

**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 2018**

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 2018, the condensed statement 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 months ended 30 June 2018 are not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Safi A. Al-Mutawa
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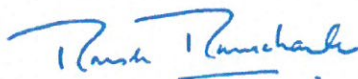
Kuwait: 5 August 2018

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

Condensed statement of financial position
as at 30 June 2018

	Note	US\$ '000	
		30 June 2018	31 December 2017 (Audited)
Assets			
Property, plant and equipment		702,549	712,516
Intangible assets		226,214	237,037
Non-current assets		<u>928,763</u>	<u>949,553</u>
Inventories		13,603	29,022
Notes receivables	5	40,721	-
Due from related parties	5	179,924	95,101
Trade receivables		-	159
Prepayments and other receivables		2,874	2,080
Cash and bank balances	4	58,297	332,978
Current assets		<u>295,419</u>	<u>459,340</u>
Total assets		<u>1,224,182</u>	<u>1,408,893</u>
Equity			
Share capital		380,417	380,417
Statutory reserve		190,208	190,208
Retained earnings		296,490	359,519
Total equity		<u>867,115</u>	<u>930,144</u>
Liabilities			
Loans and borrowings	5	157,836	234,101
Non-current liabilities		<u>157,836</u>	<u>234,101</u>
Loans and borrowings	5	151,518	147,294
Due to related parties	5	38,672	87,728
Accruals and other liabilities		8,666	9,196
Trade payables		375	430
Current liabilities		<u>199,231</u>	<u>244,648</u>
Total liabilities		<u>357,067</u>	<u>478,749</u>
Total equity and liabilities		<u>1,224,182</u>	<u>1,408,893</u>

The attached notes on pages 6 to 15 form an integral part of this condensed interim financial information.



Ramesh Ramachandran
President & Chief Executive
Officer

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

Condensed statement of profit or loss and other comprehensive income
for the six month period ended 30 June 2018

	US\$ '000	
	2018	2017
Sales	479,638	374,060
Cost of sales	(171,606)	(168,081)
Gross profit	<u>308,032</u>	<u>205,979</u>
General, administrative and selling expenses	(2,690)	(2,306)
Foreign exchange gain/ (loss)	(53)	446
Profit from operations	<u>305,289</u>	<u>204,119</u>
Finance income	1,829	1,709
Finance costs	(5,801)	(5,134)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), Zakat and Board of Directors' remuneration	<u>301,317</u>	<u>200,694</u>
Contribution to KFAS	(3,041)	(2,034)
Contribution to Zakat	(1,749)	(1,170)
Board of Directors' remuneration	(37)	(37)
Net profit for the period	<u>296,490</u>	<u>197,453</u>
Other comprehensive income	-	-
Total comprehensive income for the period	<u><u>296,490</u></u>	<u><u>197,453</u></u>

The attached notes on pages 6 to 15 form an integral part of this condensed interim financial information.

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

**Condensed statement of changes in equity
for the six month period ended 30 June 2018**

	US\$ '000			
	Share capital	Statutory reserve	Retained earnings	Total
Balances as at 1 January 2017	380,417	190,208	264,425	835,050
Net profit for the period	-	-	197,453	197,453
Total comprehensive income	-	-	197,453	197,453
Dividend paid (note 9)	-	-	(264,425)	(264,425)
Balance as at 30 June 2017	380,417	190,208	197,453	768,078
Balances as at 1 January 2018 (audited)	380,417	190,208	359,519	930,144
Net profit for the period	-	-	296,490	296,490
Total comprehensive income	-	-	296,490	296,490
Dividend paid (note 9)	-	-	(359,519)	(359,519)
Balance as at 30 June 2018	380,417	190,208	296,490	867,115

The attached notes on pages 6 to 15 form an integral part of this condensed interim financial information.

