

**The Kuwait Olefins Company K.S.C.C.
State of Kuwait**

**Independent auditor's review report and condensed interim
financial information for the six-month period ended 30 June 2024**

The Kuwait Olefins Company K.S.C.C.
State of Kuwait

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

The Board of Directors
The Kuwait Olefins Company K.S.C.C.
State of Kuwait

Introduction

We have reviewed the accompanying condensed interim financial information of The Kuwait Olefins Company K.S.C.C. ("the Company"), which comprises the condensed statement of financial position as at 30 June 2024, the related 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 condensed interim financial information. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this 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 condensed interim financial information as at and for the six-month ended 30 June 2024 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

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

Kuwait: 7 August 2024

The Kuwait Olefins Company K.S.C.C.
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Condensed statement of financial position
as at 30 June 2024

	<i>Notes</i>	US\$ '000	
		30 June 2024	31 December 2023
			(Audited)
Assets			
Property, plant and equipment		442,076	461,461
Intangible assets		158,038	170,744
Right-of-use assets		12,160	13,064
Non-current assets		612,274	645,269
Inventories		6,422	7,103
Due from related parties	3	54,133	53,781
Prepayments and other receivables		8,575	7,705
Notes receivables	3	36,359	17,279
Bank balances		20	87
Current assets		105,509	85,955
Total assets		717,783	731,224
Equity			
Share capital		380,417	380,417
Statutory reserve		190,208	190,208
Retained earnings		75,044	80,798
Total equity		645,669	651,423
Liabilities			
Lease liabilities		10,907	12,535
Non-current liabilities		10,907	12,535
Lease liabilities		1,676	1,441
Accruals and other liabilities		10,484	14,775
Due to related parties	3	48,990	50,965
Trade payables		57	85
Current liabilities		61,207	67,266
Total liabilities		72,114	79,801
Total equity and liabilities		717,783	731,224

The attached notes on pages 6 to 11 form an integral part of these condensed interim financial information.

Nadia Al-Hajji

Nadia Al-Hajji
Chairperson

Naser Aldousari

Naser Aldousari
President & Chief Executive Officer

The Kuwait Olefins Company K.S.C.C.
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Condensed statement of profit or loss and other comprehensive income
for the six-month period ended 30 June 2024

	<i>Notes</i>	US\$ '000	
		2024	2023
Sales	3	309,437	285,994
Cost of sales		(187,369)	(179,163)
Gross profit		<u>122,068</u>	<u>106,831</u>
General, administrative and selling expenses		(2,184)	(2,130)
Foreign exchange (loss) / gain		(8)	99
Profit from operation		<u>119,876</u>	<u>104,800</u>
Finance income		2,703	1,329
Finance costs		(1,068)	(1,366)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”), Zakat and Board of Directors’ remuneration		<u>121,511</u>	<u>104,763</u>
Contribution to KFAS		(1,231)	(1,043)
Contribution to Zakat		(708)	(600)
Board of Directors’ remuneration		(27)	(27)
Net profit for the period		<u>119,545</u>	<u>103,093</u>
Other comprehensive income		-	-
Total comprehensive income for the period		<u><u>119,545</u></u>	<u><u>103,093</u></u>

The attached notes on pages 6 to 11 form an integral part of these condensed interim financial information.

The Kuwait Olefins Company K.S.C.C.
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Condensed statement of changes in equity
for the six month period ended 30 June 2024

	US\$ '000			
	Share capital	Statutory reserve	Retained earnings	Total
Balances as at 1 January 2023 (audited)	380,417	190,208	83,049	653,674
Net profit for the period	-	-	103,093	103,093
Total comprehensive income	-	-	103,093	103,093
Dividend paid (note 6)	-	-	(104,397)	(104,397)
Balance as at 30 June 2023	380,417	190,208	81,745	652,370
Balances as at 1 January 2024	380,417	190,208	80,798	651,423
Net profit for the period	-	-	119,545	119,545
Total comprehensive income	-	-	119,545	119,545
Dividend paid (note 6)	-	-	(125,299)	(125,299)
Balance as at 30 June 2024	380,417	190,208	75,044	645,669

