

**Combined condensed interim financial information  
of  
EQUATE Petrochemical Company K.S.C.C. and subsidiaries  
("EQUATE Group")  
and  
The Kuwait Olefins Company K.S.C.C. ("TKOC")  
for the six-month period ended 30 June 2022**

**EQUATE Group and TKOC**  
**State of Kuwait**

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

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

### Introduction

We have reviewed the accompanying combined condensed interim financial information of EQUATE Petrochemical Company K.S.C.C. ("EQUATE") and its subsidiaries (together "EQUATE Group") and The Kuwait Olefins Company K.S.C.C. ("TKOC") (together referred to as "the Reporting Entity"), which comprises the combined condensed statement of financial position as at 30 June 2022, the combined condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the combined condensed interim financial information. Management is responsible for the preparation and presentation of these combined condensed interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these combined condensed interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying combined condensed interim financial information as at and for the six months ended 30 June 2022 are not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.



#### Emphasis of matter – Basis of preparation

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

A handwritten signature in blue ink, appearing to read 'Safi A. Al-Mutawa', written over a light blue circular stamp or watermark.

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

Kuwait: 15 August 2022

**Combined condensed statement of financial position of  
EQUATE Group and TKOC  
State of Kuwait**

*as at 30 June 2022*

	Note	US\$ million	
		30 June 2022	31 December 2021 (Audited)
<b>Assets</b>			
Property, plant and equipment		2,846	2,952
Goodwill		1,689	1,689
Intangible assets		276	292
Right-of-use assets		339	351
Deferred tax assets		64	68
Deferred charges and other assets		864	897
<b>Non-current assets</b>		<b>6,078</b>	<b>6,249</b>
Inventories		237	225
Due from related parties	5	33	43
Trade and other receivables		887	1,000
Deferred charges and other assets		55	49
Cash and bank balances	3	387	1,276
<b>Current assets</b>		<b>1,599</b>	<b>2,593</b>
<b>Total assets</b>		<b>7,677</b>	<b>8,842</b>
<b>Equity</b>			
Share capital		1,080	1,080
Treasury shares		(450)	(450)
Statutory reserve		540	540
Retained earnings		310	1,109
Remeasurement of retirement benefit obligation		(13)	(13)
Foreign currency translation reserve		17	23
Hedge reserve		19	1
<b>Total equity</b>		<b>1,503</b>	<b>2,290</b>
<b>Liabilities</b>			
Loans and borrowings	4	4,101	4,326
Deferred income		145	156
Lease liability		279	294
Deferred tax liabilities		158	168
Retirement benefit obligation		412	413
Long term incentives		3	3
<b>Non-current liabilities</b>		<b>5,098</b>	<b>5,360</b>
Loans and borrowings	4	225	427
Long term incentives		2	4
Lease liability		65	65
Deferred income		19	17
Due to related parties	5	130	82
Trade and other payables		635	597
<b>Current liabilities</b>		<b>1,076</b>	<b>1,192</b>
<b>Total liabilities</b>		<b>6,174</b>	<b>6,552</b>
<b>Total equity and liabilities</b>		<b>7,677</b>	<b>8,842</b>

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



Naser Aldousari  
President & Chief Executive Officer



Phisanu Sermchaiwong  
Chief Financial Officer

**Combined condensed statement of profit or loss and other comprehensive income**  
**EQUATE Group and TKOC**  
**State of Kuwait**

*for the six-month period ended 30 June 2022*

	Note	US\$ million	
		2022	2021 (Audited)
Sales	6	2,238	2,041
Cost of sales		(1,541)	(1,323)
<b>Gross profit</b>		<b>697</b>	<b>718</b>
Management fee	5	3	3
Reservation right fees		8	11
General, administrative and selling expenses		(37)	(35)
Other income / (loss)		(0)	0
Foreign exchange gain / (loss)		3	(1)
<b>Profit from operations</b>		<b>674</b>	<b>696</b>
Finance income		1	3
Finance costs		(108)	(130)
<b>Profit before contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”), Zakat, tax on subsidiaries and Board of Directors’ remuneration</b>		<b>567</b>	<b>569</b>
Contribution to KFAS		(5)	(6)
Contribution to Zakat		(3)	(3)
Tax on subsidiaries		(22)	(17)
Board of Directors’ remuneration		(0)	(0)
<b>Net profit for the period</b>		<b>537</b>	<b>543</b>
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		(6)	(2)
Fair value of cashflow hedge		18	(0)
<b>Other comprehensive income/ (loss) for the period</b>		<b>12</b>	<b>(2)</b>
<b>Total comprehensive income for the period</b>		<b>549</b>	<b>541</b>

