EQUATE Petrochemical Company K.S.C.C. and subsidiaries
State of Kuwait

Condensed consolidated interim financial information and independent auditor's report for the six-month period ended 30 June 2021

Contents	**Page**

KPMG Safi Al-Mutawa & Partners
Al Hamra Tower, 25th Floor
Abdulaziz Al Saqr Street
P.O. Box 24, Safat 13001
State of Kuwait
Tel: +965 2228 7000
Fax: +965 2228 7444

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

The Board of Directors
EQUATE Petrochemical Company K.S.C.C.
State of Kuwait

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of EQUATE Petrochemical Company K.S.C.C. ("the Company") and its subsidiaries (together "the Group") which comprises the condensed consolidated statement of financial position as at 30 June 2021, the condensed consolidated 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 consolidated interim financial information. Management is responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated 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 consolidated interim financial information as at and for the six month ended 30 June 2021 are not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Safi A. Al-Mutawa
License No 138 "A"
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

Kuwait: 15 August 2021

EQUATE Petrochemical Company K.S.C.C. and subsidiaries
State of Kuwait

Condensed consolidated statement of financial position
as at 30 June 2021

	Note	30 June 2021	31 December 2020 (Audited)
		US$ million	
Assets			
Property, plant and equipment		2,435	2,510
Goodwill		1,689	1,689
Intangible assets		260	273
Right-of-use assets		353	364
Deferred tax assets		74	74
Deferred charges and other assets		875	889
Non-current assets		5,686	5,799
Inventories		206	192
Notes receivables from a related party	*5*	87	67
Due from related parties	*5*	45	142
Trade and other receivables		878	523
Deferred charges and other assets		42	42
Cash and bank balances	*3*	729	733
Current assets		1,987	1,699
Total assets		7,673	7,498
Equity			
Share capital		700	700
Treasury shares		(450)	(450)
Statutory reserve		350	350
Retained earnings		376	185
Remeasurement of retirement benefit obligation		(41)	(41)
Foreign currency translation reserve		32	34
Hedge reserve		(0)	-
Total equity		967	778
Liabilities			
Loans and borrowings	*4*	4,324	4,621
Deferred income		313	335
Lease liability		294	305
Deferred tax liabilities		168	168
Retirement benefit obligation		441	436
Long term incentives		0	3
Non-current liabilities		5,540	5,868
Loans and borrowings	*4*	427	-
Long term incentives		5	4
Lease liability		63	63
Deferred income		37	37
Due to related parties	*5*	128	282
Trade and other payables		506	466
Current liabilities		1,166	852
Total liabilities		6,706	6,720
Total equity and liabilities		7,673	7,498

The attached notes on pages 6 to 22 form an integral part of these condensed consolidated interim financial information.

Nadia Al-Hajji
Chairperson

Naser Al-Dousari
President & Chief Executive Officer

EQUATE Petrochemical Company K.S.C.C. and subsidiaries
State of Kuwait

Condensed consolidated statement of profit or loss and other comprehensive income
for the six month period ended 30 June 2021

	Note	US$ million 2021	US$ million 2020
Sales	*6*	2,082	1,457
Cost of sales		(1,549)	(1,284)
Gross profit		533	173
Management fee	*5*	5	5
Reservation right fees		22	16
General, administrative and selling expenses		(33)	(41)
Other income		0	1
Foreign exchange (loss) / gain		(1)	0
Profit from operations		526	154
Finance income		3	7
Finance costs		(130)	(111)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), Zakat, tax on subsidiaries and Board of Directors' remuneration		399	50
Contribution to KFAS		(4)	(1)
Contribution to Zakat		(2)	(1)
Tax on subsidiaries		(17)	5
Board of Directors' remuneration		(0)	(0)
Net profit for the period		376	53
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences		(2)	(23)
Fair value of cash flow hedge		(0)	-
Other comprehensive loss for the period		(2)	(23)
Total comprehensive income for the period		374	30

The attached notes on pages 6 to 22 form an integral part of these condensed consolidated interim financial information.

