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## EQUATE Group

1H 2018 Earnings Presentation

August 6, 2018

A collage of four circular images: the top-left shows a river and industrial tanks; the top-right shows an aerial view of a large industrial facility; the bottom-left shows three workers in blue uniforms and white hard hats with yellow lights, looking at a large industrial structure; the bottom-right shows a night view of an industrial plant with many lights.

# Starting Shortly



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# EQUATE Group

1H 2018 Earnings Presentation

August 8, 2018





# Agenda

- ⦿ Group Overview
- ⦿ 1H 2018 Financial Results Highlights
- ⦿ 1H 2018 Financial Review
- ⦿ Market and USGC Update
- ⦿ Safety & Sustainability
- ⦿ Q&A

“EQUATE is the world's second largest producer of Ethylene Glycol, the raw material used mainly to manufacture polyester fibers.”



## Our Shareholders

EQUATE has a robust shareholder base comprising the Government of Kuwait and Dow Chemical, a global industry leader.  
**57.5% of owners are public shareholding companies.**

PETROCHEMICAL INDUSTRIES Co.

42.5%

THE DOW CHEMICAL COMPANY

42.5%

BOUBYAN PETROCHEMICAL

9%

QURAIN PETROCHEMICAL

6%

# Group Overview



EQUATE Group is a global manufacturer and distributor of petrochemical products



## Distribution markets

Kuwait facilities mainly distribute to Asia and METIP\*



Germany facilities mainly distribute to Europe



North America facilities mainly distribute to North America, South America and Asia



## Credit Rating

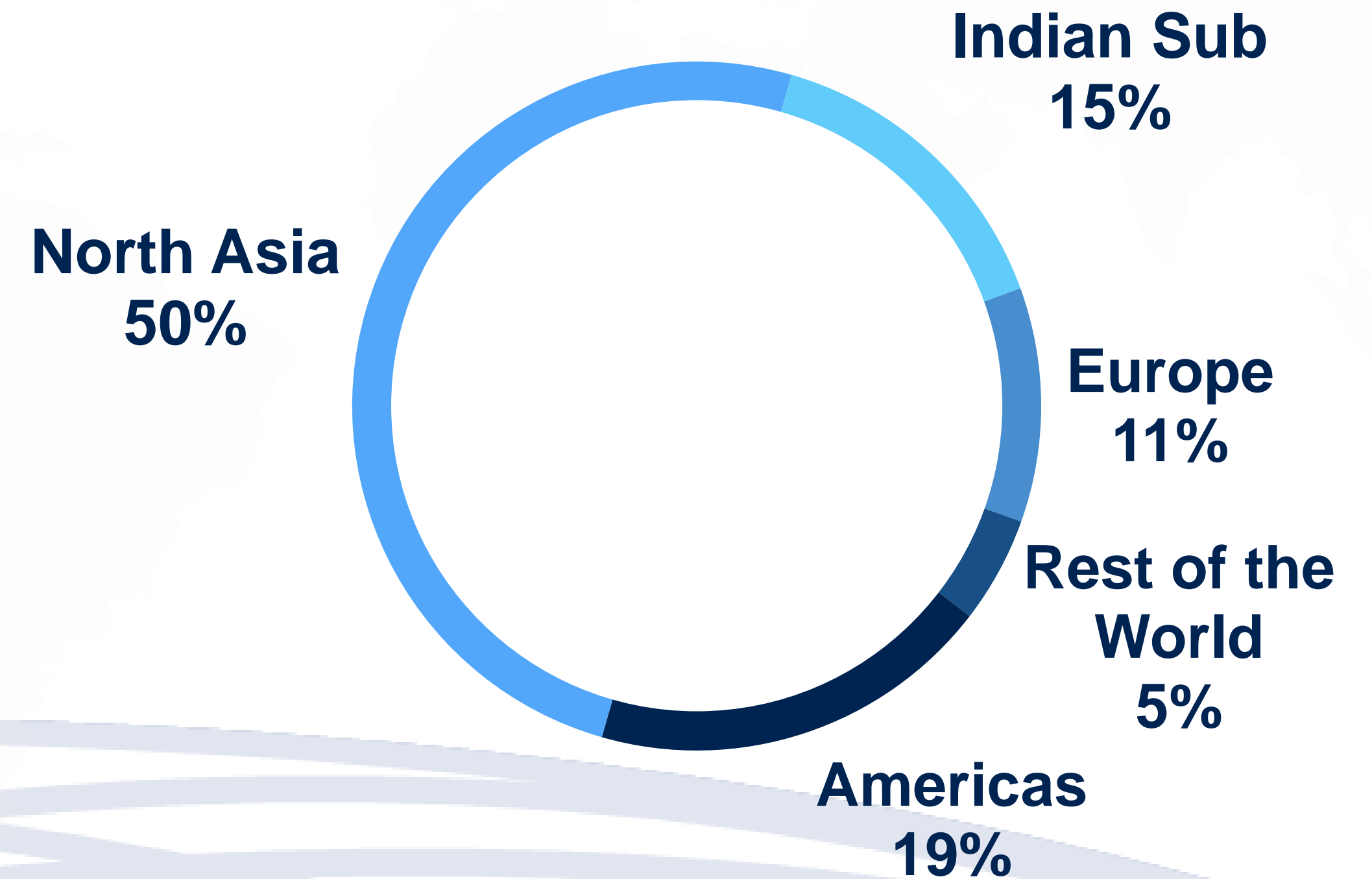
MOODY's	Baa2
STANDARD & POOR'S	BBB+

\*METIP: Middle East, Turkey, and the Indian Subcontinent region.