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

Combined condensed statement of statement of changes in equity  
 EQUATE Group and TKOC  
 State of Kuwait

for the six-month period ended 30 June 2022

	US\$ million							
	Share capital	Treasury shares	Statutory reserve	Retained earnings	Remeasurement of retirement benefit obligation	Foreign currency translation reserve	Hedge reserve	Total
<b>Balances as at 1 January 2021 (audited)</b>	1,080	(450)	540	358	(41)	34	-	1,521
Net profit for the period	-	-	-	543	-	-	-	543
Other comprehensive loss	-	-	-	-	-	(2)	(0)	(2)
<b>Total comprehensive income for the period</b>	-	-	-	543	-	(2)	-	541
Dividends	-	-	-	(358)	-	-	-	(358)
<b>Balance as at 30 June 2021</b>	<b>1,080</b>	<b>(450)</b>	<b>540</b>	<b>543</b>	<b>(41)</b>	<b>32</b>	<b>(0)</b>	<b>1,704</b>
<b>Balances as at 1 January 2022 (audited)</b>	1,080	(450)	540	1,109	(13)	23	1	2,290
Net profit for the period	-	-	-	537	-	-	-	537
Other comprehensive income/ (loss)	-	-	-	-	-	(6)	18	12
<b>Total comprehensive income for the period</b>	-	-	-	537	-	(6)	18	549
Dividends	-	-	-	(1,336)	-	-	-	(1,336)
<b>Balance as at 30 June 2022</b>	<b>1,080</b>	<b>(450)</b>	<b>540</b>	<b>310</b>	<b>(13)</b>	<b>17</b>	<b>19</b>	<b>1,503</b>

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

**Combined condensed statement of cash flows of  
EQUATE Group and TKOC  
State of Kuwait**

*for the six-month period ended 30 June 2022*

	Note	US\$ million	
		2022	2021
<b>Cash flows from operating activities</b>			
Net profit for the period		537	543
<i>Adjustments for:</i>			
Depreciation		142	144
Amortisation of intangibles and deferred assets		47	40
Reservation right fees		(8)	(11)
Finance costs		108	130
Finance income		(1)	(3)
Provision for retirement benefit obligation		22	22
Foreign exchange gain / (loss) on retirement benefit obligations		(5)	6
Provision for long term incentives		4	1
		<u>846</u>	<u>872</u>
<i>Changes in:</i>			
Inventories		(12)	(15)
Due from related parties		10	14
Trade and other receivables		113	(362)
Deferred charges and other assets		0	(6)
Due to related parties		48	(103)
Trade and other payables		63	18
Retirement benefit obligation paid		(18)	(19)
Long term incentives paid		(6)	(3)
<b>Net cash from operating activities</b>		<u>1,044</u>	<u>396</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(37)	(16)
Investment in staff saving scheme		(2)	(1)
Finance income received		5	5
<b>Net cash used in investing activities</b>		<u>(34)</u>	<u>(12)</u>
<b>Cash flows from financing activities</b>			
Buy back of notes	4	(428)	(572)
Proceeds from issue of new notes	4	-	699
Loan origination fee paid	4	(2)	(4)
Lease payments		(22)	(22)
Finance costs paid		(113)	(132)
Dividends paid		(1,336)	(358)
<b>Net cash used in financing activities</b>		<u>(1,901)</u>	<u>(389)</u>
Net decrease in cash and cash equivalents		(891)	(5)
Cash and cash equivalents at beginning of the period		1,219	678
<b>Cash and cash equivalents at end of the period</b>	3	<u>328</u>	<u>673</u>

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



**Notes to the combined condensed interim financial information of  
EQUATE Group and TKOC  
State of Kuwait**

*for the six-month period ended 30 June 2022*

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**1. Reporting entity**

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

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

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

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

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

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

The combined condensed interim financial information as at and for the period ended 30 June 2022 comprises of the condensed consolidated interim financial information of EQUATE Group and condensed interim financial information of TKOC. List of directly and indirectly owned subsidiaries of EQUATE is as follows:

**Notes to the combined condensed interim financial information of  
EQUATE Group and TKOC  
State of Kuwait**

*for the six-month period ended 30 June 2022*

Name of entity	Country of incorporation	Principal business	Percentage of holdings	
			30 June 2022	31 December 2021
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%
<b>Held through EQUATE BV</b>				
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 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%
<b>Held through MEGC</b>				
Alberta & Orient Glycol Company ULC	Canada	Manufacturing and sales of EG	100%	100%

This combined condensed interim financial information were authorised for issue by the President & Chief Executive Officer and Chief Financial Officer of the Reporting Entity on 15 August 2022.

**2. Basis of preparation**

a) Statement of compliance

These combined condensed interim financial information for the six months period ended 30 June 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Reporting Entity's last annual combined financial statements as at and for the year ended 31 December 2021 ("last annual combined financial statements"). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Reporting Entity's financial position and performance since the last annual combined financial statements. Operating results for the six-month period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

b) Basis of combination

This combined condensed interim financial information has been prepared by combining condensed consolidated interim financial information of EQUATE Group and condensed interim financial information of TKOC for the six-month period ended 30 June 2022, prepared in accordance with IAS 34 *Interim Financial Reporting*.

**Notes to the combined condensed interim financial information of  
EQUATE Group and TKOC  
State of Kuwait**

*for the six-month period ended 30 June 2022*

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

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

c) Judgments and estimates

In preparing this combined condensed 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 Reporting Entity's accounting policies and the key sources of estimation uncertainty are the same as those described in the last annual combined financial statements.

d) Significant accounting policies

The accounting policies applied in this combined condensed interim financial information are the same as those applied in the Reporting Entity's combined financial statements as at and for the year ended 31 December 2021 except for the amendments to IFRS which are effective for annual accounting period starting from 1 January 2022.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. The Reporting Entity has not early adopted any of the forthcoming new or amended standards in preparing this combined condensed interim financial information.

**3. Cash and bank balances**

	US\$ million	
	30 June 2022	31 December 2021 (Audited)
Cash balances	-	0
Bank balances	177	129
Term deposits	210	1,147
Total cash and bank balances	387	1,276
Less: Amount reserved relating to staff saving scheme	(59)	(57)
Cash and cash equivalents for the statement of cash flows	328	1,219

The effective interest rate on time deposits as at 30 June 2022 was 0.36% (as at 31 December 2021: 0.33%) per annum.

**Notes to the combined condensed interim financial information of  
EQUATE Group and TKOC  
State of Kuwait**

*for the six-month period ended 30 June 2022*

**4. Loans and borrowings**

	<b>US\$ million</b>	
	<b>30 June 2022</b>	<b>31 December 2021 (Audited)</b>
Balance at 1 January	4,753	4,621
Loan origination fee	(2)	(5)
Amortization for the period	3	10
Repayment of long term loan	-	(75)
Issue of conventional bonds	-	699
Buy back of bonds	(428)	(572)
New loan facilities (Murabaha and Term loan facility)	-	75
Balance at 30 June	<u>4,326</u>	<u>4,753</u>
Non-current	4,101	4,326
Current	225	427
	<u>4,326</u>	<u>4,753</u>
	<b>USD million</b>	
	<b>2022</b>	<b>2021 (Audited)</b>
Fixed interest rate Notes (GMTN 1) amounting to US\$ 428 million (net of discount of US\$ 1 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
i) Fixed interest rate Notes (GMTN 1) amounting to US\$ 1,250 million (net of discount of US\$ 15 million) having a term of 10 years, maturing in November 2026, with an effective interest rate of 4.402% and carrying a coupon rate of 4.25%.	1,235	1,235
ii) Fixed interest rate Notes (GMTN 2) amounting to US\$ 1,000 million having a term of 5 years, maturing in May 2025, with an effective interest rate and coupon rate of 5.000% per annum payable on a semi-annual basis.	1,000	1,000
iii) Fixed interest rate Notes (GMTN 2) amounting to US\$ 600 million having a term of 10 years, maturing in May 2030, with an effective interest rate and coupon rate of 5.875% per annum payable on a semi-annual basis.	600	600
iv) Fixed interest rate Notes (GMTN 3) amounting to US\$ 700 million (net of discount of US\$ 1 million) having a term of 7 years, maturing in April 2028, with an effective interest rate of 2.641% and carrying a coupon rate of 2.625% per annum payable on a semiannual basis.	699	699
v) Fixed profit rate Sukuk amounting to US\$ 500 million 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.	500	500

