Combined condensed interim financial information
of
EQUATE Petrochemical Company K.S.C.C. and subsidiaries
("EQUATE Group")
and
The Kuwait Olefins Company K.S.C.C. ("TKOC")
for the six-month period ended 30 June 2024

EQUATE Group and TKOC
State of Kuwait

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Independent Auditors' Report on Review of Interim Financial Information

The Shareholders
EQUATE Petrochemical Company K.S.C.C. and The Kuwait Olefins Company K.S.C.C.
State of Kuwait

Introduction

We have reviewed the accompanying combined condensed interim financial information of EQUATE Petrochemical Company K.S.C.C. ("EQUATE") and its subsidiaries (together "EQUATE Group") and The Kuwait Olefins Company K.S.C.C. ("TKOC") (together referred to as "the Reporting Entity"), which comprises the combined condensed statement of financial position as at 30 June 2024, the combined condensed 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 combined condensed interim financial information. Management is responsible for the preparation and presentation of this combined condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this combined condensed 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 combined condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Emphasis of Matter – Basis of preparation

We draw attention to Note 1 and 2 to the combined condensed interim financial information, which describes their basis of preparation, including the approach to and the purpose of preparing them. The combined condensed interim financial information were prepared to assist the Reporting Entity for internal management reporting purposes and for presentation to the lenders of EQUATE Group. Our conclusion is not modified in respect of this matter.

Dr. Rasheed M. Al-Qenae
License No 130
of KPMG Al-Qenae & Partners
Member firm of KPMG International

Kuwait: 7 August 2024

EQUATE
شركاء في النجاح
Partners in Success

Combined condensed statement of financial position of
as at 30 June 2024

	Note	US$ million 30 June 2024	US$ million 31 December 2023 (Audited)
Assets			
Property, plant and equipment		2,693	2,774
Goodwill		1,689	1,689
Intangible assets		197	217
Right-of-use assets		323	330
Deferred tax assets		23	29
Deferred charges and other assets		752	780
Non-current assets		5,677	5,819
Inventories		201	196
Due from related parties	*5*	37	45
Trade and other receivables		737	612
Deferred charges and other assets		56	56
Cash and cash equivalents	*3*	708	656
Current assets		1,739	1,565
Total assets		7,416	7,384
Equity			
Share capital		1,080	1,080
Treasury shares		(450)	(450)
Statutory reserve		540	540
Retained earnings		214	179
Remeasurement of retirement benefit obligation		45	45
Foreign currency translation reserve		5	13
Hedge reserve		25	25
Total equity		1,459	1,432
Liabilities			
Loans and borrowings	*4*	2,836	3,834
Deferred income		105	115
Lease liabilities		319	333
Deferred tax liabilities		122	135
Retirement benefit obligation		384	375
Long term incentives		4	6
Non-current liabilities		3,770	4,798
Long term incentives		5	5
Loans and borrowings	*4*	1,500	500
Lease liabilities		28	23
Deferred income		19	19
Due to related parties	*5*	168	126
Trade and other payables		467	481
Current liabilities		2,187	1,154
Total liabilities		5,957	5,952
Total equity and liabilities		7,416	7,384

The attached notes on pages 7 to 21 form an integral part of these combined condensed interim financial information.

Naser Aldousari
President & Chief Executive Officer

Phisanu Sermchaiwong
Chief Financial Officer

EQUATE Group and TKOC
State of Kuwait

Combined condensed statement of profit or loss and other comprehensive income
for the six-month period ended 30 June 2024

		US$ million	
	Note	**2024**	**2023**
Sales	*6*	1,861	1,518
Cost of sales		(1,360)	(1,297)
Gross profit		501	221
Management fee	*5*	3	3
Reservation right fees		9	8
General, administrative and selling expenses		(44)	(31)
Other income / (expenses)		3	(1)
Foreign exchange loss		(5)	(2)
Profit from operations		467	198
Finance income		12	4
Finance costs		(121)	(110)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), Zakat, tax on subsidiaries and Board of Directors' remuneration		358	92
Contribution to KFAS		(4)	(2)
Contribution to Zakat		(2)	(1)
Tax on subsidiaries		(4)	(0)
Board of Directors' remuneration		0	(0)
Net profit for the period		348	89
Other comprehensive loss			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences		(8)	(3)
Fair value of cashflow hedge		-	(4)
Other comprehensive loss for the period		(8)	(7)
Total comprehensive income for the period		340	82

The attached notes on pages 7 to 21 form an integral part of these combined condensed interim financial information.

