

**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 2022**

**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 2022, the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the condensed interim financial information. Management is responsible for the preparation and presentation of these condensed interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed interim financial information based on our review.

## Scope of Review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the six month ended 30 June 2022 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 2022

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

**Condensed statement of financial position**  
*as at 30 June 2022*

	Note	US\$ '000	
		30 June 2022	31 December 2021 (Audited)
<b>Assets</b>			
Property, plant and equipment		521,158	545,910
Intangible assets		208,861	221,567
Right-of-use assets		10,569	11,190
<b>Non-current assets</b>		<u>740,588</u>	<u>778,667</u>
Inventories		2,728	3,091
Due from related parties	3	71,873	112,617
Prepayments and other receivables		12,290	11,993
Notes receivables		-	106,508
Bank balances		2,234	69
<b>Current assets</b>		<u>89,125</u>	<u>234,278</u>
<b>Total assets</b>		<u>829,713</u>	<u>1,012,945</u>
<b>Equity</b>			
Share capital		380,417	380,417
Statutory reserve		190,208	190,208
Retained earnings		91,984	366,553
<b>Total equity</b>		<u>662,609</u>	<u>937,178</u>
<b>Liabilities</b>			
Lease liability		9,007	10,117
<b>Non-current liabilities</b>		<u>9,007</u>	<u>10,117</u>
Lease liability		1,554	1,570
Accruals and other liabilities		16,648	22,917
Due to related parties	3	45,755	41,102
Trade payables		91	61
Notes payable	3	94,049	-
<b>Current liabilities</b>		<u>158,097</u>	<u>65,650</u>
<b>Total liabilities</b>		<u>167,104</u>	<u>75,767</u>
<b>Total equity and liabilities</b>		<u>829,713</u>	<u>1,012,945</u>

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

*Nadia Al-Hajji*

Nadia Al-Hajji  
 Chairperson

*Naser Aldousari*

Naser Aldousari  
 President & Chief Executive  
 Officer

**The Kuwait Olefins Company K.S.C.C.**  
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**Condensed statement of profit or loss and other comprehensive income**  
*for the six-month period ended 30 June 2022*

	<b>US\$ '000</b>	
	<b>2022</b>	<b>2021</b>
Sales	324,777	327,758
Cost of sales	(185,632)	(154,772)
<b>Gross profit</b>	<b>139,145</b>	<b>172,986</b>
General, administrative and selling expenses	(2,146)	(2,192)
Foreign exchange gain	344	177
<b>Profit from operations</b>	<b>137,343</b>	<b>170,971</b>
Finance income	1,574	976
Finance costs	(693)	(2,875)
<b>Profit before contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”), Zakat and Board of Directors’ remuneration</b>	<b>138,224</b>	<b>169,072</b>
Contribution to KFAS	(1,395)	(1,724)
Contribution to Zakat	(802)	(991)
Board of Directors’ remuneration	(27)	(27)
<b>Net profit for the period</b>	<b>136,000</b>	<b>166,330</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>136,000</b>	<b>166,330</b>

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

**The Kuwait Olefins Company K.S.C.C.**  
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**Condensed statement of changes in equity**  
*for the six month period ended 30 June 2022*

	US\$ '000			Total
	Share capital	Statutory reserve	Retained earnings	
<b>Balances as at 1 January 2021 (audited)</b>	380,417	190,208	173,186	743,811
Net profit for the period	-	-	166,330	166,330
<b>Total comprehensive income</b>	-	-	166,330	166,330
Dividend declared (note 6)	-	-	(173,186)	(173,186)
<b>Balance as at 30 June 2021</b>	<b>380,417</b>	<b>190,208</b>	<b>166,330</b>	<b>736,955</b>
<b>Balances as at 1 January 2022 (audited)</b>	380,417	190,208	366,553	937,178
Net profit for the period	-	-	136,000	136,000
<b>Total comprehensive income</b>	-	-	136,000	136,000
Dividend declared (note 6)	-	-	(410,569)	(410,569)
<b>Balance as at 30 June 2022</b>	<b>380,417</b>	<b>190,208</b>	<b>91,984</b>	<b>662,609</b>

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

**The Kuwait Olefins Company K.S.C.C.**  
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**Condensed statement of cash flows**  
*for the six-month period ended 30 June 2022*