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

Condensed statement of cash flows
for the six month period ended 30 June 2018

	Note	US\$ '000	
		2018	2017
Cash flows from operating activities			
Net profit for the period		296,490	197,453
<i>Adjustments for:</i>			
Depreciation		37,787	29,259
Amortisation		10,823	10,825
Finance costs		5,801	5,134
Finance income		(1,829)	(1,709)
Loss on sale of property, plant and equipment		-	170
Provision for KFAS and Zakat		4,790	3,204
		<u>353,862</u>	<u>244,336</u>
<i>Changes in:</i>			
- inventories		15,419	(6,113)
- loans to related parties		(40,721)	-
- due from related parties		(84,823)	47,197
- trade and other receivables		159	266
- due to related parties		(49,056)	14,389
- trade and other payables		(55)	(17)
- prepayments and other receivables		(2,465)	6,714
- accruals and other liabilities		(5,548)	(17,906)
Net cash from operating activities		<u>186,772</u>	<u>288,866</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(27,820)	(11,982)
Matured time deposits		-	144,855
Finance income received		3,500	3,103
Proceeds from sale of property, plant and equipment		-	423
Net cash from investing activities		<u>(24,320)</u>	<u>136,399</u>
Cash flows from financing activities			
Repayments of long term loan	5	(72,625)	(68,810)
Finance costs paid		(4,989)	(4,384)
Dividend paid	9	(359,519)	(264,425)
Net cash used in financing activities		<u>(437,133)</u>	<u>(337,619)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(274,681)</u>	<u>87,646</u>
Cash and cash equivalents at beginning of the period		<u>332,978</u>	<u>80,733</u>
Cash and cash equivalents at end of the period	4	<u>58,297</u>	<u>168,379</u>

The attached notes on pages 6 to 14 form an integral part of this condensed interim financial information.

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

Notes to the condensed interim financial information
for the six month period ended 30 June 2018

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. ("DEH"), Petrochemical Industries Company K.S.C.C. ("PIC"), Boubyan Petrochemical Company K.S.C. ("BPC") and Al-Qurain Petrochemical Industries Company K.S.C. ("QPIC").

DEH is a subsidiary of the "The Dow Chemical Company". The word "DOW" further mentioned in this report refers to the "The Dow Chemical Company and its subsidiaries as a group".

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

This condensed interim financial information was authorised for issue by the President and Chief Executive Officer of the Company on 5 August 2018.

The address of the Company's registered office is East Ahmadi, Block 9, State of Kuwait.

2. Basis of preparation

a) Statement of compliance

These condensed interim financial information 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 2017 ("last annual financial statements"). They do not include all of the information required for a complete set of IFRS financial statements. 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 financial statements. Operating results for the six month period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

This is the first set of the Company's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 3.

b) Judgments and estimates

In preparing these condensed interim financial information, management has made judgements, estimates and assumptions 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 were the same as those that applied to the financial statements as at and for the year ended 31 December 2017.

Notes to the condensed interim financial information
for the six month period ended 30 June 2018

3. Significant accounting policies

The accounting policies used in the preparation of these condensed interim financial information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2017, except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Company, which are effective for annual reporting period starting from 1 January 2018. These did not result in any material impact on the accounting policies, financial position or performance of the Company.

In the current period, the Company has not early adopted any standards, interpretations or amendments to standards that have been issued but not yet effective.

Except as described below, the accounting policies applied in the preparation of these condensed interim financial information are consistent with those used in the preparation of the consolidated financial statements as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending 31 December 2018.

The Company has adopted IFRS 9 'Financial Instruments' ("IFRS 9") and IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15") on their effective date 1 January 2018. IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' ("IAS 39") bringing together all three aspects of the accounting for financial instruments; classification and measurement; impairment; hedge accounting. IFRS 15 replaces IAS 18 'Revenue' ("IAS 18") which covers revenue arising from the sale of goods and the rendering of services. The accounting policies affected by these new standards are disclosed below.

A. IFRS 9 Financial Instruments

The Company has adopted IFRS 9 Financial Instruments effective from 1 January 2018. IFRS 9 sets out the requirements for recognising and measuring financial assets and financial liabilities, impairment of financial assets and hedge accounting. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Company has not restated comparative information for 2017 as permitted by the transitional provisions of the standard. Therefore, the information presented for 2017 does not reflect the requirements of IFRS 9 and is not comparable to the information presented for 2018.