# Group Overview – EG

## Group EG Sales by Region (1H 2018)

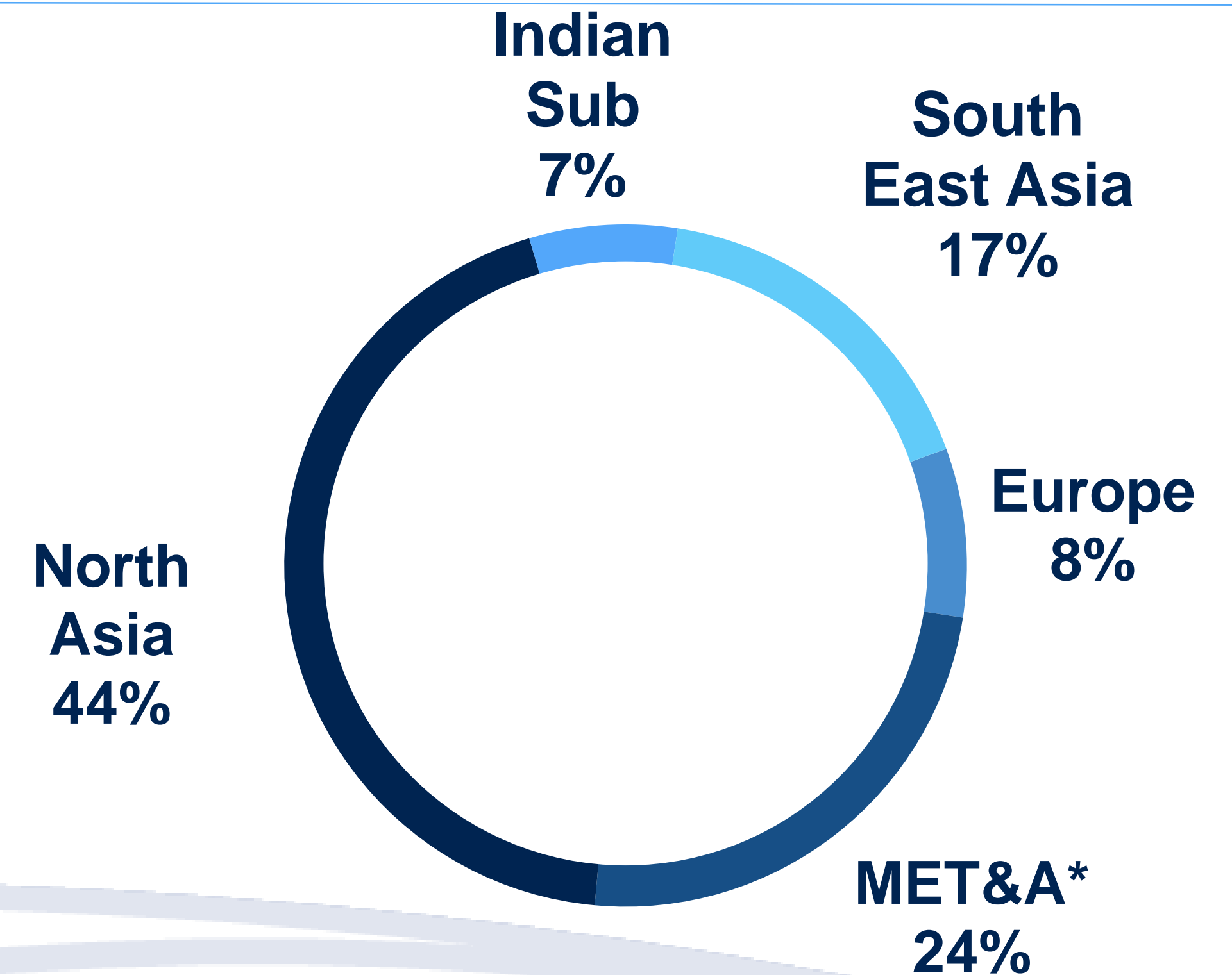
**EQUATE Maintains  
a Strong Foothold in  
Key EG Markets**



# Group Overview – PE

EQUATE is a World  
Class Producer of  
PE

Group PE Sales by Region (1H 2018)



\* Middle East, Turkey & Africa.

# Financial Results Highlights

(\$MM)

Revenue

---

2,505

+27% vs 1H 2017

Operating Profit

---

1,004

+48% vs 1H 2017

EBITDA

---

1,147

+34% vs 1H 2017

Net Debt to EBITDA

---

1.5x\*

Volume ('000 MT)

---

2,320

Net Profit

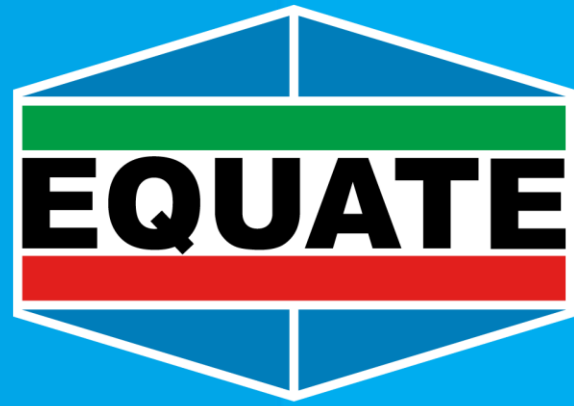
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862

+56% vs 1H 2017

\* 12 month trailing.