EQUATE Petrochemical Company K.S.C.C. and subsidiaries
State of Kuwait

Condensed consolidated statement of changes in equity
for the six month period ended 30 June 2021

	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 2020 (audited)	700	(450)	350	368	(32)	20	-	956
Net profit for the period	-	-	-	53	-	-	-	53
Other comprehensive loss	-	-	-	-	-	(23)	-	(23)
Total comprehensive income for the period	-	-	-	53	-	(23)	-	30
Dividends paid (Note 9)	-	-	-	(368)	-	-	-	(368)
Balance as at 30 June 2020	700	(450)	350	53	(32)	(3)	-	618
Balances as at 1 January 2021 (audited)	700	(450)	350	185	(41)	34	-	778
Net profit for the period	-	-	-	376	-	-	-	376
Other comprehensive loss	-	-	-	-	-	(2)	(0)	(2)
Total comprehensive income for the period	-	-	-	376	-	(2)	(0)	374
Dividends paid (Note 9)	-	-	-	(185)	-	-	-	(185)
Balance as at 30 June 2021	700	(450)	350	376	(41)	32	(0)	967

The attached notes on pages 6 to 22 form an integral part of these condensed consolidated interim financial information.

Condensed consolidated statement of cash flows
for the six month period ended 30 June 2021

	Note	US$ million 2021	US$ million 2020
Cash flows from operating activities			
Net profit for the period		376	53
Adjustments for:			
Depreciation		119	122
Amortisation of intangible and deferred assets		38	38
Reservation right fees		(22)	(16)
Deferred income tax		-	(8)
Finance costs		130	111
Finance income		(3)	(7)
Provision for retirement benefit obligation		22	23
Foreign exchange loss on retirement benefit obligations		6	(9)
Provision for long term incentives		1	3
		667	310
Changes in:			
Inventories		(14)	23
Due from related parties		97	(4)
Trade and other receivables		(355)	(85)
Deferred charges and other assets		(6)	(22)
Due to related parties		(154)	(65)
Trade and other payables		28	(114)
Retirement benefit obligation paid		(19)	(18)
Long term incentives paid		(3)	(3)
Net cash from operating activities		241	22
Cash flows from investing activities			
Purchase of property, plant and equipment		(15)	(18)
Investment in staff saving scheme		(1)	(1)
Long term loans repaid by related parties		-	81
Finance income received		5	13
Notes receivables from a related party		(20)	(74)
Net cash from investing activities		(31)	1
Cash flows from financing activities			
Repayments of long term loan	*4*	-	(1,900)
Proceeds from issue of new notes	*4*	699	1,600
Proceeds from bilateral loans	*4*	-	300
Loan origination fee paid	*4*	(4)	(9)
Buy back of notes	*4*	(572)	-
Lease payments		(21)	(33)
Finance costs paid		(132)	(103)
Dividends paid	*9*	(185)	(221)
Net cash used in financing activities		(215)	(366)
Net decrease in cash and cash equivalents		(5)	(343)
Cash and cash equivalents at beginning of the period		678	746
Cash and cash equivalents at end of the period	*3*	673	403

The attached notes on pages 6 to 22 form an integral part of these condensed consolidated interim financial information.

1. Reporting entity

EQUATE Petrochemical Company K.S.C.C. ("the Company") is a closed Kuwaiti Shareholding Company incorporated in the State of Kuwait on 20 November 1995 with commercial registration number 63392 dated 20 November 1995.

The Company is owned by Dow Europe Holding B.V. ("DEHBV"), Petrochemical Industries Company K.S.C. ("PIC"), Boubyan Petrochemical Company K.S.C. ("BPC") and Al-Qurain Petrochemical Industries Company K.S.C. ("QPIC").

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

The objective of the Company is to manufacture all kinds of petrochemical products. The Company may have interests in, or in any way associate itself with entities, which are carrying on activities similar to its own or which may help the Company to realise its objectives, whether in the State of Kuwait or abroad.