EQUATE Group and TKOC
State of Kuwait

Combined condensed statement of statement of changes in equity
for the six-month period ended 30 June 2024

	US$ million							
	Share capital	**Treasury shares**	**Statutory reserve**	**Retained earnings**	**Remeasurement of retirement benefit obligation**	**Foreign currency translation reserve**	**Hedge reserve**	**Total**
Balances as at 1 January 2023 (audited)	1,080	(450)	540	122	35	13	29	1,369
Net profit for the period	-	-	-	89	-	-	-	89
Other comprehensive loss	-	-	-	-	-	(3)	(4)	(7)
Total comprehensive income for the period	-	-	-	89	-	(3)	(4)	82
Dividends paid (Note 9)	-	-	-	(144)	-	-	-	(144)
Balance as at 30 June 2023	1,080	(450)	540	67	35	10	25	1,307
Balances as at 1 January 2024	1,080	(450)	540	179	45	13	25	1,432
Net profit for the period	-	-	-	348	-	-	-	348
Other comprehensive loss	-	-	-	-	-	(8)	-	(8)
Total comprehensive income for the period	-	-	-	348	-	(8)	-	340
Dividends paid (Note 9)	-	-	-	(313)	-	-	-	(313)
Balance as at 30 June 2024	1,080	(450)	540	214	45	5	25	1,459

The attached notes on pages 7 to 21 form an integral part of these combined condensed interim financial information.

EQUATE Group and TKOC
State of Kuwait

Combined condensed statement of cash flows of
for the six-month period ended 30 June 2024

	Note	US$ million 2024	2023
Cash flows from operating activities			
Net profit for the period		348	89
Adjustments for:			
Depreciation		144	140
Amortisation of intangibles and deferred assets		48	47
Reservation right fees		(9)	(8)
Tax expense		10	3
Finance costs		121	110
Finance income		(12)	(4)
Provision for retirement benefit obligation		19	31
Foreign exchange loss on retirement benefit obligations		0	(6)
Provision for long term incentives		1	8
		670	410
Changes in:			
Inventories		(5)	10
Due from related parties		8	(15)
Trade and other receivables		(125)	56
Due to related parties		42	5
Trade and other payables		(3)	(97)
Retirement benefit obligation paid		(10)	(18)
Long term incentives paid		(3)	(6)
Taxes paid		(28)	(45)
Net cash from operating activities		546	300
Cash flows from investing activities			
Purchase of property, plant and equipment		(54)	(142)
Investment in staff saving scheme		(1)	0
Finance income received		12	4
Net cash used in investing activities		(43)	(138)
Cash flows from financing activities			
Loan origination fee paid	*4*	(2)	(2)
Sukuk repayment	*4*	(500)	-
Proceeds from bridge loan	*4*	500	-
Payment of lease liabilities		(24)	(23)
Finance costs paid		(113)	(103)
Dividends paid	*9*	(313)	(144)
Net cash used in financing activities		(452)	(272)
Net Increase/ (decrease) in cash and cash equivalents		51	(110)
Cash and cash equivalents at beginning of the period		595	408
Cash and cash equivalents at end of the period	*3*	646	298

The attached notes on pages 7 to 21 form an integral part of these combined condensed interim financial information.

1. Reporting entity

EQUATE Petrochemical Company K.S.C.C. ("EQUATE") is a Closed Kuwaiti Shareholding Company incorporated in the State of Kuwait on 20 November 1995. EQUATE is primarily engaged in manufacturing and sale of Ethylene Glycol ("EG"), polyethylene ("PE") and polyethylene terephthalate ("PET"). EQUATE also operates and maintains Olefins II, Styrene, Aromatics and Polypropylene plants on behalf of its related entities in Kuwait.

The Kuwait Olefins Company K.S.C.C. ("TKOC") is a Closed Kuwaiti Shareholding Company incorporated in the State of Kuwait on 10 October 2004 and is primarily engaged in the manufacturing and sale of Ethylene and Ethylene Glycol ("EG"). TKOC is owned by EQUATE's shareholders and is managed by EQUATE's management. Additionally, the manufacturing plants of both EQUATE and TKOC are integrated and operated and managed by EQUATE's management under various agreements.