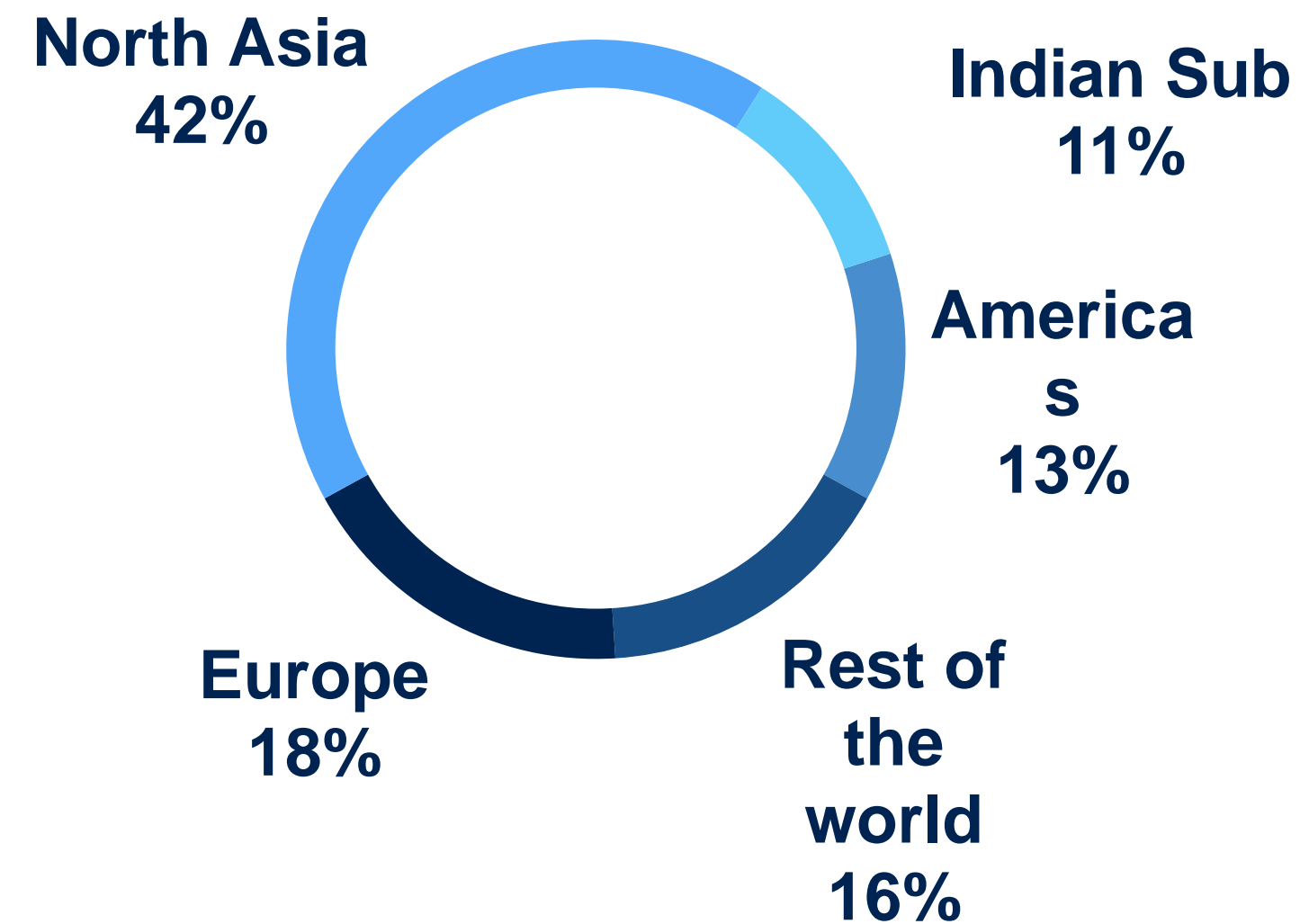
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# Financial Review