	Note	US\$ '000	
		2022	2021
<b>Cash flows from operating activities</b>			
Net profit for the period		136,000	166,330
<i>Adjustments for:</i>			
Depreciation		26,765	24,302
Amortisation		12,706	12,706
Finance costs		693	2,875
Finance income		(1,574)	(976)
Provision for KFAS and Zakat		2,197	2,715
		<u>176,787</u>	<u>207,952</u>
<i>Changes in:</i>			
- Inventories		363	(2,336)
- due from related parties		40,744	53,949
- prepayments and other receivables		(297)	(6,390)
- accruals and other liabilities		(8,466)	(9,070)
- due to related parties		4,653	(85,237)
- trade and other payables		30	(1,450)
		<u>213,814</u>	<u>157,418</u>
<b>Net cash from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,392)	(1,127)
Purchase of intangible assets		-	(116)
Notes receivable		106,508	-
Finance income received		1,574	-
		<u>106,690</u>	<u>(1,243)</u>
<b>Net cash (used in) / generated from investing activities</b>			
<b>Cash flows from financing activities</b>			
Repayments of long-term loan, net		-	-
Finance costs paid		(474)	(241)
Lease payments		(1,345)	(794)
Notes payable		94,049	18,058
Dividend paid	6	(410,569)	(173,186)
		<u>(318,339)</u>	<u>(156,163)</u>
<b>Net cash used in financing activities</b>			
<b>Net increase in cash and cash equivalents</b>			
		2,165	12
Cash and cash equivalents at beginning of the period		69	60
		<u>2,234</u>	<u>72</u>
<b>Cash and cash equivalents at end of the period</b>			

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

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

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**1. Reporting entity**

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

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

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

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 Chairperson and President & Chief Executive Officer on 15 August 2022.

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

**2. Basis of preparation**

a) Statement of compliance

These 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 Company's last annual financial statements as at and for the year ended 31 December 2021 ("last annual financial statements"). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements. 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) Judgments and estimates

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

c) Significant accounting policies

The accounting policies applied in this condensed interim financial information are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2021. A number of new standards and amendments standards are effective from 1 January 2022, but they did not have any material effect on the Company's condensed interim financial information.



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

**3. Related party transactions**

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

During 2004, DEHBV and PIC initiated a number of joint venture petrochemical projects (“Olefins II projects”) in Kuwait to manufacture polyethylene, ethylene glycol and styrene monomer. The Olefins II projects consists of the EQUATE Petrochemical Company K.S.C.C (EQUATE) expansion project, the incorporation and development of the Company and The Kuwait Styrene Company (“TKSC”).

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

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

On 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, DEHBV, PIC and EQUATE for the provision of various services to the Company during the development of the Plant under construction. Since then, the plant has been constructed and it is fully operational.

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.

During 2021, EQUATE acquired a Sea Cooling Tower from PIC. Pursuant to MUSA and other agreements, the Company contributed reservation right fees to EQUATE that represent 68.11% of acquisition costs incurred by EQUATE on the Sea Cooling Tower acquired and owned by EQUATE. The percentage contribution of reservation right fees is based on the usage percentage of Sea Cooling Tower by the Company.

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

**Operational Facility** – Under the cash management services provided by MEG B.V, EQUATE Group entities and TKOC have an overnight cash sweeping facility with MEG B.V. Under this arrangement, the EQUATE Group entities and TKOC sweeps selected bank accounts with MEG B.V. This allows EQUATE Group entities and TKOC either to invest or borrow funds on an overnight basis. Under the terms of the agreement, EQUATE Group entities and TKOC can borrow or deposit with MEG B.V at interest rate of LIBOR plus a positive spread set agreed between the managements of EQUATE Group and TKOC. The spread is determined taking into consideration the economic factors such as the creditworthiness of counterpart, characteristics of the debt financing arrangement etc. Amounts outstanding as at 30 June 2022 under these arrangements were a net liability of US\$ 94,049 thousand (2021: net asset of US\$ 106,508 thousand). These are indefinite arrangements subject to termination by either party of which the interest is accrued monthly.

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

Details of related party transactions and balances are as follows.