EQUATE and TKOC are owned by Dow Europe Holding B.V. ("DEHBV"), Petrochemical Industries Company K.S.C. ("PIC"), Boubyan Petrochemical Company K.S.C. ("BPC") and Kuwait Projects Company (Holding) ("KIPCO"). The shareholding of both the companies are identical and they are under common control. The registered address of both the companies is Central Ahmadi, Block 12, Kuwait.

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

EQUATE and its subsidiaries set out below, together referred as "EQUATE Group" and EQUATE Group and TKOC together referred as "the Reporting Entity".

The combined condensed interim financial information, which is the responsibility of the management of the Reporting Entity, is being presented with the sole purpose of providing, in a single set of financial information related to the combined financial position and combined financial performance of the Reporting Entity. The combined condensed interim financial information is being prepared by and at the level of the common shareholders of EQUATE and TKOC. This combined condensed interim financial information of the Reporting Entity was prepared for presentation to lenders of EQUATE Group.

The combined condensed interim financial information as at and for the period ended 30 June 2024 comprises of the condensed consolidated interim financial information of EQUATE Group and condensed interim financial information of TKOC. List of directly and indirectly owned subsidiaries of EQUATE is as follows:

Name of entity	Country of incorporation	Principal business	Percentage of holdings 30 June 2024	31 December 2023
MEGlobal B.V ("MEG B.V")**	Netherlands	Holding Company and sales of EG	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 Americas Inc.	USA	Marketing and distribution of EG	100%	100%
EQUATE Marketing Company. S.P.C	Kuwait	Marketing of PE & EBSM	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 Comercio Do Brasil Ltda	Brazil	Marketing and distribution of EG	100%	100%
MEGlobal EG Singapore Pte. Ltd.	Singapore	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%

*During 2024, EQUATE Marketing Company S.P.C has been incorporated as a wholly owned subsidiary of EQUATE Petrochemical Company K.S.C.C.

** The downstream merger of Equate Petrochemical B.V (Disappearing Company) with MEGlobal B.V. (Acquiring Company) was effective date as of 1 January 2023. MEGlobal B.V. is the surviving entity, post the merger.

This combined condensed interim financial information was authorised for issue by the President & Chief Executive Officer and Chief Financial Officer of the Reporting Entity on 7 August 2024.

2. Basis of accounting

a) Statement of compliance

These combined condensed interim financial information for the six months period ended 30 June 2024 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Reporting Entity's last annual combined financial statements as at and for the year ended 31 December 2023 ("last annual combined financial statements"). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Accounting Standards.

However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Reporting Entity's financial position and performance since the last annual combined financial statements.

b) Basis of combination

This combined condensed interim financial information has been prepared by combining condensed consolidated interim financial information of EQUATE Group and condensed interim financial information of TKOC for the six-month period ended 30 June 2024, prepared in accordance with IAS 34 *Interim Financial Reporting.*

This combined condensed interim financial information has been prepared as following:

- Financial information is combined on a line-by-line basis by adding together assets, liabilities, income and expenses.
- Share capital and reserves are aggregated.
- Inter-company transactions and balances are eliminated; and
- Taxes have been determined based on the tax charges recorded by individual entities.

c) Use of Judgments and estimates

In preparing this combined condensed interim financial information, management has made judgements and estimates about the future, including climate – related risks and opportunities 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 Reporting Entity's accounting policies and the key sources of estimation uncertainty are the same as those described in the last annual combined financial statements.

d) Material accounting policies

The accounting policies applied in this combined condensed interim financial information are consistent with those in the Reporting Entity's combined financial statements as at and for the year ended 31 December 2023 except for the amendments to IFRS Accounting Standards which are effective for annual accounting period starting from 1 January 2024.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted. The Reporting Entity has not early adopted any of the forthcoming new or amended standards in preparing this combined condensed interim financial information.

3. Cash and cash equivalents

	US$ million	
	30 June 2024	**31 December 2023**
		(Audited)
Cash balances	0	0
Bank balances	161	185
Term deposits	547	471
Total cash and cash equivalents for the statement of financial position	708	656
Less: Amount reserved relating to staff saving scheme	(62)	(61)
Cash and cash equivalents for the statement of cash flows	646	595

The effective interest rate on time deposits as at 30 June 2024 was 5.54% (as at 31 December 2023: 5.05%) per annum.