The Company did not have any significant impact on the carrying amount of financial assets resulting from the adoption of IFRS 9 as at 1 January 2018 and as at 30 June 2018. The key changes to the Company's accounting policies resulting from the adoption of IFRS 9 are summarised below:

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Company classifies its financial assets upon initial recognition into the following categories:

Notes to the condensed interim financial information
for the six month period ended 30 June 2018

- Financial assets carried at amortised cost;
- Financial assets carried at fair value through other comprehensive income (FVOCI); and
- Financial assets carried at fair value through profit or loss (FVTPL)

Financial assets carried at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- (a) The asset is held within a “business model” whose objective is to hold assets to collect contractual cash flows; and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding.

The details of these conditions are outlined below. Cash and cash equivalents assets, trade receivables and due from related parties are classified as financial assets carried at amortised cost.

(a) Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

(b) The SPPI test

As a second step of its classification process, the Company assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

Principle for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

Notes to the condensed interim financial information
for the six month period ended 30 June 2018

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Further, financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Income from loans and advances, foreign exchange gains and losses and impairment are recognised in the statement of income. Any gain or loss on derecognition is recognised in the statement of income.

Financial assets carried at fair value through other comprehensive income (FVOCI)

Upon initial recognition, the Company makes an irrevocable election to classify its equity investments as equity investments at FVOCI if they meet the definition of equity under IAS 32 *Financial Instruments: Presentation and are not held for trading*. Such classification is determined on an instrument-by-instrument basis. Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognized in other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognized in other comprehensive income are transferred to retained earnings on de-recognition and are not recognized in the statement of income.

Financial assets carried at fair value through profit or loss (FVTPL)

Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVTPL that otherwise meet the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise.

Financial assets with contractual cashflows not representing solely payment of principal and interest are mandatorily required to be measured at FVTPL. Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the statement of income. Dividend income from equity investments measured at FVTPL is recognised in the statement of income when the right to the payment has been established.

The Company's financial assets comprising of cash on hand and at banks, trade and other receivables and due from related parties are reclassified to financial assets carried at amortised cost under IFRS 9 from its previous classification of loans and receivables, carried at amortised cost under IAS 39.

Notes to the condensed interim financial information
for the six month period ended 30 June 2018

ii. Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Company's accounting of impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The new impairment model applies to financial assets measured at amortized costs and to financial assets recorded at FVOCI. Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default over the expected lifetime of a financial instrument.

For cash and banks balances, the Company measures loss allowances at an amount equal to 12 months ECLs since credit risk on these assets have not been increased significantly since its initial recognition. The Company has elected to measure loss allowances for trade and other receivables, loans to related party and due from related parties at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. The Company has established a provision matrix based on quantitative and qualitative information and analysis, Company's historical credit loss experience, adjusted for forward-looking factors considering the country ratings specific to the trade receivables and the economic environment.

The Company evaluates the probability of default considering the period of past due receivables as well as when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements help by the company. The adoption of the ECL requirements of IFRS 9 did not result in any significant effect on the Company's condensed interim financial information.

iii. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except for the restatement of comparative periods. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2017 under IFRS 9.

Notes to the condensed interim financial information
for the six month period ended 30 June 2018

Impact of adopting IFRS 9 and classification of financial assets on the date of initial application

The Company's management made an assessment for financial assets in accordance with IAS 39 as at 31 December 2017 to the opening ECL allowances determined in accordance with IFRS 9 as at 1 January 2018 and concluded that carrying amounts in accordance with IAS 39 as at 31 December 2017 are equivalent to the carrying value as per IFRS 9. Hence, no impairment allowances were recognized in the opening balance as at 1 January 2018.

Impact of adopting IFRS 9 and classification of financial liabilities on the date of initial application

For financial liabilities, the Company concluded no impact on accounting for financial liabilities under IFRS 9 as compared to requirements of IAS 39.

B. IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 18 Revenue, IAS 11 Construction Contracts and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. IFRS 15 requires identification of the performance obligations for the transfer of goods and services in each contract with customers. The Company recognised revenue upon satisfaction of the performance obligations for the amounts that reflect the consideration to which Company expects to be entitled in exchange for those goods and services.