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The Kuwait Olefins Company K.S.C.C.
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Condensed statement of cash flows
for the six-month period ended 30 June 2024

	Notes	US\$ '000	
		2024	2023
Cash flows from operating activities			
Net profit for the period		119,545	103,093
<i>Adjustments for:</i>			
Depreciation		26,734	26,538
Amortisation		12,706	12,705
Finance costs		1,068	1,366
Finance income		(2,703)	(1,329)
Provision for KFAS and Zakat		1,939	1,643
		<u>159,289</u>	<u>144,016</u>
<i>Changes in:</i>			
- Inventories		681	(3,357)
- Due from related parties		(352)	3,945
- Prepayments and other receivables		(870)	(121)
- Accruals and other liabilities		(6,230)	(5,833)
- Due to related parties		(1,975)	7,311
- Trade payables		(28)	(114)
		<u>150,515</u>	<u>145,847</u>
Net cash from operating activities			
Cash flows from investing activities			
Purchase of property, plant and equipment		(6,445)	(7,090)
Net movement in notes receivables		(19,080)	-
Finance income received		2,703	1,329
		<u>(22,822)</u>	<u>(5,761)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Finance costs paid		(806)	(1,170)
Payment of lease liabilities		(1,655)	(1,411)
Net movement in notes payable		-	(33,166)
Dividend paid	6	(125,299)	(104,397)
		<u>(127,760)</u>	<u>(140,144)</u>
Net cash used in financing activities			
Net changes in bank balances			
Bank balances as at 1 January		87	358
Bank balances as at 30 June		<u>20</u>	<u>300</u>

The attached notes on pages 6 to 11 form an integral part of these condensed interim financial information.

The Kuwait Olefins Company K.S.C.C.
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Notes to the condensed interim financial information
for the six-month period ended 30 June 2024

1. Reporting entity

The Kuwait Olefins Company K.S.C.C. (“the Company”) is a Closed Kuwaiti Shareholding Company incorporated in the State of Kuwait on 10 October 2004. The Company is registered in the commercial register under number 103722 dated 10 October 2004.

The Company is owned by DOW Europe Holding B.V. (“DEHBV”), Petrochemical Industries Company K.S.C.C. (“PIC”), Boubyan Petrochemical Company K.S.C. (“BPC”) and Kuwait Projects Company (Holding) (“KIPCO”).

DEHBV is a subsidiary of The Dow Chemical Company (“TDCC”) and PIC is a subsidiary of Kuwait Petroleum Corporation (“KPC”).

The Company is engaged in the manufacture and sale of ethylene and ethylene glycol (“EG”).

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

This condensed interim financial information was authorised for issue by the Chairperson and President & Chief Executive Officer on 7 August 2024.

2. Basis of accounting

a) Statement of compliance

These 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 Company’s last annual financial statements as at and for the year ended 31 December 2023 (“last annual 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 Company’s financial position and performance since the last annual financial statements.

b) Use of judgments and estimates

In preparing this 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 Company’s accounting policies and the key sources of estimation uncertainty are the same as those described in the last annual financial statements.

Notes to the condensed interim financial information
for the six-month period ended 30 June 2024

c) Material accounting policies

The accounting policies applied in this condensed interim financial information are consistent with those used in the preparation of the Company's latest annual financial statements as at and for the year ended 31 December 2023 except for the amendments to IFRS Accounting Standards which are effective from 1 January 2024, but they did not have any material effect on the Company's condensed interim financial information.

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

3. Related party transactions

In the normal course of business, the Company enters into transactions with its shareholders PIC (wholly owned by Kuwait Petroleum Corporation ("KPC")), BPC, KIPCO, DEHBV and its affiliates.

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 consists of the EQUATE Petrochemical Company K.S.C.C (EQUATE) expansion project, the incorporation and development of the Company and The Kuwait Styrene Company ("TKSC").