4. Loans and borrowings

	US$ million	
	30 June 2024	**31 December 2023**
		(Audited)
Balance at 1 January	4,334	4,329
Loan origination fees	(2)	(2)
Amortization for the period	4	7
Sukuk repayment	(500)	0
Proceeds from bridge loan	500	0
Balance at 30 June	4,336	4,334

The non-current and current portion of loans and borrowings is set out below:

Non-current	2,836	3,834
Current	1,500	500
	4,336	4,334

At the reporting date, the following loans and borrowings were outstanding:

	US$ million	
	June 2024	December 2023 (Audited)
i) Fixed interest rate Notes (GMTN 1) amounting to US$ 1,250 million (net of discount of US$ 15 million) having a term of 10 years, maturing in November 2026, with an effective interest rate of 4.402% and carrying a coupon rate of 4.25%. Euronext bond quote based on level 1 inputs of fair value as of 30 June 2024 is 96.743% (31 December 2023: 96.93%).	1,235	1,235
ii) Fixed interest rate Notes (GMTN 2) amounting to US$ 1,000 million having a term of 5 years, maturing in May 2025, with an effective interest rate and coupon rate of 5.000% per annum payable on a semi-annual basis. Euronext bond quote based on level 1 inputs of fair value as of 30 June 2024 is 99.076% (31 December 2023: 99.02%).	1,000	1,000
iii) Fixed interest rate Notes (GMTN 2) amounting to US$ 600 million having a term of 10 years, maturing in May 2030, with an effective interest rate and coupon rate of 5.875% per annum payable on a semi-annual basis. Euronext bond quote based on level 1 inputs of fair value as of 30 June 2024 is 100.753% (31 December 2023: 103.06%).	600	600
iv) Fixed interest rate Notes (GMTN 3) amounting to US$ 700 million (net of discount of US$ 1 million) having a term of 7 years, maturing in April 2028, with an effective interest rate of 2.641% and carrying a coupon rate of 2.625% per annum payable on a semiannual basis. Euronext bond quote based on level 1 inputs of fair value as of 30 June 2024 is 89.775% (31 December 2023: 90.18%).	699	699
v) Fixed profit rate Sukuk amounting to US$ 500 million having a term of 7 years, matured in February 2024, with a profit rate of 3.944% per annum payable on a semi-annual basis. Euronext bond quote based on level 1 inputs of fair value as of 30 June 2024 is N/L (31 December 2023: 99.92%).	-	500
vi) Term loan facility amounting to US$ 225 million having a term of 3 years, maturing in June 2026, with an effective interest rate of 6.95% per annum payable on a quarterly basis. Out of the US$ 225 million, US$ 75 million was repaid in 2022.	150	150
vii) Bridge loan facility amounting to US$ 500 million having a term of 12 months maturing in February 2025, with average profit rate of 6.08%	500	-
viii) Murabaha facility amounting to US$ 150 million having a term of 3 years, maturing in December 2027, with an effective profit rate of term 6.99% per annum.	150	150
	4,334	4,334

The payments due in respect of medium-term notes described above are unconditionally and irrevocably guaranteed, jointly and severally, and not severally, by the EQUATE Group and TKOC.

In addition, the Reporting Entity holds several unutilised working capital facilities with different banks as follows:

	US$ million	
	30 June 2024	**31 December 2023 (Audited)**
Murabaha Working Capital Facility valid until 2025 with three-year extension option	100	100
Murabaha Working Capital Facility valid until 2026 with a one-year extension option	150	150
Syndicated Revolving Credit facility valid until 2026.	500	500
Revolving Credit facility valid until 2026.	200	200

5. Related party transactions

In the normal course of business, the Reporting Entity enters into transactions with its shareholders PIC (directly owned by Kuwait Petroleum Corporation ("KPC"), BPC, KIPCO 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 EQUATE. EQUATE reimburses all the actual expenses incurred by EMC.

EQUATE Group owns and operates petrochemical complexes in Kuwait, North America and Europe through its subsidiary MEGlobal and the Greater EQUATE joint venture which holds under one fully integrated operational umbrella each of EQUATE, The Kuwait Styrene Company ("TKSC"), Kuwait Paraxylene Production Company ("KPPC") and The Kuwait Olefins Company ("TKOC").