**Notes to the combined condensed interim financial information of  
EQUATE Group and TKOC  
State of Kuwait**

*for the six-month period ended 30 June 2022*

vi) Term loan facility amounting to US\$ 225 million having a term of 3 years, maturing in June 2023, with an effective interest rate of LIBOR + 1.60% per annum payable on a quarterly basis.	150	225
vii) Murabaha facility amounting to US\$ 150 million having a term of 3 years, maturing in December 2024, with an effective profit rate of LIBOR + 1.50% per annum payable on a quarterly basis.	150	75
	4,334	4,761

In 2021, the EQUATE Group updated the GMTN 1 and on 28 April 2021 EQUATE B.V issued notes amounting to US\$ 700 million with 7 years tenor maturing in 2028. The note is described in v) above.

The effective interest rate as at 30 June 2022 on the term and murabaha loans is 2.49% (31 December 2021: 2.45%).

As at 30 June 2022, medium term notes described in i), ii), iii), iv) and v) above are quoted at NA, 98.34, 100.96, 105.64 and 88.94 respectively (31 December 2021: 100.387, 109.10, 109.34, 121.50 and 100.4 respectively). These quotes are based on level 1 inputs of fair value. All the notes are listed on EURONEXT.

As at 31 December 2021, Sukuk described in vi) are quoted at 99.81 (31 December 2021: 105.66), based on level 1 inputs of fair value and listed in EURONEXT.

During 2020, the EQUATE 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. Additionally, the existing revolver facility commitment was reduced to US\$ 500 million maturing in June 2022. In 2021, the EQUATE Group has extended the US\$ 500 million revolving facility until 2024.

The payments due in respect of medium-term notes described in i), ii), iii), iv) and v), sukuk described in vi), term loan described in vii) as well as Murabaha facility described in ix) above are unconditionally and irrevocably guaranteed, jointly and severally, and not severally, by the Company and TKOC.

In 2021, the EQUATE Group early settled the Murabaha term loan facility amounting to USD 75 million and secured a new 3 years Murabaha facility amounting to US\$ 150 million, with Murabaha working capital facility amounting to US\$100 million valid until 2024. Additionally, the EQUATE Group secured a new bilateral revolving facility amounting \$200 million valid until 2024 with two years extension option.

**Notes to the combined condensed interim financial information of  
EQUATE Group and TKOC  
State of Kuwait**

*for the six-month period ended 30 June 2022*

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**5. Related party transactions**

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

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

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

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

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

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

An agreement to amend MUSA and service agreements (“primary agreements”) was signed between the parties to the primary agreements on 8 February 2006 releasing KARO from its obligations and liabilities under the primary agreements and appointing Kuwait Paraxylene Production Company K.S.C.C. (“KPPC”) in place of KARO to assume and perform all obligations of KARO as if KPPC were and had been a party to the primary agreements. KPPC is a 100% owned subsidiary of KARO.

During 2021, EQUATE acquired a sea cooling tower from PIC for a consideration of US\$ 105 million. Previously, the sea cooling tower was leased by the EQUATE 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 statement. 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 EQUATE Group’s subsidiaries and TKOC have an overnight cash sweeping facility with MEG B.V. Under this arrangement, the EQUATE Group entities and TKOC sweep selected bank accounts with MEG B.V. This allows the EQUATE Group entities and TKOC to either invest or borrow funds on an overnight basis. Under the terms of the agreement, the subsidiaries and TKOC can borrow or deposit with MEG B.V at an interest rate of LIBOR plus a positive spread set by the Management.

**Notes to the combined condensed interim financial information of  
EQUATE Group and TKOC  
State of Kuwait**

*for the six-month period ended 30 June 2022*

The spread is determined by taking into consideration of economic factors such as the creditworthiness of counterpart, characteristics of the debt financing arrangement etc. These are indefinite credit arrangements subject to termination by either party of which the interest is accrued monthly.

All transactions with related parties are carried out on a negotiated contract basis.