Under IFRS 15, revenue from the sale of ethylene, ethylene glycol and other products is recognised when a customer obtains control of those products, which normally is when title passes at point of delivery, based on the contractual terms of the agreements. Each such sale normally represents a single performance obligation. The Company satisfies its performance obligations at a point in time.

The Company applied the new standard as of the date of the initial application, with no restatement of the comparative period amounts. It records the cumulative effect of the applying the new standard, which affects revenue and cost as an adjustment to the opening balance of equity at the date of the initial application.

Variable pricing – preliminary pricing

Certain products in certain markets may be sold with variable pricing arrangements. Such arrangements determine that a preliminary price is charged to the customer at the time of transfer of the control of products, while the price of products can only be determined by reference to a time period ending after that time. In such cases, and irrespective of the formula used for determining preliminary and final prices, revenue is recorded at the time of transfer of control of products at an amount representing the expected final amount of consideration that the Company receives.

The adoption of IFRS 15 did not result in any significant impact on the condensed interim financial information.

Notes to the condensed interim financial information
for the six month period ended 30 June 2018

4. Cash and bank balances

	US\$ '000	
	30 June 2018	31 December 2017 (Audited)
Bank balances	8,297	15,014
Term deposits	50,000	127,787
Cash and bank balances	58,297	142,801
Add: Time deposits with original maturity period exceeding three months	-	190,177
Cash and cash equivalent for the statement cash flows	<u>58,297</u>	<u>332,978</u>

The average effective interest rate on time deposits as at 30 June 2018 was 1.37% (31 December 2017: 1.64%) per annum.

5. 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, QPIC, DOW and its affiliates.

During 2004, DOW 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 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 2 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, DOW, 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.

On 17 April 2006, the Company signed a distribution agreement with MEGlobal International FZE Dubai (part of MEGlobal group, "MEGlobal") as distributor for EG produced by the Company. MEGlobal is a 100% owned subsidiary of EQUATE, a company owned by the shareholders.

On 31 May 2006, the Company signed a US\$ 1,504 million term loan agreement with EQUATE being the Company's share of term loan EQUATE obtained from local and foreign banks ("Lenders").

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State of Kuwait

Notes to the condensed interim financial information
for the six month period ended 30 June 2018

The term loan is repayable over a period of 11 years in semi-annual instalments starting from 15 December 2009 and carries the coupon rate of LIBOR +0.625% till 19 May 2013, LIBOR +0.725% till 19 May 2016 and LIBOR + 0.825% till the maturity date. According to terms of loan agreement with Lenders, property, plant and equipment and bank balances of EQUATE and Company were pledged as collateral. In December 2015, EQUATE prepaid entire term loan balance to the lenders and as a result, the lenders released lien on the above assets.

Operational Facility – Under the cash management services provided by MEG B.V, the Group’s subsidiaries and TKOC have an overnight cash sweeping facility with MEG B.V. Under this arrangement, the subsidiaries in EQUATE Group and TKOC sweeps selected bank accounts with MEG B.V. This allows the subsidiaries and TKOC 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 interest rate of LIBOR plus a positive spread set by the Management. The spread is determined taking into consideration of economic factors such as the creditworthiness of counterpart, characteristics of the debt financing arrangement etc. Amounts outstanding as at 30 June 2018 under these arrangements were a net asset of USD 40,721 thousands. 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.

Details of related party transactions and balances are as follows;

	US\$ '000	
	30 June 2018	31 December 2017
		(Audited)
Notes receivables		
Working capital loan with ME Global B.V.	40,721	-
	40,721	-
	US\$ '000	
	30 June 2018	31 December 2017
		(Audited)
Due from related parties		
Due from EQUATE	9,808	9,810
Due from PIC	2,376	1,429
Due from TKSC	3,614	1,055
Due from MEGlobal International FZE	163,896	82,805
Due from MEGlobal B.V.	228	-
Due from Kuwait Paraxylene Production Company K.S.C.C. (“KPPC”)	2	2
	179,924	95,101

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

Notes to the condensed interim financial information
for the six month period ended 30 June 2018