EQUATE Group provides operating, maintenance and other services to the above entities for which the Company receives a fixed management fee over and above the actual operating cost under the Operations, Maintenance and Services Agreement ("OMSA") and received a reservation right fee that equals the total capital construction costs incurred by the Company on the new utilities and infrastructure facilities under the Materials and Utility Supply Agreement ("MUSA").

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

On 2 December 2004, TKOC signed an Ethylene supply agreement with EQUATE and TKSC. Under the terms of the agreement, the price per metric tonne of ethylene is paid by TKSC based on the quantity delivered to them at contract price.

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

Operational Facility– Under the cash management services provided by MEG B.V, the EQUATE Group's subsidiaries and TKOC have an overnight cash sweeping facility with MEG B.V. Under this arrangement, the EQUATE Group entities and TKOC sweep selected bank accounts with MEG B.V. This allows the EQUATE Group entities and TKOC to either 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 Term SOFR 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. 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 EQUATE 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:

		US$ million	
		30 June 2024	**30 June 2023**
a)	**Sales and management fee**		
	Styrene plant management fees from TKSC	1	1
	Aromatics Plant management fees from KPPC	2	2
	Sale of ethylene, utilities and services to KPPC, TKSC and PIC	26	31
	Sale of TEG to Dow Chemical Canada ULC	2	1
	Sale of DEG to TDCC	0	6
	Sale of DEG to Dow Europe GMBH	4	2
	Service cost charged to Dow Chemical Canada ULC	6	6
	Operating cost reimbursed by PIC for running of Polypropylene plant	2	3
	Operating and utility cost reimbursed by TKSC for running of Styrene plant	23	25
	Operating and utility cost reimbursed by KPPC for running of Aromatics plant	34	37

		US$ million	
		30 June 2024	**30 June *2023***
b)	**Purchases and expenses**		
	Feed gas and fuel gas purchased from KPC	217	188
	Ethylene purchase from Dow Europe GMBH	91	126
	Ethylene Purchase from TDCC	84	85
	Service cost reimbursed to Dow Chemical Canada ULC	46	53
	Service cost reimbursed to TDCC	4	5
	Glycol purchased from Dow Europe GMBH	32	30
	Glycol purchase from TDCC	17	21
	Catalyst purchased from UNIVATION	5	4
	Catalyst purchased from Dow Chemical Canada ULC	0	10
	Catalyst extension fee Dow Chemical Canada ULC	1	1
	Tugging fees payments to Kuwait Oil Company K.S.C.C. (“KOC”)	4	4

		US$ million	
		30 June 2024	**30 June 2023**
c)	**Key management compensation**		
	Salaries, short term and terminal benefits	3	1

	US$ million	
	30 June 2024	**31 December 2023**
		(Audited)
d) Due from related parties		
Due from PIC	1	1
Due from UCC	4	1
Due from TDCC	0	3
Due from Dow Chemical Canada ULC	1	2
Due to Dow Europe GMBH	2	2
Due from UNIVATION	1	-
Due from TKSC	8	8
Due from KPPC	20	28
	37	45

	US$ million	
	30 June 2024	**31 December 2023**
		(Audited)
e) Due to related parties		
Due to KPC	107	109
Due to PIC	3	3
Due to Kuwait Oil Company K.S.C	4	2
Due to TDCC	22	1
Due to Dow Olefinverbund GMBH	-	5
Due to Dow Europe GMBH	25	-
Due from Dow Chemical Canada ULC	4	1
Due to Dow Canada Limited	2	4
Due to KPPC	1	1
	168	126

6. Additional Business and Geographical Information

Basis for segmentation

The Reporting Entity have 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 of EQUATE Group and TKOC 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, EQUATE 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

	US$ million					
	30 June 2024			30 June 2023		
	PMC	**Others**	**Total**	**PMC**	**Others**	**Total**
External segment revenue	1,772	89	1,861	1,420	98	1,518
EBITDA	625	25	650	352	25	377
Net profit for the period	342	6	348	81	8	89
Interest income	(12)	(0)	(12)	(4)	0	(4)
Interest expenses	119	2	121	108	2	110
Depreciation, amortization and reservation rights	166	17	183	164	15	179
Income tax / KFAS / Zakat	10	0	10	3	0	3

Geographical information

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 Reporting Entity'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.