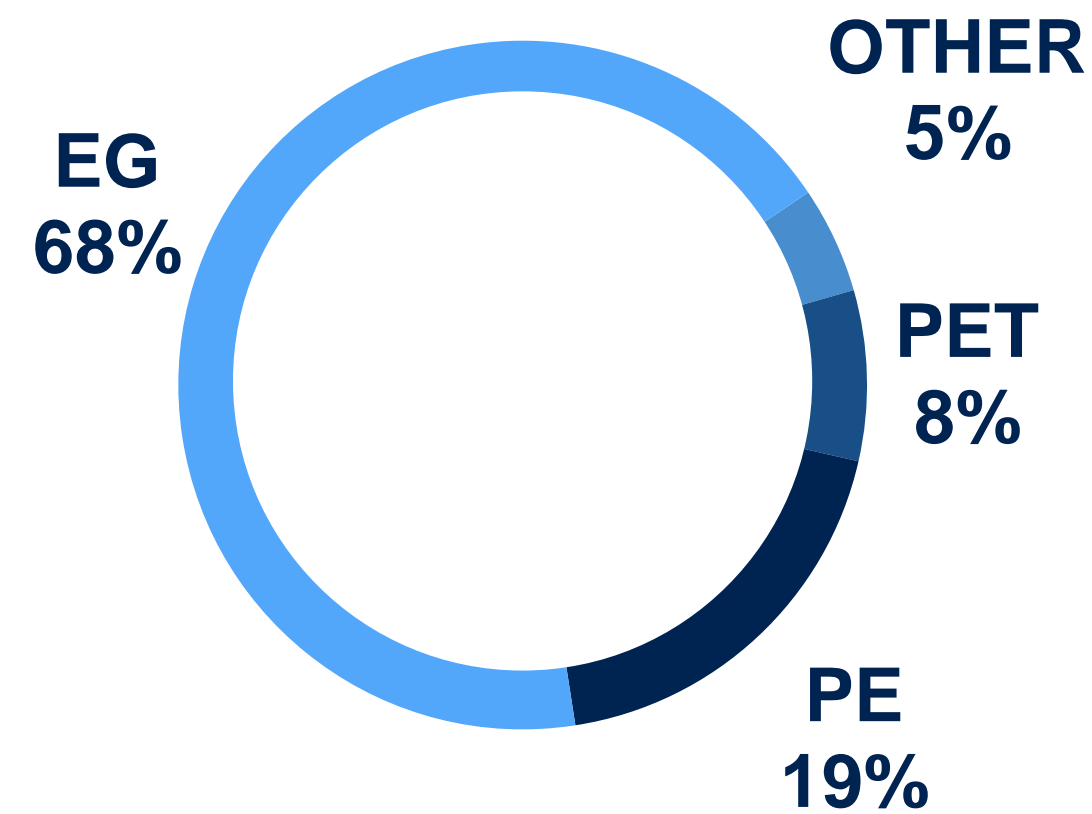


# 1H 2018 Revenue

## Revenue by Region



## Revenue by Product



## A Closer Look

**EG** Volume\*: 1,769 +5%  
Price: \$961 +19%

**PE** Volume\*: 385 +16%  
Price: \$1,260 +10%

**PET** Volume\*: 166 +6%  
Price: \$1,261 +18%

% Change compared to same period last year

**The group reported 1H 2018 total revenue of \$2,505 MM, a 27% increase compared to the same period last year.**

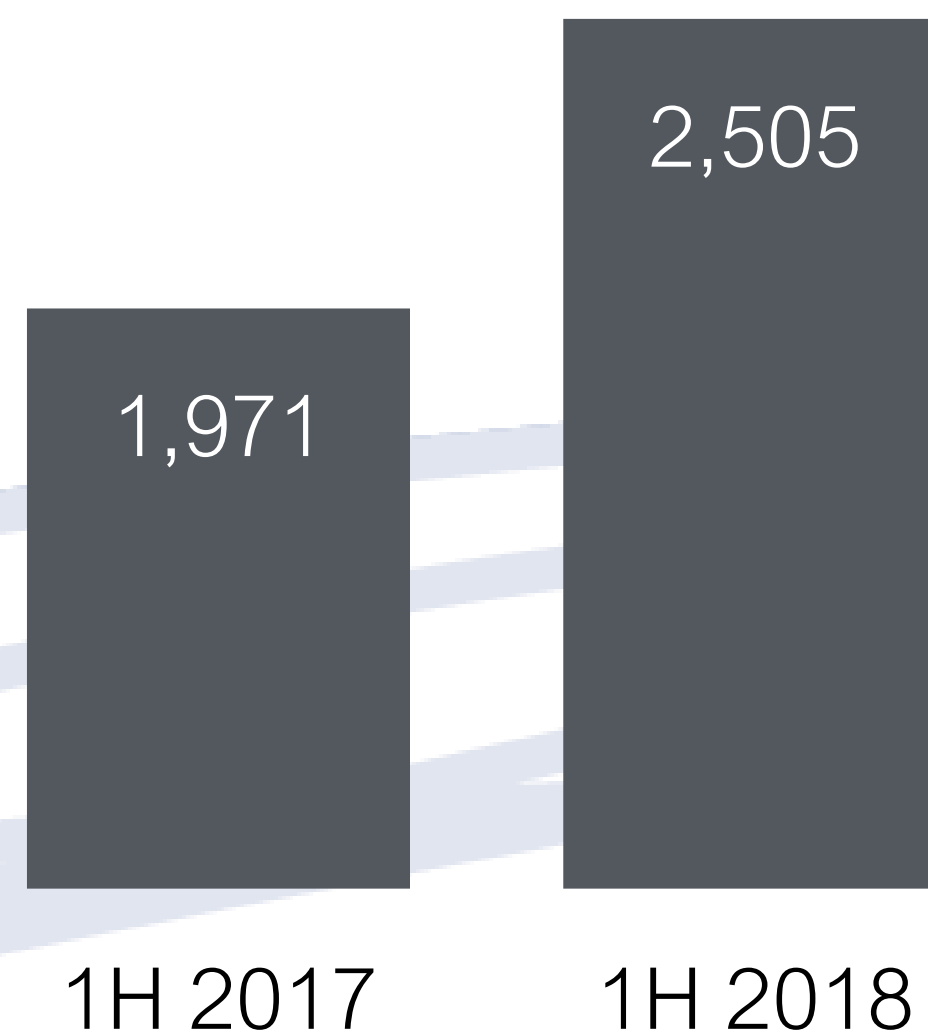
\* '000 Metric Tons (MT)