The Group is primarily engaged in the manufacture and sale of ethylene glycol ("EG"), polyethylene ("PE") and polyethylene terephthalate ("PET"). The Company also operates and maintains Olefins II, Styrene, Aromatics and Polypropylene plants on behalf of related entities in Kuwait.

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

These condensed consolidated interim financial information comprise the financial information of the Company and its following directly and indirectly owned subsidiaries (together referred as "the Group" or "EQUATE Group" and individually "the Group entities").

A list of significant directly owned subsidiaries are as follows:

Name of entity	**Country of incorporation**	**Principal business**	**Percentage of holdings**	
			30 June 2021	**31 December 2020**
Equate Petrochemical B.V. ("EQUATE BV")	Netherlands	Holding Company	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 International FZE	UAE	Marketing and distribution of EG	100%	100%
Held through EQUATE BV				
MEGlobal B.V ("MEG B.V")	Netherlands	Holding Company	100%	100%
MEGlobal Americas Inc	USA	Marketing and distribution of EG	100%	100%
MEGlobal Asia Limited	China	Marketing and distribution of EG	100%	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 Europe GmbH	Switzerland	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%

These condensed consolidated interim financial information were authorised for issue by the Chairman and President and Chief Executive Officer of the Group on 15 August 2021.

2. Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial information for the six months period ended 30 June 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2020 ("last annual consolidated financial statements"). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements. Operating results for the six month period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

b) Judgments and estimates

In preparing these condensed consolidated interim financial information, management has made judgements and estimates 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 Group's accounting policies and the key sources of estimation uncertainty are the same as those described in the last annual consolidated financial statements.

c) Significant accounting policies

The accounting policies applied in these condensed consolidated interim financial information are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2020 except for the amendments to IFRS which are effective for annual accounting period starting from 1 January 2021 and policy on hedge accounting.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial information.

i) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge its commodity price risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment;
- Net investment hedges.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the condensed consolidated statement of profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the condensed consolidated statement of profit or loss. For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the condensed consolidated statement of profit or loss over the remaining term to maturity. Amortisation may begin as soon as an adjustment exists and shall end no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the condensed consolidated statement of profit or loss. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the condensed consolidated statement of profit or loss.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income (OCI) and accumulated in the hedge reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in condensed consolidated statement of profit or loss.

The Group designates only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward contracts (forward points) is separately accounted for as a cost of hedging and recognised in a cost of hedge reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedge reserve and the cost of hedge reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedge reserve and the cost of hedge reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedge reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to condensed consolidated statement of profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedge reserve and the cost of hedge reserve are immediately reclassified to condensed consolidated statement of profit or loss.

Net investment hedges

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of a derivative or foreign exchange gains and losses for a non-derivative is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the nonderivative is recognised immediately in condensed consolidated statement of profit or loss. The amount recognised in OCI is fully or partially reclassified to condensed consolidated statement of profit or loss as a reclassification adjustment on disposal or partial disposal of the foreign operation, respectively.

3. Cash and bank balances

	US$ million	
	30 June 2021	**31 December 2020 (Audited)**
Cash balances	0	0
Bank balances	299	253
Term deposits	430	480
Total cash and bank balances	729	733
Less: Amount reserved relating to staff saving scheme	(56)	(55)
Cash and cash equivalents for the statement of cash flows	673	678

The effective interest rate on time deposits as at 30 June 2021 was 0.36% (as at 31 December 2020: 1.16%) per annum.