	US$ million				
Revenue by product / services and geography	**EG**	**PE**	**PET**	**Others**	**Total**
30 June 2024					
Americas	205	-	-	-	205
North Asia	569	106	-	-	675
India sub-continental	251	53	-	-	304
Europe	152	52	130	-	334
Rest of the World*	59	195	-	89	343
External revenue	1,236	406	130	89	1,861

Revenue by product / services and geography	US$ million				
	EG	**PE**	**PET**	**Others**	**Total**
30 June 2023					
Americas	195	-	-	-	195
North Asia	467	76	-	-	543
India sub-continental	235	29	-	-	264
Europe	119	41	52	-	212
Rest of the World*	67	139	-	98	304
External revenue	1,083	285	52	98	1,518

* Rest of the World includes revenue from Kuwait of US$ 35 million (2023: US$ 30 million)

Timing of revenue recognition

	US$ million	
	30 June 2024	**30 June 2023**
Products transferred at a point in time	1,638	1,289
Products and services transferred over time	134	131
Revenue from contracts with customers	1,772	1,420
Other revenue	89	98
	1,861	1,518

EBITDA by product line	US$ million				
	EG	**PE**	**PET**	**Others**	**Total**
30 June 2024	436	191	(2)	25	650
30 June 2023	273	93	(14)	25	377

7. Financial instruments

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 Reporting Entity 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).

Forward foreign exchange contracts

Foreign currency exposure risks are managed by dealing in forward contracts within the pre-approved limits. The EQUATE 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 2024 is as follows:

	US$ million	
	30 June 2024	**31 December 2023**
		(Audited)
Long position		
KD	879	1,011
CAD	84	110
Euro	87	56
Others	17	21
Short position		
KD	430	497
CAD	33	51
Euro	177	123
Others	28	48

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. The fair value of the forward foreign exchange contract as at 30 June 2024 amounting to US$ 1 million (31 December 2023: US$ 1 million).

Cash flow hedge

During 2023, the hedging instrument was sold prior to maturity, accordingly the hedge accounting was discontinued prospectively. Since the hedge accounting for cash flow hedges is discontinued, the amount of USD 25 million (2023: USD 25 million) has been accumulated in the hedge reserve which remains in equity until, it is reclassified to combined statement of profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

Financial risk management

All aspects of the Reporting Entity's financial risk management objectives and policies are consistent with those disclosed in the combined financial statements of EQUATE Group and financial statements of TKOC for the year ended 31 December 2023.

8. Commitments and contingent liabilities

The Reporting Entity has a fixed gas purchase commitment with a related party of approximately US$ 1 million (31 December 2023: US$ 1 million) per day until the agreement is cancelled in writing by the parties.
The Reporting Entity under the excess EG marketing agreement has a commitment to purchase from Dow an annual volume for a term to 2024.

The EQUATE 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 through to 2034 in respect of manufacturing plants in Alberta.
The EQUATE 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.

The Reporting entity has entered into short term arrangements to obtain the right to use 16,473,978 troy ounces (2023: 12,122,951 troy ounces) of silver with a variety of banks. The title and ownership of the silver rests with banks. These arrangements mature over various dates in 2024-2025 and are guaranteed by MEGlobal BV. The subsidiaries pays lease fees for these arrangements which are expensed over the terms of such arrangements. The subsidiaries also bear the risk of loss of silver resulting from usage.

The following summarizes the quantity and value of silver outstanding at 30 June 2024 under such arrangements:

	30 June 2024			**31 December 2023**		
Bank	**Credit Limit US$ million**	**Qty (TOZ)**	**Silver Value US$ million**	**Credit Limit US$ million**	**Qty (TOZ)**	**Silver Value US$ million**
HSBC	175	2,134,637	45	175	3,749,443	85
Sumitomo	150	5,128,532	116	150	3,903,532	89
BMO	240	3,500,846	82	240	3,250,311	76
Mitsubishi	-	1,522,374	38			
Royal Bank of Canada	-	4,187,589	102	-	1,219,665	28
Total	**565**	**16,473,978**	**383**	**565**	**12,122,951**	**278**