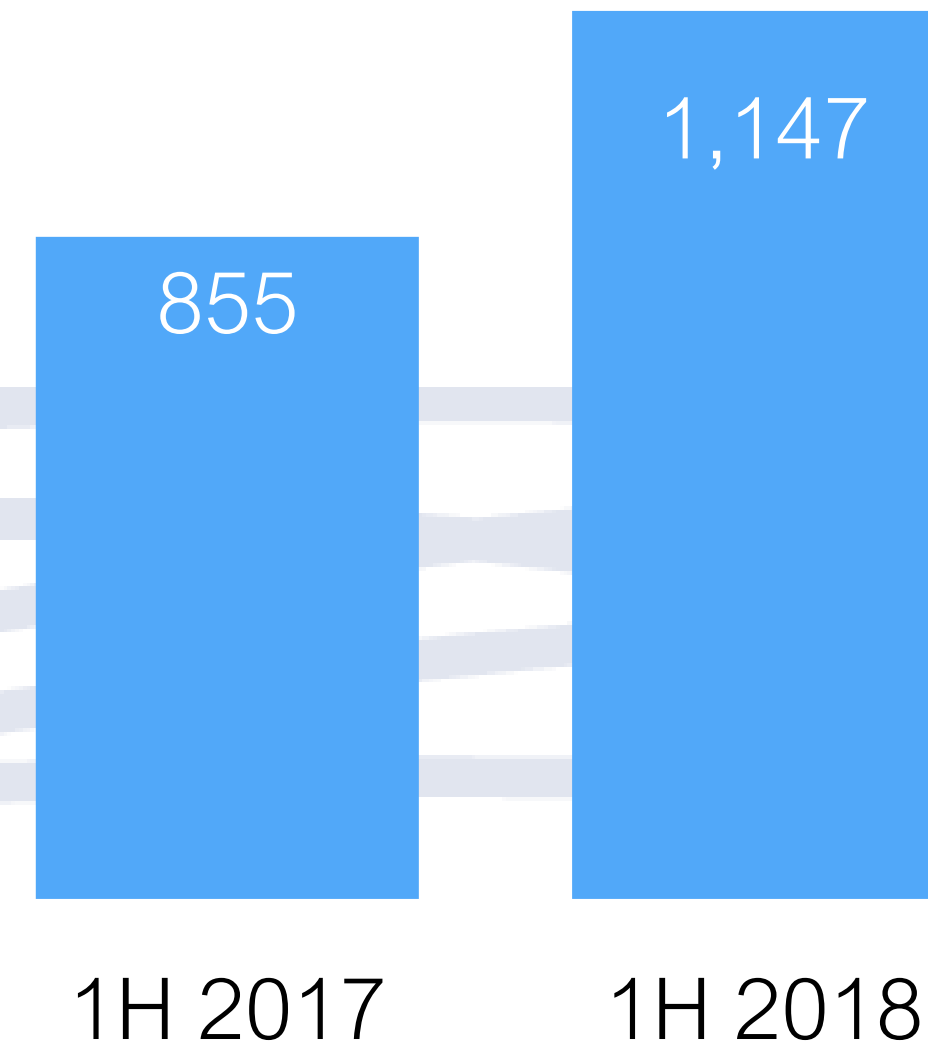
# Profitability

Strong profitability with EBITDA Margin exceeding 45%, driven by operational excellence and effective cost management.

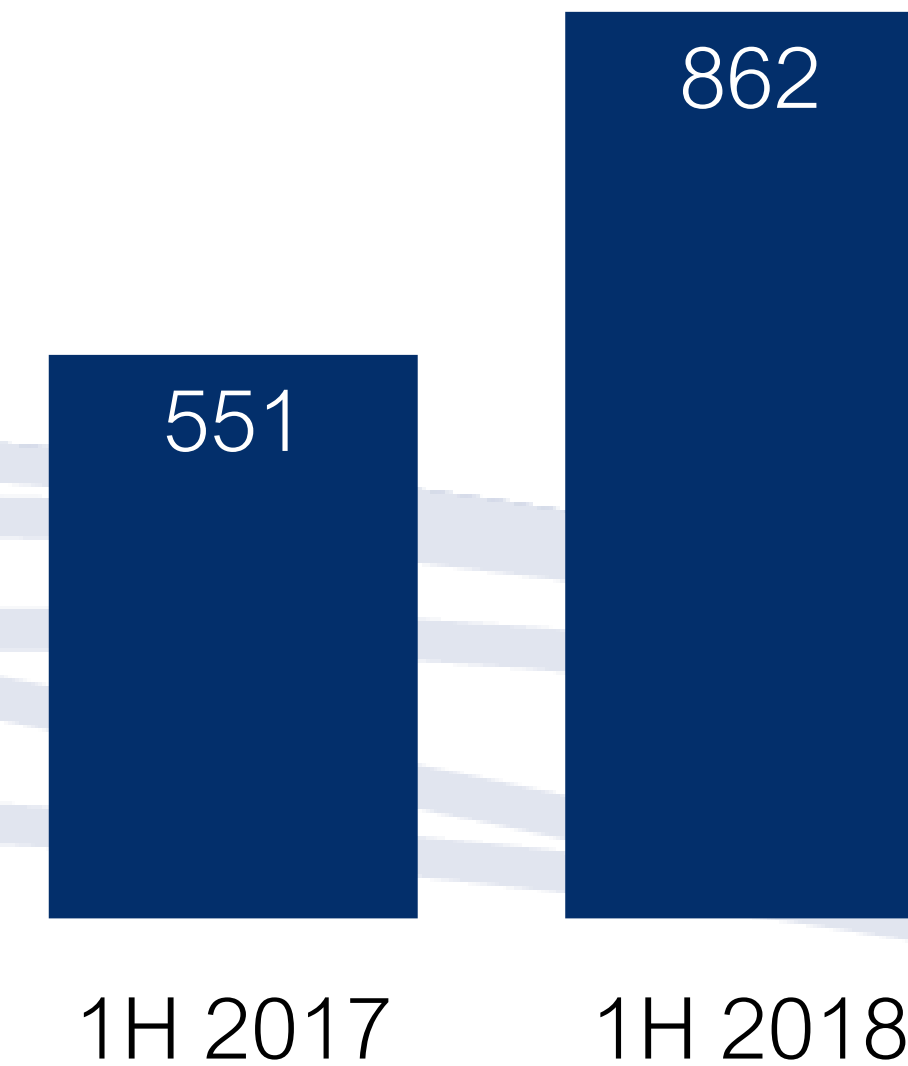
Revenue (\$MM)



EBITDA (\$MM)



Net Profit (\$MM)





# Financial Position (\$MM)

Cash on Hand

1,642

Gross Debt

4,750

Net Debt

3,108

EBITDA

1,147

Net Debt to  
EBITDA

1.5x\*

Total Assets

Total Liabilities

Total Equity

8,584

FY 2017

8,288

1H 2018

6,297

FY 2017

6,266

1H 2018

2,287

FY 2017

2,022

1H 2018

\* 12 month trailing.