4. Loans and borrowings

The movement in loans and borrowings is as follows:

	US$ million	
	30 June 2021	**31 December 2020**
		(Audited)
Balance at 1 January	4,621	4,607
Loan origination fee	(4)	(10)
Amortization for the period	7	24
Repayment of long term loan	-	(1,900)
Issue of conventional bonds	699	1,600
Buy back of bonds	(572)	-
Loan facilities (Murabaha and Term loan facility)	-	300
Balance at 30 June	4,751	4,621
Non-current	4,324	4,621
Current	427	-
	4,751	4,621

Long term loan

In 2016, the Group had secured a US$ 5 billion long term loan ("Term Loans") from a consortium of banks. The Term Loans 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 Group was jointly and severally a guarantor along with TKOC for these loans and the terms included customary covenants requirements. In 2016, the Group drawdown US$ 2 billion and US$ 0.5 billion from Tranche A and Tranche B, respectively.

In 2017, the Group early settled Tranche B 3-year bullet facility amounting to US$ 500 million and cancelled the undrawn available facility of Tranche B.

In 2018, the Group completed the restructuring of Term Loans and extended the Tranche A term loan facility until 23 June 2023, revolver credit facility until 23 June 2022 and spread on both term loan and the revolver credit facility was reduced. As part of the amendment and extension of the facilities, the Group repaid an amount of US$ 100 million, thereby reducing the Tranche A Term Loan outstanding balance to US$ 1.9 billion.

During 2020, the Group fully settled Tranche A Term Loan amounting to US$ 1,900 million using the proceeds from issuance of new notes amounting to US$ 1,600 million and a new 3-year Term and Murabaha loans amounting to US$ 300 million. Murabaha and Term Loan are repayable in 2023 and are guaranteed by TKOC. Additionally, the existing revolver facility commitment was reduced to US$ 500 million and maturing in June 2022. In 2020, the Group has extended US$ 425 million of this revolver facility until 2023. The Group has an option to extend maturity of the revolver facility by one more year until June 2024.

As at reporting date, the details of the Term & Murabaha loan and revolving credit facility are as follows:

	US$ million		
	Term and Murabaha loan	Revolving credit facility	Total Facility
30 June 2021			
Islamic financing	75	47	122
Conventional financing	225	453	678
	300	500	800
31 December 2020 (Audited)			
Islamic financing	75	47	122
Conventional financing	225	453	678
	300	500	800

Drawn / outstanding as at 30 June 2021 is as follows:

		US$ million	
	Repayment terms	**30 June 2021**	**31 December 2020**
			(Audited)
Islamic financing	Bullet repayment on 3rd year	75	75
Conventional financing	Bullet repayment on 3rd year	225	225
		300	300

The effective interest rate as at 30 June 2021 on the Term and Murabaha loan is 2.68 % (31 December 2020: 2.70%) per annum.

At the reporting date, the Group had available for its utilization, US$ 500 million (31 December 2020: US$ 500 million) of undrawn committed revolving credit facility.

Medium term notes

In 2016, the Group established a US$ 4 billion Global Medium Term Note Programme ("GMTN 1"), and on 3 November 2016 EQUATE B.V. issued notes ("GMTN 1 notes") amounting to US$ 2.25 billion with various tenors (5.4 and 10 years).

In 2020, the Group established a US$ 4 billion Global Medium Term Note Programme ("GMTN 2"), and on 18 May 2020 MEGlobal Canada ULC issued notes ("GMTN 2 notes") amounting to US$ 1.6 billion with various tenors (5 and 10 years).

During the period, the Group updated the US$ 4 billion GMTN 1 ("GMTN 3"), and on 28 April 2021 EQUATE B.V issued notes ("GMTN 3 notes") amounting to US$ 700 million with 7 years tenor maturing in 2028.

The payments due in respect of GMTN 1, GMTN 2 and GMTN 3 notes are unconditionally and irrevocably guaranteed, jointly and severally, and not severally, by EQUATE and TKOC. All the notes are listed on EURONEXT.

During the period, the Group bought back GMTN 1 notes amounting to US$ 572 million, which was to mature in 2022 at a price of 102.375 per cent. The loss on buy back, net of write off of unamortised loan origination fees, amounting US$ 14 million is included in finance cost.

At the reporting date, the Group had issued following outstanding Notes.