The following is a description of significant related party agreements and transactions, other than described above:

- a) Supply by Union Carbide Corporation (“UCC”) of technology and licences relating to manufacture of PE and EG
- b) Feed gas and fuel agreement with PIC
- c) Supply by the EQUATE Group of certain materials and services required by PIC to operate and maintain the polypropylene plant
- d) Excess EG Marketing Agreement
- e) General Services Agreement
- f) Secrecy Agreement
- g) Long Term Land Lease Agreement
- h) Site Services Agreement
- i) Employee Seconding Agreement
- j) Catalyst License Agreement
- k) Binding Term sheet – Gulf Coast
- l) Other Assignment and Assumption Agreements
- m) Ethylene supply agreement by MEGC with DEHBV / TDCC
- n) Feedstock supply agreement by MEGC with DEHBV / TDCC for the USGC Project
- o) Master service agreement with DEHBV / TDCC
- p) Ethylene Oxide (EO)/EG Swap Agreement (MEGC)
- q) Technology License Intellectual Property (IP) Agreement (MEGC)
- r) Catalyst Supply Agreement (MEGC)
- s) Storage Sublease (MEGC)
- t) Ground Lease (MEGC)
- u) Utilities Services Agreements (MEGC)
- v) Technical Services Agreement (MEGC)

Details of significant related party transactions are disclosed below:

	US\$ million	
	30 June 2022	30 June 2021
<b>a) Sales and management fee</b>		
Polypropylene plant management fees from PIC	0	0
Styrene plant management fees from TKSC	1	1
Aromatics Plant management fees from KPPC	2	2
Sale of utilities and services to KPPC, TKSC and PIC	20	20
Operating cost reimbursed by PIC for running of Polypropylene plant	2	4
Operating and utility cost reimbursed by TKSC for running of Styrene plant	30	26
Operating and utility cost reimbursed by KPPC for running of Aromatics plant	36	37

**Notes to the combined condensed interim financial information of  
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*for the six-month period ended 30 June 2022*

	<b>US\$ million</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
<b>b) Purchases and expenses</b>		
Feed gas and fuel gas purchased from KPC	194	167
Ethylene Purchase from Dow Chemical Canada ULC	153	110
Ethylene Purchase from TDCC	158	53
Service cost reimbursed to Dow Chemical Canada ULC	50	7
Service cost reimbursed to TDCC	4	4
Service cost reimbursed to DEHBV	6	18
Glycol purchase from TDCC	86	73
Catalyst purchased from UNIVATION	3	6
Operating costs reimbursed to EMC	1	1
Staff secondment costs reimbursed to DEHBV	1	1
Tugging fees payments to Kuwait Oil Company K.S.C.C. (“KOC”)	4	4
	<b>US\$ million</b>	
	<b>30 June 2022</b>	<b>30 June 2021</b>
<b>c) Key management compensation</b>		
Salaries, short term and terminal benefits	3	3
	<b>US\$ million</b>	
	<b>30 June 2022</b>	<b>31 December 2021 (Audited)</b>
<b>d) Due from related parties</b>		
Due from PIC	1	2
Due from UCC	15	3
Due from TDCC	3	4
Due from Dow Chemical Canada ULC	-	8
Due to Dow Europe GMBH	4	2
Due from TKSC	10	11
Due from KPPC	0	13
Due from KPC	-	0
Due from Kuwait National Petroleum Corporation K.S.C.C.	-	0
Due from Others	0	0
	<b>33</b>	<b>43</b>



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	US\$ million	
	30 June 2022	31 December 2021 (Audited)
<b>e) Due to related parties</b>		
Due to KPC	97	60
Due to PIC	2	3
Due to Kuwait Oil Company K.S.C	5	4
Due to TDCC	5	1
Due from Dow Chemical Canada ULC	6	7
Due to Dow Canada Limited	3	1
Due to DEHBV	6	3
Due to KPPC	0	2
Due to UNIVATION		-
Due to TKSC	0	1
Others	6	0
	130	82

**6. Additional Business and Geographical Information**

***Basis for segmentation***

The Reporting Entity have one significant business segment i.e; Performance Materials & Chemicals (“PMC”), which is the reportable segment. This business segment manufactures and markets different types of basic petrochemical products.