# Cash Flow and Liquidity

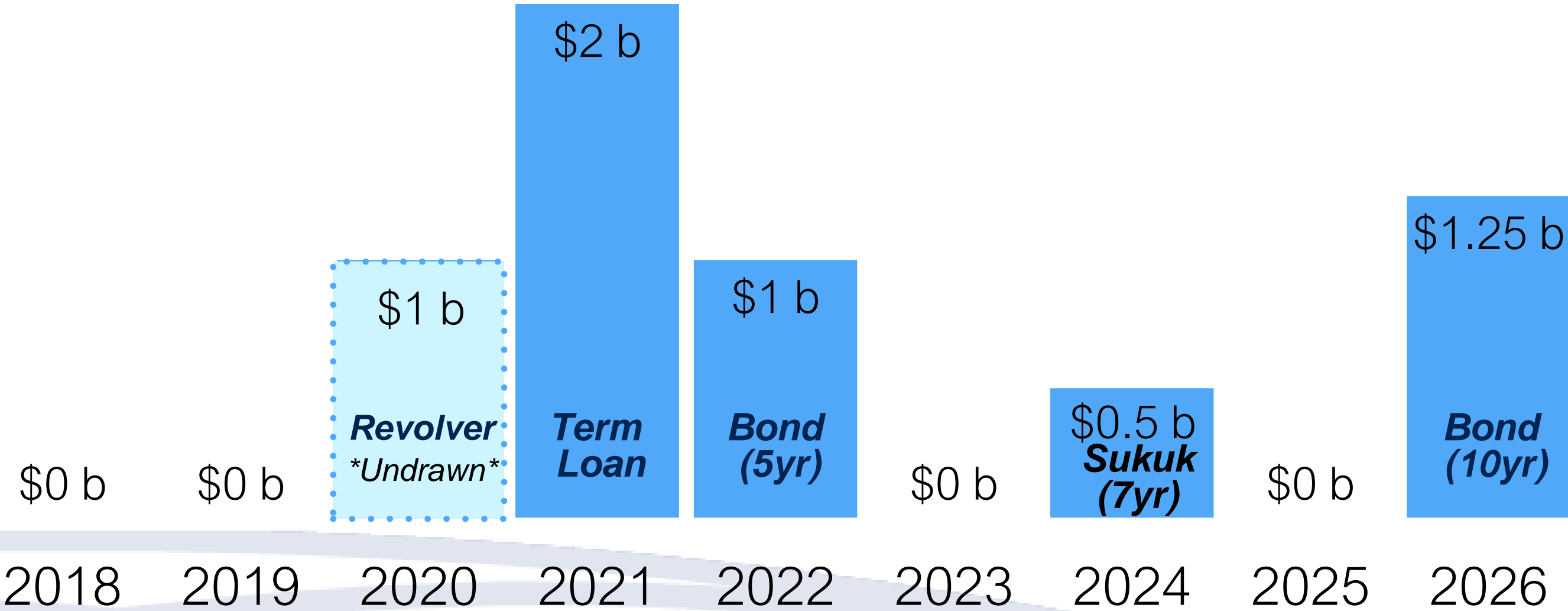


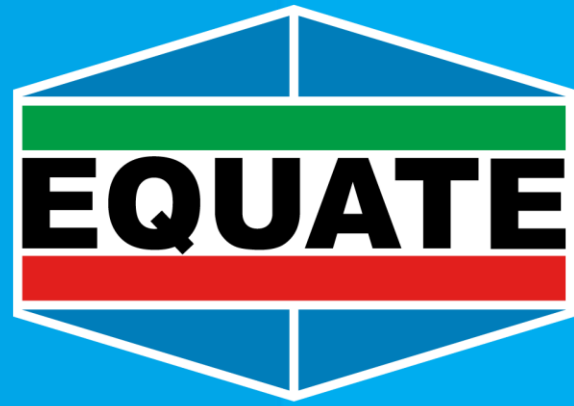
## Cash Flow

(In \$MM)

Cash flow from operating activities	1,067
CAPEX	(328)
Dividend	(1,131)
<b>Free cash flow</b>	<b>(392)</b>