	US$ million	
	30 June 2021	**31 December 2020 (Audited)**
i) Fixed interest rate Notes (GMTN 1 notes) amounting to US$ 428 million (31 December 2020: US$ 1,000 million), having a term of 5.4 years, maturing in March 2022, with an effective interest rate of 3.338% and carrying a coupon rate of 3% per annum payable on a semi-annual basis.	427	983
ii) Fixed interest rate Notes (GMTN 1 notes) amounting to US$ 1,250 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% per annum payable on a semi-annual basis.	1,235	1,235
iii) Fixed interest rate Notes (GMTN 2 notes) amounting to US$ 1,000, million having a term of 5 years, maturing in May 2025, with an effective interest rate of 5.000% and carrying a coupon rate of 5.000% per annum payable on a semi-annual basis.	1,000	1,000
iv) Fixed interest rate Notes (GMTN 2 notes) amounting to US$ 600, million having a term of 10 years, maturing in May 2030, with an effective interest rate of 5.875% and carrying a coupon rate of 5.875% per annum payable on a semi-annual basis.	600	600
v) Fixed interest rate Notes (GMTN 3 notes) amounting to US$ 700, million having a term of 7 years, maturing in April 2028, with an effective interest rate of of 2.641% and carrying a coupon rate of 2.625% per annum payable on a semi-annual basis	699	-
	3,961	3,818

As at 30 June 2021, medium term notes described in i), ii), iii) and iv) above are quoted at 101.69, 111.31, 112.16 and 123.71 respectively (31 December 2020: 102.18, 111.93, 113.00 and 124.87 respectively). The medium term notes described in v) are quoted at 101.15. These quotes are based on level 1 inputs of fair value.

Sukuk programme

In December 2016, the Group established a US$ 2 billion Sukuk programme (Sukuk 1) and issued trust certificates amounting to US$ 500 million on 21 February 2017 having a term of 7 years, maturing in February 2024, with a profit rate of 3.944% per annum payable on a semi-annual basis. The payments due in respect of trust certificates is guaranteed by the Company and TKOC and is listed on Euronext Dublin. As at 30 June 2021, trust certificates are quoted at 107.58 (31 December 2020: 106.91), based on level 1 inputs.

During 2020, the Group updated the US$ 2 billion Sukuk 1 (Sukuk 2). No trust certificates are issued yet under Sukuk 2.

5. Related party transactions

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

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 consist of the EQUATE expansion project, and the incorporation and development of The Kuwait Olefins Company K.S.C.C ("TKOC"), The Kuwait Styrene Company K.S.C.C ("TKSC") and Kuwait Aromatics Company K.S.C.C. ("KARO"). TKOC is owned by DEHBV (42.5%), PIC (42.5%), BPC (9%) and QPIC (6%). TKSC is a joint venture of DEHBV (42.5%) and KARO (57.5%). KARO is owned by PIC (20%), Kuwait National Petroleum Company K.S.C. ("KNPC") (60%) and QPIC (20%).

On 2 December 2004, the Company signed a Materials and Utility Supply Agreement ("MUSA") with TKOC, TKSC, KARO and PIC. Under the terms of the MUSA, the Company receives a reservation right fee from the above entities that equals the total capital construction costs incurred by the Company on the new utilities and infrastructure facilities under the Olefins II projects

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

On 2 December 2004, the Company signed an Ethylene Supply Agreement with TKOC. Under the terms of the agreement, the price per metric tonne of Ethylene is paid to TKOC based on the quantities delivered by them at the contract price.

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

During 2020, the Company acquired a sea cooling tower from PIC for a consideration of US$ 105 million. Previously, the sea cooling tower was leased by the Company and accounted under IFRS 16 and accordingly the right of use assets and the respective lease liability was derecognised, and the sea cooling tower was recognised as a property, plant and equipment in the financial statements. The outputs from the sea cooling tower is reserved by TKOC, TKSC and KPPC for reservation right fees received.