	US\$ '000	
	30 June 2018	31 December 2017
		(Audited)
Loans and borrowings (from EQUATE)		
Non-current portion of loans and borrowings	157,836	234,101
Current portion of loans and borrowings	151,518	147,294
	<u>309,354</u>	<u>381,395</u>
Movement in loans and borrowings		
Balance at 1 January	381,395	519,656
Payment during the period	(72,625)	(139,527)
Loan origination fees	584	1,266
Balance at 30 June	<u>309,354</u>	<u>381,395</u>
	US\$ '000	
	30 June 2018	31 December 2017
		(Audited)
Due to related parties		
Due to EQUATE	11,688	68,884
Due to PIC	1,000	1,268
Due to KPPC	227	46
Due to KPC	22,820	15,295
Due to Kuwait Oil Company K.S.C	2,884	1,566
Due to DOW	53	53
Due to ME Global International FZE	-	616
	<u>38,672</u>	<u>87,728</u>
	US\$ '000	
	30 June 2018	30 June 2017
Transactions		
Sales		
Sales of EG to MEGlobal	406,567	316,970
Sales to EQUATE, KPPC, TKSC and PIC	73,071	56,247
Expenses		
Feed gas purchased from KPC	61,766	46,096
Olefins II plant management fees to EQUATE	1,149	1,468
Toggling fees payments to KOC	3,714	3,097
Operating and utility cost reimbursed to EQUATE for running the Olefins II plant	56,537	60,732

Notes to the condensed interim financial information
for the six month period ended 30 June 2018

6. Commitments and contingent liabilities

The Company has a fixed gas purchase commitment with a related party of approximately US\$ 341,337 (31 December 2017 US\$ 281,143) per day until the agreement is cancelled in writing by both parties.

On 23 June 2016, the EQUATE Group entered into a US\$ 5 billion long term loan agreement (“Term Loan”) with a consortium of banks. The Term Loan consisted of US\$ 2 billion Tranche A 5-year bullet facility, US\$ 2 billion Tranche B 3-year bullet facility, and US\$ 1 billion 3 year revolving credit facility. The Company is jointly and severally a guarantor along with EQUATE Group for the Term Loan and the credit facilities including customary covenants.

On 28 February 2017, the EQUATE Group early settled Tranche B 3-year bullet facility amounting to USD 500 million.

On 3 November 2016, the EQUATE Group established a US\$ 4 billion Global Medium Term Note Programme (the “Programme”) and issued notes amounting to US\$ 2.25 billion (the “Notes”). The payments of all amounts due in respect of the Notes is unconditionally and irrevocably guaranteed, jointly and severally by the Company and EQUATE Group. The Notes are listed on Irish Stock Exchange (“ISE”).

In December 2016, the EQUATE Group established a US\$ 2 billion Sukuk programme (the “Sukuk”) and issued Sukuk amounting to US\$ 500 million on 21 February 2017. The Sukuk is guaranteed by the Company and is listed on ISE.

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

	US\$ ‘000	
	30 June 2018	31 December 2017 (Audited)
Capital commitments	4,192	2,752

Forward foreign exchange contracts

The Company deals in forward foreign exchange contracts to manage its foreign currency positions and cash flows. The notional value of the contracts as at 30 June 2018 is as follows:

	US\$ ‘000	
	30 June 2018	31 December 2017 (Audited)
Short position		
Euro	47,800	22,000
Long position		
Euro	95,600	18,750

Notes to the condensed interim financial information
for the six month period ended 30 June 2018

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 2 in fair value hierarchy.

7. 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 2017.

8. Operating lease

	<u>US\$ '000</u>	
	<u>30 June</u>	<u>31 December</u>
	<u>2018</u>	<u>2017</u>
		(Audited)
Less than one year	92	92
Between one and five years	367	367
More than five years	827	735
	<u>1,286</u>	<u>1,194</u>

9. Annual General Assembly

At the annual general meeting held on 18 March 2018, the shareholders approved the Board of Directors recommendation to distribute cash dividend of 33.91 cents per share amounted to US\$ 359.519 million (2017: 24.9 cents per share amounted to US\$ 264.425 million).