On 2 December 2004, the Company signed a Materials and Utilities Supply Agreement ("MUSA") with EQUATE. Under the terms of the MUSA, the Company contributed reservation right fees to EQUATE that represent 45.32% of the capital construction costs incurred by EQUATE on the new utilities and infrastructure facilities developed and owned by EQUATE. The percentage contribution of reservation right fee is based on the usage percentage of the new utilities and infrastructure facilities by the Company.

On 2 December 2004, the Company signed an Operations, Maintenance and Services Agreement ("OMSA") with EQUATE. Under the terms of the OMSA, the Company receives various services from EQUATE in respect of the Olefins II operations.

On 02 December 2004, the Company 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 EQUATE and TKSC based on the quantities delivered to them at the contract price.

During 2005, Services Agreements were signed between the Company, DEHBV, PIC and EQUATE for the provision of various services to the Company during the development of the Plant under construction. Since then, the plant has been constructed and it is fully operational.

During 2020, EQUATE acquired a Sea Cooling Tower from PIC. Pursuant to MUSA and other agreements, the Company contributed reservation right fees to EQUATE that represent 68.11% of acquisition costs incurred by EQUATE on the Sea Cooling Tower acquired and owned by EQUATE. The percentage contribution of reservation right fees is based on the usage percentage of Sea Cooling Tower by the Company.

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Operational Facility – Under the cash management services provided by ME Global B.V, EQUATE Group entities and TKOC have an overnight cash sweeping facility with ME Global B.V. Under this arrangement, the EQUATE Group entities and TKOC sweeps selected bank accounts with MEG B.V. This allows EQUATE Group entities and TKOC either to invest or borrow funds on an overnight basis. Under the terms of the agreement, EQUATE Group entities and TKOC can borrow or deposit with MEG B.V at interest rate of Term SOFR plus a positive spread set agreed between the managements of EQUATE Group and TKOC.

The spread is determined taking into consideration the economic factors such as the creditworthiness of counterpart, characteristics of the debt financing arrangement etc. Amounts outstanding as at 30 June 2024 under these arrangements were a net assets of US\$ 36,359 thousand (2023: net assets of US\$ 17,279 thousand). These are indefinite 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.

Details of related party transactions and balances are as follows.

	US\$ '000	
	30 June 2024	31 December 2023
		(Audited)
Notes receivables		
Working capital loan to ME Global B.V.	36,359	17,279
Due from related parties		
Due from EQUATE	48,277	47,858
Due from PIC	1,410	1,228
Due from TKSC	3,789	2,878
Due from Dow Chemical Company	634	1,610
Due from Kuwait Paraxylene Production Company K.S.C.C. (“KPPC”)	23	207
	<u>54,133</u>	<u>53,781</u>
Due to related parties		
Due to EQUATE	15,217	15,502
Due to KPPC	296	475
Due to KPC	32,124	32,865
Due to Kuwait Oil Company K.S.C. (“KOC”)	1,353	2,123
	<u>48,990</u>	<u>50,965</u>

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Notes to the condensed interim financial information
for the six-month period ended 30 June 2024

	US\$ '000	
	30 June 2024	30 June 2023
Transactions		
Sales		
Sales of EG to EQUATE	235,776	214,368
Sales to EQUATE, KPPC, TKSC and PIC	73,661	71,626
Expenses		
Feed gas purchased from KPC	69,165	61,671
Olefins II plant management fees to EQUATE	1,237	1,223
Tugging fees payments to KOC	4,234	4,293
Operating and utility cost reimbursed to EQUATE for running the Olefins II plant	77,052	65,101
Interest expense on notes payable from MEGlobal B.V.	806	1,170
Finance income		
Interest income on notes receivable from MEGlobal B.V.	1,637	82
Guarantee interest from EQUATE	1,027	1,209

4. Commitments and contingent liabilities

The Company has a fixed gas purchase commitment with a related party of approximately US\$ 384,251 (31 December 2023: US\$ 323,983) per day until the agreement is cancelled in writing by both parties.