Operational Facility – Under the cash management services provided by MEG B.V, the Group entities and TKOC have an overnight cash sweeping facility with MEG B.V. Under this arrangement, the Company, the Group entities and TKOC sweep selected bank accounts with MEG B.V. This allows the Group entities and TKOC either to invest or borrow funds on an overnight basis. Under the terms of the agreement, the Group entities and TKOC can borrow or deposit with MEG B.V at an interest rate of LIBOR plus a positive spread set by the management of the Group and TKOC, accrued on a monthly basis. The spread is determined based on the creditworthiness of counterpart and characteristics of the debt financing arrangement. At 30 June 2021, an amount of US$ 87 is due from TKOC to the Group under this arrangement (31 December 2020: US$ 67 million due from TKOC). These are indefinite credit arrangements subject to termination by either party.

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 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)

In addition to the above there are number of arrangements with the related parties which are disclosed below.

	US$ million	
	30 June 2021	**30 June 2020**
a) Sales and management fee		
Polypropylene plant management fees from PIC	1	1
Olefins plant management fees from TKOC	1	1
Styrene plant management fees from TKSC	1	1
Aromatics plant management fees from KPPC	2	2
Operating cost reimbursed by PIC for running of Polypropylene plant	4	14
Operating and utility cost reimbursed by TKOC for running of Olefins plant	61	59
Operating and utility cost reimbursed by TKSC for running of Styrene plant	26	21
Operating and utility cost reimbursed by KPPC for running of Aromatics plant	37	36
Interest income on long-term loan and notes receivables from TKOC	3	2
b) Purchases and expenses		
Feed gas and fuel gas purchased from KPC	111	107
Purchase of Ethylene Glycol from TKOC	269	168
Catalyst purchased from Dow Chemical Canada ULC	-	22
Ethylene purchase from Dow Chemical Canada ULC	110	96
Ethylene purchase from TDCC	53	57
Service cost reimbursed to Dow Chemical Canada ULC	7	7
Service cost reimbursed to TDCC	4	6
Service cost reimbursed to DEHBV	18	17
Glycol purchased from TDCC	73	50
Purchase of sea cooling water from PIC	-	10
Catalyst purchased from UNIVATION	6	-
Operating costs reimbursed to EMC	1	1
Staff secondment costs reimbursed to DEHBV	1	2
Ethylene and other purchases from TKOC	38	43
Interest expenses on notes payables from TKOC	1	1
c) Key management compensation		
Salaries, short term and terminal benefits	3	2

	US$ million	
	30 June 2021	**31 December 2020**
		(Audited)
d) Due from related parties		
Due from PIC	2	6
Due from UCC	2	0
Due from TKOC	11	93
Due from TKSC	7	23
Due from KPPC	10	5
Due from KPC	0	1
Due from KNPC	2	2
Due from TDCC	1	1
Due from Dow Chemical Canada ULC	8	9
Due to Dow Europe GMBH	2	2
Due from Others	0	0
	45	142

	US$ million	
	30 June 2021	**31 December 2020**
		(Audited)
e) Notes receivables		
Working capital facility from TKOC	87	67

	US$ million	
	30 June 2021	**31 December 2020**
		(Audited)
f) Due to related parties		
Due to KPC	58	59
Due to KOC	0	7
Due to PIC	3	95
Due to KPPC	1	1
Due to TKSC	1	1
Due to TKOC	46	100
Due to TDCC	12	2
Due to Dow Olefinverbund GMBH	-	1
Due to Dow Chemical Canada ULC	1	1
Due to Dow Canada Limited	4	1
Due to DEHBV	2	8
Due to Dow Chemical China Investment Co	-	4
Others	0	2
	128	282
g) Trade and other payables		
Payable to KPC	-	34

6. Additional Business and Geographical Information

Basis for segmentation

The Group has 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 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, the Group 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

	30 June 2021 (US$ million)			30 June 2020 (US$ million)		
	PMC	**Others**	**Total**	**PMC**	**Others**	**Total**
External segment revenue	1,951	131	2,082	1,327	130	1,457
EBITDA	649	12	661	275	23	298
Net profit for the period	370	6	376	48	5	53
Interest income	(3)	-	(3)	(7)	-	(7)
Interest expenses	128	2	130	106	5	111
Depreciation, amortization and reservation rights	131	4	135	131	13	144
Income tax/ KFAS/ Zakat	23	0	23	(3)	(0)	(3)

Revenue by product / services and geography

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 Group'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.