Equate Management Team (“EMT”), a committee comprises of certain board members of EQUATE Group and TKOC and key members of management, reviews the internal management reports of segments to monitor the performance and allocate capital. Earnings before Interest, Tax, Depreciation and Amortization (“EBITDA”) is the key measure used to monitor the performance of business because management believes that this information is the most relevant in evaluating the results of the business relative to other entities that operate in the similar industries. In addition to PMC business, EQUATE is engaged in managing operations of petrochemical plants of certain related parties, which did not meet the quantitative threshold for reportable segment.

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**Information about reportable segments**

	US\$ million					
	30 June 2022			30 June 2021		
	PMC	Others	Total	PMC	Others	Total
External segment revenue	2,146	92	2,238	1,951	90	2,041
EBITDA	831	24	855	842	27	869
Net profit for the period	532	5	537	530	13	543
Interest income	(1)	-	(1)	(3)	-	(3)
Interest expenses	106	2	108	128	2	130
Depreciation, amortization and reservation rights	164	17	181	161	12	173
Income tax / KFAS / Zakat	30	0	30	26	0	26

**Geographical information**

PMC business is managed on a worldwide basis, but operate manufacturing facilities and sales offices primarily in Kuwait, Canada, Germany, Dubai, Hong Kong, Singapore and United States of America. The geographical information analyses the Reporting Entity's revenue by the Company's country of domicile and other countries. In presenting the geographical information, the segment revenue has been based on geographic location of customers.

Revenue by product / services and geography	US\$ million				
	EG	PE	PET	Others	Total
<b>30 June 2022</b>					
Americas	305	-	-	-	305
North Asia	590	106	-	-	696
India sub-continental	304	54	-	-	358
Europe	175	89	264	-	528
Rest of the World*	56	203	-	92	351
External revenue	1,430	452	264	92	2,238

Revenue by product / services and geography	US\$ million				
	EG	PE	PET	Others	Total
<b>30 June 2021</b>					
Americas	265	-	-	-	265
North Asia	648	165	-	-	813
India sub-continental	236	34	-	-	270
Europe	146	62	157	-	365
Rest of the World*	58	180	-	90	328
External revenue	1,353	441	157	90	2,041

\* Rest of the World includes revenue from Kuwait of US\$ 35 million (2021: US\$ 30 million)

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Timing of revenue recognition

	US\$ million	
	30 June 2022	30 June 2021
Products transferred at a point in time	1,984	1,848
Products and services transferred over time	162	103
Revenue from contracts with customers	2,146	1,951
Other revenue	92	90
	2,238	2,041

EBITDA by product line	US\$ million				
	EG	PE	PET	Others	Total
<b>30 June 2022</b>	548	250	33	24	855
<b>30 June 2021</b>	573	260	9	27	869

**7. Financial instruments**

*Fair value measurement*

The fair value of the financial instrument is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

When measuring the fair value of an asset or a liability, the Reporting Entity uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (Unobservable inputs).

*Forward foreign exchange contracts*

Foreign currency exposure risks are managed by dealing in forward contracts within the pre-approved limits. The EQUATE Group deals in forward foreign exchange contracts to manage its foreign currency positions and cash flows.

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The net notional value of the forward exchange contracts (off Balance Sheet exposure) as at 30 June 2022 is as follows:

	US\$ million	
	30 June 2022	31 December 2021 (Audited)
<b>Long position</b>		
KD	907	1,037
CAD	89	121
Others	77	42
<b>Short position</b>		
KD	367	461
CAD	56	62
Others	88	97

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 2022 amounting to US\$ 1.5 million (31 December 2021: US\$ 4 million).

*Cash flow hedge*

- i) The Reporting Entity 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 Reporting Entity 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

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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 2022	31 December 2021
		(Audited)
Notional amount:	2	7
Fair value	0	1

- ii) At 30 June 2022, the Reporting Entity had an interest rate swap agreement in place with a notional amount of USD 360 million (2021: USD 100 million) whereby the Reporting Entity receives a fixed rate of interest of 1.87% and pays interest at a variable rate equal to SOFR+ margin on the notional amount. The swap is being used to hedge the changes in the value of the company forecasted cash flow arising from the issuance of future debt instruments against benchmark interest risk changes.