## Debt Maturity Profile





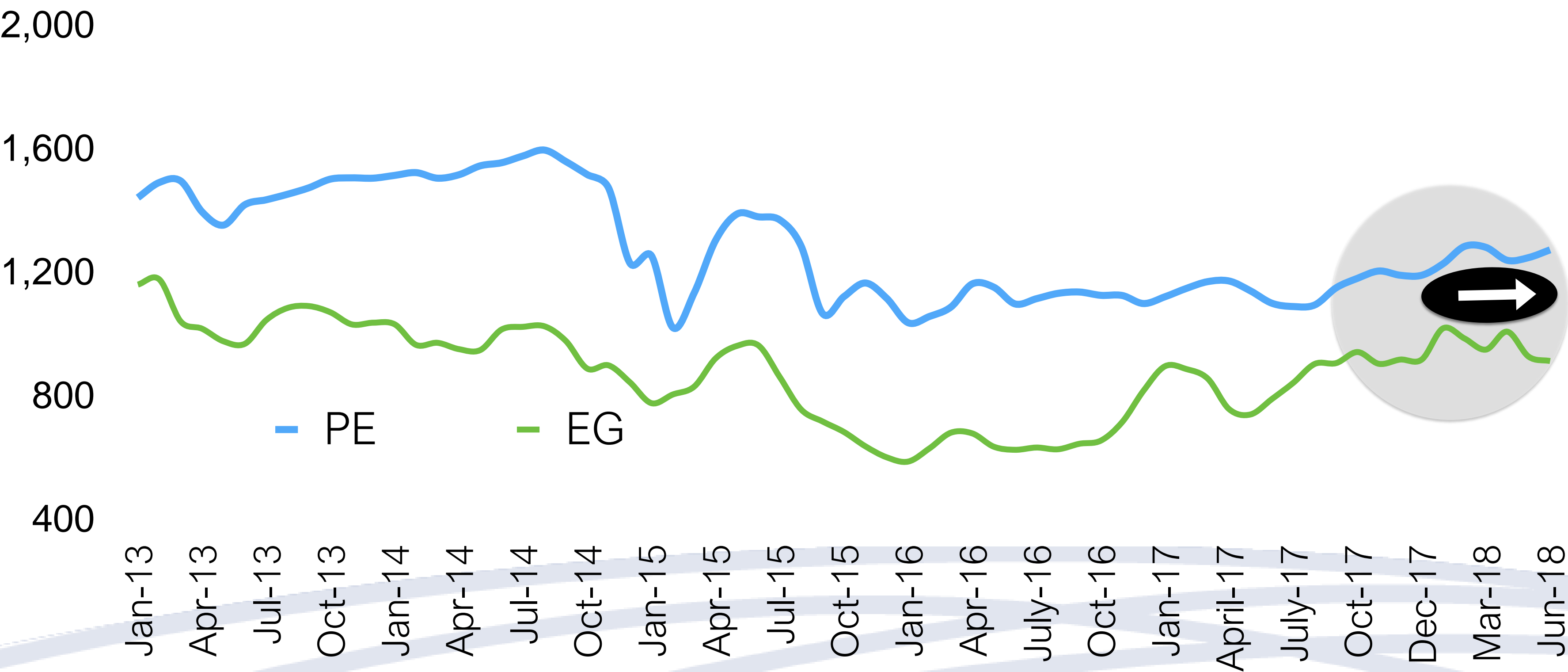
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# Market and USGC Update



## A growing market

PE + EG Prices

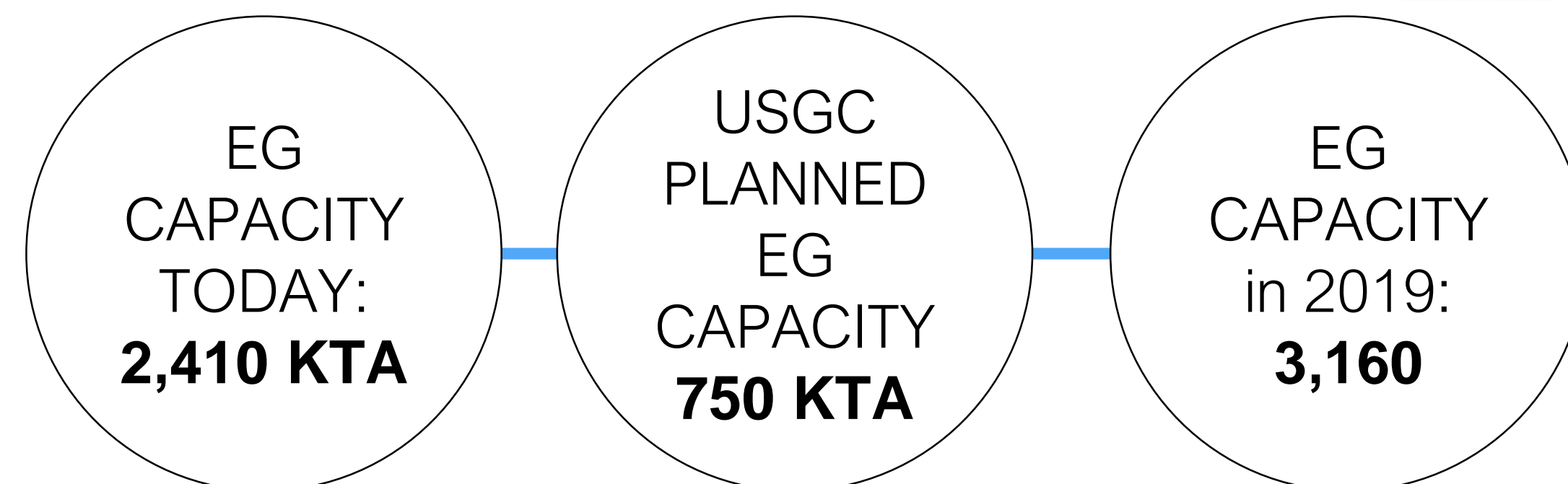


*EQUATE Group is strongly positioned to capture the EG and PE growth prospects, high profitability levels and overall stability, **leveraging sizeable low cost competitive production capacity, high asset utilization, as well as a global and reliable distribution platform.***

# USGC Update

On line in 2019, US Gulf Coast project presents significant growth opportunity for EQUATE.

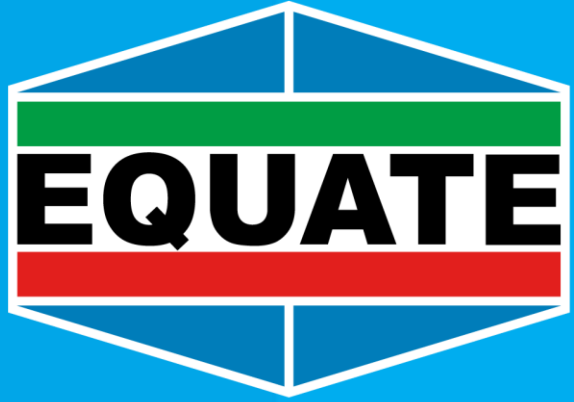
- ⦿ Leverages Dow's USGC infrastructure and low-cost, world-scale ethylene
- ⦿ Enables further leveraging of MEGlobal's distribution footprint for EG
- ⦿ USGC will further enhance asset mix and profitability.



