.

7. SIGNATURES AND ACKNOWLEDGEMENT

The attached Annual Financial Statements of MEGlobal B.V. for the financial year ended December 31, 2020 are hereby signed and acknowledged.

Amsterdam, 21 June 2021

Naser Aldousari

Sudhir Ganpathy Shenoy

Mohammad Usman Sohail Hadi

Thamer Al-Shayji

Other information

Statutory rules concerning appropriation of result

In accordance with article 21 of the articles of association, profits are at the disposal of the general meeting of shareholders, with the restriction that only distribution can be made if the shareholders' equity exceeds share capital issued and fully paid increased with legal or statutory reserves.

Audit

For the financial year 2020, the company is not legally required to have its financial statements audited. As a consequence, no auditor has been engaged and an independent auditor's report is not attached to these financial statements.