There is an economic relationship between the hedged item and the hedging instrument as there is an expectation that the value of the hedging instrument and the value of the hedged item would move in the opposite direction as a result of the common underlying or hedged risk. The Reporting Entity has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. To test the hedge effectiveness, the Reporting Entity uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- Different interest rate curve applied to discount the hedged item and hedging instrument
- Differences in timing of cash flows of the hedged item and hedging instrument
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged items.

	US\$ million	
	30 June 2022	31 December 2021
		(Audited)
Notional amount:	360	100
Fair value	19	0

The Reporting Entity 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.

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The fair values of all financial instruments carried by the Reporting Entity as at 30 June 2022, that are not carried at fair value, are not materially different from their carrying values.

*Financial risk management*

All aspects of the Reporting Entity's financial risk management objectives and policies are consistent with those disclosed in the combined financial statements of EQUATE Group and financial statements of TKOC for the year ended 31 December 2021.

**8. Commitments and contingent liabilities**

The Reporting Entity has a fixed gas purchase commitment with a related party of approximately US\$ 1 million (31 December 2021: US\$ 1 million) per day until the agreement is cancelled in writing by the parties.

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

The EQUATE Group under the Ethylene Supply Agreement has a commitment to purchase and obligates DCC ULC to supply a contract quantity of ethylene each year through 2024 with an additional two five-year extensions through to 2034 in respect of manufacturing plants in Alberta.

The EQUATE Group under the Ethylene Supply Agreement has a commitment to purchase and obligates The Dow Chemical Company to supply 26.7% of output of one of Dow's ethylene crackers (TX-9), for USGC project, through the earlier of A) Dow Cracker facility permanently cease to operate or B) MEGlobal USGC plants cease to operate, subject to certain other conditions. The useful life of this asset is 25 years, starting from 2019.

MEGlobal Americas Inc., MEGlobal Canada ULC and its wholly owned subsidiary Alberta & Orient Glycol Company ULC ("the subsidiaries") has entered into short term arrangements to obtain the right to use 8,585,796 troy ounces (2021: 8,486,043 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 2021-2022 and are guaranteed by MEGlobal BV. The subsidiaries pays lease fees for these arrangements which are expensed over the terms of such arrangements. The subsidiaries also bears the risk of loss of silver resulting from usage.

The following summarizes the quantity and value of silver outstanding at 30 June 2022 under such arrangements:

Bank	30 June 2022			31 December 2021 (Audited)		
	Credit Limit US\$ million	Qty (TOZ)	Silver Value US\$ million	Credit Limit US\$ million	Qty (TOZ)	Silver Value US\$ million
HSBC	175	5,614,295	121	175	6,414,889	155
Sumitomo	114	2,971,501	64	100	2,071,154	57
Standard Chartered	-	-	-	85	-	-
Citibank	-	-	-	40	-	-
<b>Total</b>	<b>289</b>	<b>8,585,796</b>	<b>192</b>	<b>400</b>	<b>8,486,043</b>	<b>212</b>

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In addition to the above, the Reporting Entity had the following commitments and contingent liabilities outstanding as at 30 June 2022:

	US\$ million	
	30 June 2022	31 December 2021 (Audited)
Letters of credit and letters of guarantee	12	16
Capital commitments	30	14

*Contingent liabilities*

**Corporation Income Tax Assessment from the Canadian Revenue Agency**

Following the completion of audit report for the tax years 2013, 2014, 2015, 2016 and 2017, MEGlobal Canada ULC received a Corporation Income Tax re-assessment from the Canada Revenue Agency (CRA) for a transfer pricing adjustment amounting to CAD 61.6 million (US\$ 47.7 million) for 2013, CAD 75 million (US\$ 58.1 million) for 2014, CAD 75.8 million (US\$ 58.7 million) for 2015, CAD 82.3 (US \$ 63.7 million) for 2016 and CAD 140.49 (US\$ 108.8 million) for 2017. This has resulted in additional assessed federal, provincial, Part XIII tax impact and penalties of CAD 37.8 million (US\$ 29.3 million) for 2013, tax impact of CAD 45.8 million (US\$ 35.5 million) for 2014, tax impact of CAD 45.7 million (US\$ 35.4 million) for 2015 and tax impact of CAD 42.70 million (US\$ 33.1 million) for 2016. The re-assessment notice for 2017 is not issued till date.

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 awaiting to get a date for the hearing from the appeals officer.