	30 June 2024			**31 December 2023**		
Bank	**Credit Limit US$ million**	**Qty (TOZ)**	**Palladium Value US$ million**	**Credit Limit US$ million**	**Qty (TOZ)**	**Palladium Value US$ million**
Mitsubishi	**-**	**1,131**	**1**		**1,131**	**2**

In addition to the above, the Reporting Entity had the following commitments and contingent liabilities outstanding as at 30 June 2024:

	US$ million	
	30 June 2024	**31 December 2023**
		(Audited)
Letters of credit and letters of guarantee	25	16
Capital commitments	48	33

Contingent liabilities

Corporation Income Tax Assessment from the Canadian Revenue Agency

Following the completion of audit report for the tax years 2013, 2014, 2015, 2016, 2017and 2018, MEGlobal Canada ULC received a Corporation Income Tax re-assessments from the Canada Revenue Agency (CRA) for a transfer pricing adjustments amounting to CAD 61.6 million (US$ 46.5 million) for 2013, CAD 75 million (US$ 56.6 million) for 2014, CAD 75.8 million (US$ 57.2 million) for 2015, CAD 82.3million (US $ 62.1 million) for 2016, CAD 140.5million (US$ 106.1 million) for 2017 and CAD 202.9 million (US$ 153.1 million) for 2018. This has resulted in additional assessed federal taxes, provincial taxes, Part XIII taxes, approximate interest and penalties of CAD 42.3 million (US$ 31.1 million) for 2013, CAD 49.3 million (US$ 36.6 million) for 2014, CAD 50.2million (US$ 37.3 million) for 2015, CAD 53.0 million (US$ 39.7 million) for 2016, CAD 97.4 million (US$ 70.1 million) for 2017 and CAD 75.7 million (US$ 55.4 million) for 2018.

The Management has filed notice of objections for each of the re-assessments for the years 2013, 2014, 2015, 2016,2017 and 2018. The Management is confident that it can defend their filed positions using its transfer pricing methodology and get the assessments reversed through the appeal process, similar to prior re-assessments which were appealed. The management is also of the view that no additional tax liabilities are required for these commitments as of 30 June 2024. The Management is currently awaiting to get a date for the hearing from the appeals officer.

Uncertain tax position

Corporation Income Tax Assessment from the Ministry of Finance, Kuwait

EQUATE Group received an income tax assessment on EQUATE Petrochemical BV for the years 2016 to 2018 from Ministry of Finance, Kuwait relating to income tax filings for the respective years. The assessment is for KD 855,926 (US$ 2,790,301) relating to tax year 2016, KD 2,142,242 (US$ 6,983,666) relating to tax year 2017 and KD 1,569,807 (US$ 5,117,539) relating to tax year 2018. The tax filings by the EQUATE Group claimed double tax treaty exemption based on the Double Taxation avoidance Agreement signed between State of Kuwait and the Government of the Netherlands. The EQUATE Group objected to the tax assessment which was denied by the Ministry of Finance. The EQUATE Group subsequently filed an appeal to the Tax Appeals Committee on 6 February 2024. The Tax Appeals Committee informed the Company that the decision has been postponed till further notice.

The EQUATE Group also received nil income tax assessment on MEGlobal BV for the years 2016 and 2017 from the Ministry of Finance, Kuwait relating to income tax filings for the respective years denying the treaty exemption based on the Double Taxation avoidance Agreement signed between State of Kuwait and the Government of Netherlands. The EQUATE Group objected to the tax assessment which was denied by the Ministry of Finance. The EQUATE Group subsequently filed an appeal to the Tax Appeals Committee on 6 February 2024. The Tax Appeals Committee informed the Company that the decision has been postponed till further notice.

The Management is confident that it can defend both the filed positions through the dispute resolution process at the tax courts and using the Mutual Agreement Procedure (MAP) under the tax treaty as the Reporting Entity cannot be taxed twice on the same income and hence is of the view that no additional tax liabilities are required for these commitments as of 30 June 2024.

9. Annual General Assembly

At the Annual General meetings held on 4 March 2024 and 20 February 2023, the shareholders authorized the Board of Directors to approve and distribute interim dividends pertaining to the net profits for financial years 2024 and 2023 respectively.

The following dividends were approved by the Board of Directors and paid by the Reporting Entity during the period ended 30 June:

	US$ million	
	2024	**2023**
Interim dividend for the current period	134	21
Outstanding dividend from the prior year	179	123
Dividend paid during the period	313	144