	EG (US$ million)	PE (US$ million)	PET (US$ million)	Others (US$ million)	Total (US$ million)
30 June 2021					
Americas	265	-	-	-	265
North East Asia	648	165	-	-	813
India sub-continental	236	34	-	-	270
Europe	146	62	157	-	365
Rest of the World*	58	180	-	131	369
External revenue	1,353	441	157	131	2,082
30 June 2020					
Americas	154	-	-	-	154
North East Asia	502	145	-	-	647
India sub-continental	97	20	-	-	117
Europe	82	29	139	-	250
Rest of the World*	41	118	-	130	289
External revenue	876	312	139	130	1,457

* Rest of the World includes revenue from Kuwait of US$ 30 million (2020: US$ 23 million).

There are no customers that contributed more than 5 % of the revenue.

Timing of revenue recognition

	US$ million	
	30 June 2021	**30 June 2020**
Products transferred at a point in time	1,848	1,216
Products and services transferred over time	103	111
Revenue from contracts with customers	1,951	1,327
Other revenue	131	130
	2,082	1,457

EBITDA by product line	**EG (US$ million)**	**PE (US$ million)**	**PET (US$ million)**	**Others (US$ million)**	**Total (US$ million)**
30 June 2021	380	260	9	12	661
30 June 2020	150	123	2	23	298

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 Group 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 Group deals in forward foreign exchange contracts to manage its foreign currency positions and cash flows.

As at 30 June 2021, the Group had following net notional forward exchange contracts (off balance sheet exposure):

	US$ million	
	30 June 2021	**31 December 2020**
		(Audited)
Long position		
KD	1,031	827
CAD	117	107
Euro	403	199
Others	37	25
Short position		
KD	503	419
CAD	55	94
Euro	224	327
Others	73	49

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 2021 amounting to US$ 21 million (31 December 2020: US$ 9 million).

Cash flow hedge

The Group sells Monoethylene (MEG) in normal course of its business. The increased volatility in sale price of MEG over the past 12 months has led to the decision to enter into commodity forward contracts. The contracts are expected to reduce the volatility attributable to sale price fluctuations of MEG. Hedging the price volatility of forecast highly probable future sales of MEG is in accordance with the risk management strategy outlined by the Board of Directors

The Group applied hedge accounting in relation to these highly probable future sales where there was an economic relationship between the hedged item and hedging instrument. The existence of an economic relationship was determined at inception and prospectively by comparing the critical terms of the hedging instrument and those of the hedged item. The Group entered into hedging derivatives that matched the notional amounts of the hedged items on a 1:1 hedge ratio basis. The hedge ratio was determined by comparing the notional amount of the derivative with the notional amount designated on the forecast transaction.

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

The table below shows the fair values of derivative financial instruments, together with the notional amounts. Notional amounts represent amounts to which a price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments.

	US$ million	
	30 June 2021	**31 December 2020 (Audited)**
Cash flow hedge		
Notional amount:	4	1
Fair value	(0)	-

The Group uses the level 2 hierarchy inputs to measure the fair value of derivative financial instruments. The carrying amounts of financial assets and financial liabilities that are liquid or have a short-term maturity are approximately equal to their fair value

The fair values of all financial instruments carried by the Group as at 30 June 2021, that are not carried at fair value, are not materially different from their carrying values.

Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2020.

8. Commitments and contingent liabilities

The Group has a fixed gas purchase commitment with a related party of approximately US$ 1 million (31 December 2020: US$ 1 million) per day until the agreement is cancelled in writing by both parties.