	<b>US\$ '000</b>	
	<b>30 June 2022</b>	<b>31 December 2021</b>
		<b>(Audited)</b>
<b>Notes receivable</b>		
Working capital loan from ME Global B.V.	-	106,508
	-	106,508
<b>Notes payable</b>		
Working capital loan from ME Global B.V.	94,049	-
	94,049	-
<b>Due from related parties</b>		
Due from EQUATE	69,509	105,389
Due from PIC	1,443	1,338
Due from TKSC	-	4,990
Due from MEGlobal International FZE	-	-
Due from Dow	660	634
Due from Kuwait Paraxylene Production Company K.S.C.C. (“KPPC”)	261	266
	71,873	112,617
<b>Due to related parties</b>		
Due to EQUATE	10,836	16,491
Due to KPPC	273	139
Due to KPC	33,952	23,002
Due to Kuwait Oil Company K.S.C. (“KOC”)	694	1,470
	45,755	41,102

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

	US\$ '000	
	30 June 2022	31 December 2021
		(Audited)
<b>Dividend payable (included in accruals and other liabilities)</b>		
Due to shareholders	-	683
	US\$ '000	
	30 June 2022	30 June 2021
<b>Transactions</b>		
<b>Sales</b>		
Sales of EG to MEGlobal	260,378	269,381
Sales to EQUATE, KPPC, TKSC and PIC	64,398	58,377
<b>Expenses</b>		
Feed gas purchased from KPC	66,995	55,330
Olefins II plant management fees to EQUATE	1,215	1,225
Toggling fees payments to KOC	4,355	4,472
Operating and utility cost reimbursed to EQUATE for running the Olefins II plant	68,526	60,987
Interest expense on long term loan and notes payable from EQUATE and MEGlobal B.V.	1,224	2,634
<b>Finance income</b>		
Interest income on notes receivable from MEGlobal B.V.	349	976

**4. Commitments and contingent liabilities**

The Company has a fixed gas purchase commitment with a related party of approximately US\$ 372,196 (31 December 2021: US\$ 345,949) per day until the agreement is cancelled in writing by both parties.

On 3 November 2016, the EQUATE Group established a US\$ 4 billion Global Medium Term Note Programme ("GMTN 1") and issued notes amounting to US\$ 2.25 billion ("GMTN 1 Notes") which included fixed interest rate notes amounting to US\$ 1,000 million with a 5 years tenor maturing in 2022 and fixed interest rate notes amounting to US\$ 1,250 million with a 10 years tenor maturing in 2026. During the period, the EQUATE Group bought back notes worth USD 572 million from GMTN 1 and has outstanding balance of USD 1,677 million as at reporting date. The payments of all amounts due in respect of GMTN 1 Notes is unconditionally and irrevocably guaranteed, jointly and severally by the Company and EQUATE Group. GMTN 1 Notes are listed on EURONEXT.

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

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In May 2021, the EQUATE Group established a US\$ 4 billion Global Medium Term Note Programme (“GMTN 2”) and issued notes amounting to USD 1.6 billion (“GMTN 2 Notes”) which included notes amounting to US\$ 1,000 million with a 5 years tenor maturing in 2025 and notes amounting to US\$ 600 million with a 10 years tenor maturing in 2030. The payments of amounts due in respect of GMTN 2 notes is unconditionally and irrevocably guaranteed, jointly and severally, and not severally, by the Company and EQUATE Group. GMTN 2 notes are listed on EURONEXT.

In May 2021, the EQUATE Group also established a US\$ 2 billion sukuk programme (“Sukuk 2”). The payments of all amounts due in respect of Sukuk 2 is guaranteed by the Company. No trust certificates are issued under Sukuk 2.

During 2021, the EQUATE Group borrowed a 3-year Term and Murabaha loan amounting to US\$ 300 million from local banks. This loan has been guaranteed by the Company.

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

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

	US\$ ‘000	
	30 June 2022	31 December 2021 (Audited)
Capital commitments	210	380

**5. Financial instruments - fair value measurement and risk management**

*Fair value measurement*

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

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

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

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*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 2022 is as follows:

	<b>US\$ '000</b>	
	<b>30 June 2022</b>	<b>31 December 2021</b>
		<b>(Audited)</b>
<b>Short position</b>		
Euro	1,044	9,104
<b>Long position</b>		
Euro	-	9,057

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. The fair value of the forward foreign exchange contract as at 30 June 2022 amounting to US\$ 4 thousand (31 December 2021:US\$ 3,500 thousand).

*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 2021.

**6. Annual General Assembly**

At the annual general meeting held on 22 March 2022, the shareholders approved the Board of Directors recommendation to distribute cash dividend of 34.58 cents per share amounting to US\$ 366,553 thousands (2020: 16.34 cents per share amounting to US\$ 173,186 thousands). In the current period, the Company paid dividend amounting to US\$ 410,569 thousands (2021: US\$ 173,186 thousands).