## Key Dates

Authorization by EQUATE BOD	26-May-2016
Ground Breaking	8-Aug-2016
EPCm Contract Signed	5-Oct-2016
Air Permit Granted	25-Oct-2016
Award Civil Contract	18-Jul-2017
Site Development Complete	24-Aug-2017
Last 90% Model Review Conducted	16-Mar-2018
Major Foundations Complete	21-Jun-2018





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# Safety & Sustainability

# Operational Excellence

## 1H 2018 EH&S KPIs

*In EQUATE, operational excellence in EH&S goes hand in hand with top performance in reliability and assets utilization*

**Production** 100% of plan

**AMR** 99%  
Asset Mechanical Reliability

**RIR** 0  
Recordable Injury Rate, accidents per 200,000 work hours.

**PSCE** 0  
Process Safety & Containment Event. This applies to containment losses, reactive chemicals events and releases of hazardous process energy.

**MVA** 0  
Motor Vehicle Accidents.

**Safe Work Hours** 58 million  
The total of safe work hours without a day away from work case. This includes all employees, contractors and visitors

**NOV** 0  
Notice of Violation from EPA or any other regulatory authority due to non-compliance to the environmental regulation



# Sustainability

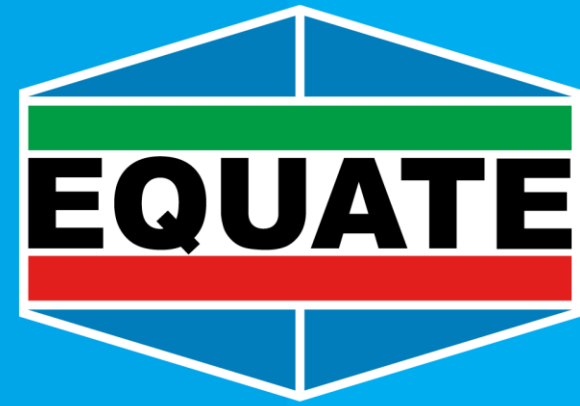
## Integration of United Nations Sustainability goals by 2025



EQUATE is a responsible operator with deep-rooted commitment to the sustainability of the environment and the economic development of communities.

In 2016, EQUATE strengthened its commitment to sustainability by adopting a strategy for the integration of the United Nations' 17 Sustainability Goals across EQUATE, **targeting integration by 2025 through three primary strategic focus areas: Environment, Economy, and Society.**

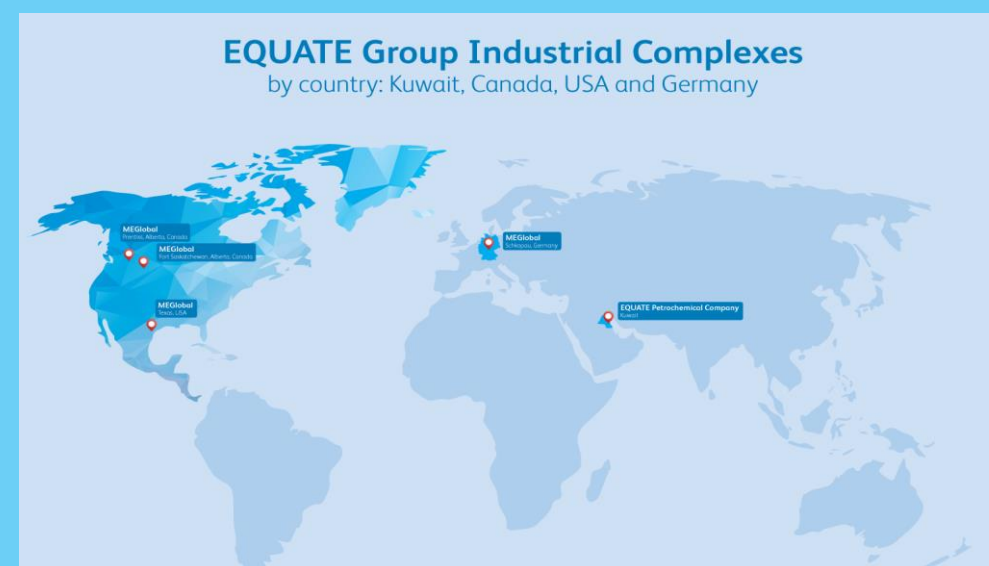
EQUATE has been maintaining the Responsible Care (RC 14001) certification since 2011 in Kuwait; and since 2004 for MEGlobal sites as per the RC code of practices in Canada.



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# Q&A

————— We are —————



The world's second largest producer of **Ethylene Glycol**, the raw material used mainly to manufacture polyester fibers.

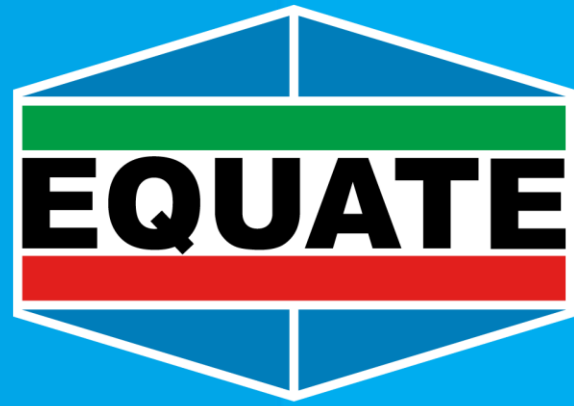


A strong advocate for the development and **diversification** of the petrochemical industry in Kuwait.



A responsible operator with **deep-rooted commitment to the sustainability** of our environment and the economic development of our community.





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