The Group under the Excess EG marketing agreement has a commitment to purchase from Dow an annual volume for a term to 2024.

The 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 to 2034 in respect of the manufacturing plants in Alberta.

The 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.

MEGlobal International FZE ("the subsidiary") has entered into short term arrangements to obtain the right to use 8,886,367 troy ounces (2020: 9,784,704 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 2021-22 and are guaranteed by MEGlobal BV. The subsidiary pays lease fees for these arrangements which are expensed over the terms of such arrangements. The subsidiary also bears the risk of loss of silver resulting from usage. The subsidiary has assigned the right to use silver to MEGlobal Americas Inc., MEGlobal Canada ULC and its wholly owned subsidiary Alberta & Orient Glycol Company ULC for utilization in its manufacturing operations on similar terms.

The following summarizes the quantity and value of silver outstanding at 30 June 2021 under such arrangements:

	30 June 2021			**31 December 2020**		
Bank	**Credit Limit US$ million**	**Qty (TOZ)**	**Silver Value US$ million**	**Credit Limit US$ million**	**Qty (TOZ)**	**Silver Value US$ million**
HSBC	180	6,815,213	177	175	7,713,550	167
Sumitomo	100	2,071,154	57	100	2,071,154	50
Standard Chartered	85	-	-	85	-	-
Citibank	40	-	-	40	-	-
Total	**405**	**8,886,367**	**234**	**400**	**9,784,704**	**217**

In addition to the above, the Group had the following commitments and contingent liabilities outstanding as at 30 June 2021:

	US$ million	
	30 June 2021	**31 December 2020 (Audited)**
Letters of credit and letters of guarantee	5	5
Capital commitments	18	26

Contingent liabilities

Corporation Income Tax Assessment from the Canadian Revenue Agency

Following the completion of audit report for the tax years 2013, 2014 and 2015, ME Global Canada ULC received a Corporation Income Tax re-assessment from the Canadian Revenue Agency (CRA) for a transfer pricing adjustment amounting to CAD 61.6 million (US$ 48.2 million) for 2013, CAD 75 million (US$ 58.7 million) for 2014 and CAD 75.8 million (US$ 59.2 million) for 2015. This has resulted in additional assessed federal, provincial and Part XIII tax impact of CAD 31.6 million (US$ 24.7 million) for 2013, tax impact of CAD 38.3 million (US$ 30 million) for 2014 and tax impact of CAD 38.1 million (US$ 29.8 million) for 2015.

The Management has filed notice of objections for each of the re-assessments and 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 years. The management is also of the view that no additional tax liabilities is required for these commitment. The Management is awaiting to get a date for the hearing from the appeals officer.

9. Annual General Assembly

At the Company's Annual General Meeting held on 2 March 2021, the shareholders approved the Board of Directors recommendation to distribute cash dividend of 9.02 cents per share amounted to US$ 185 million (2019: 17.99 cents per share amounted to US$ 368 million). During the period, the Group paid dividend amounting to US$ 185 million (30 June 2020: US$ 221 million).

10. Covid-19 update

On 11 March 2020, the World Health Organisation characterised the outbreak of Covid-19 as a global pandemic and recommended containment and mitigation measures. Since then, extraordinary actions have been taken by the government around the world including State of Kuwait to contain and combat the outbreak and spread of Covid-19. These actions include travel bans, quarantines, "stay-at-home" orders, and similar mandates for many individuals to substantially restrict daily activities and for many businesses to curtail or cease normal operations. Whilst the restrictions are easing it remains unclear when the COVID-19 pandemic will abate.

The Board of Directors continue to monitor the situation and its impact on the Group's operation and financial position. As at the reporting date, the Board of Directors and management does not expect that the impact of COVID-19 will result in a material uncertainty in the Group's business operation. The Group's projections show that the Group has sufficient resources to continue in operational existence and its going concern position remains unaffected from Covid-19. Therefore, these interim condensed consolidated financial statements have been prepared on a going concern basis.