On 3 November 2016, the EQUATE Group established a US\$ 4 billion Global Medium Term Note Programme (“GMTN 1”) and issued notes amounting to US\$ 2.25 billion (“GMTN 1 Notes”) whereby notes amounting to US\$ 1,000 million having term of 5 years have matured in 2022 and notes amounting to US\$ 1,250 million having term of 10 years maturing in November 2026. The payments of all amounts due in respect of GMTN 1 Notes is unconditionally and irrevocably guaranteed, jointly and severally by the Company and EQUATE Group. GMTN 1 Notes are listed on EURONEXT.

In December 2016, the EQUATE Group established a US\$ 2 billion Sukuk programme (Sukuk 1) and issued Sukuk amounting to US\$ 500 million on 21 February 2017 with a 7-year tenor maturing in 2024. The payments of all amounts due in respect of Sukuk 1 is guaranteed by the Company and Sukuk 1 is listed on EURONEXT.

On 2 February 2024, the EQUATE Group entered into a bridge loan facility amounting to US\$ 500 million with a 1-year tenor maturing in 2025 guaranteed by the Company to redeem the Sukuk on 21 February 2024.

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Notes to the condensed interim financial information
for the six-month period ended 30 June 2024

In May 2020, the EQUATE Group established a US\$ 4 billion Global Medium Term Note Programme (“GMTN 2”) and issued notes amounting to USD 1.6 billion (“GMTN 2 Notes”) which included notes amounting to US\$ 1,000 million with a 5-year tenor maturing in 2025 and notes amounting to US\$ 600 million with a 10 years tenor maturing in 2030. The payments of amounts due in respect of GMTN 2 notes is unconditionally and irrevocably guaranteed, jointly and severally, and not severally, by the Company and EQUATE Group. GMTN 2 notes are listed on EURONEXT.

The EQUATE Group had borrowed a 3-year Term loan amounting to US\$ 150 million maturing in June 2026 and 3-year Murabaha loan amounting to US\$ 150 million maturing in December 2027 from local banks which have been guaranteed by the Company.

During 2021, the EQUATE Group established a US\$ 4 billion Global Medium-Term Note Programme (“GMTN 3”) and issued notes amounting to USD 700 million (“GMTN 3 Notes”) with a 7-year tenor maturing in 2028. The payments of amounts due in respect of GMTN 3 notes is unconditionally and irrevocably guaranteed, jointly and severally, and not severally, by the Company and EQUATE Group. GMTN 3 notes are listed on EURONEXT.

The fair value of the guarantee provided by the Company amounts to USD 5 million.

The Company has entered into short term arrangements to obtain the right to use 2,134,637 troy ounces (2023: 2,134,637 troy ounces) of silver with a variety of banks. The title and ownership of the silver rests with banks.

The Company pays lease fees for these arrangements which are expensed over the terms of such arrangements and also bears 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:

Bank	30 June 2024		31 December 2023	
	Qty (TOZ)	Silver Value US\$ ‘000	Qty (TOZ)	Silver Value US\$ ‘000
HSBC	2,134,637	45,105	2,134,637	45,105

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

	US\$ ‘000	
	30 June 2024	31 December 2023 (Audited)
Letters of credit and guarantees	10	10
Capital commitments	8,124	199

Notes to the condensed interim financial information
for the six-month period ended 30 June 2024

5. Financial instruments - fair value measurement and risk management

Fair value measurement

Financial instruments comprise of financial assets and financial liabilities. Fair values of all financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity it is assumed that the carrying amounts approximate to their fair value.

When measuring the fair value of an asset or a liability, the Company 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).

Financial risk management

All aspects of the Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2023.

6. Annual General Assembly

At the Annual General Meeting 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 the year ended 31 December 2024 and 2023 respectively.

The following dividends were approved by the Board of Directors and paid by the Company during the period:

	US\$ '000	
	30 June 2024	30 June 2023
Interim dividend for the current period	44,500	21,348
Outstanding dividend from the prior year	80,799	83,049
Dividend paid during the period	<u>125,299</u>	<u>104,397</u>