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 2023

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 2023, the related 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* as issued by the International Accounting Standards Board ***(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 2023 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.

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

Kuwait: 27 August 2023

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

as at 30 June 2023

	Note	US$ million 30 June 2023	US$ million 31 December 2022 (Audited)
Assets			
Property, plant and equipment		2,837	2,818
Goodwill		1,689	1,689
Intangible assets		232	255
Right-of-use assets		317	332
Deferred tax assets		45	47
Deferred charges and other assets		808	831
Non-current assets		5,928	5,972
Inventories		220	230
Due from related parties	*5*	72	57
Trade and other receivables		605	661
Deferred charges and other assets		57	55
Cash and bank balances	*3*	358	468
Current assets		1,312	1,471
Total assets		7,240	7,443
Equity			
Share capital		1,080	1,080
Treasury shares		(450)	(450)
Statutory reserve		540	540
Retained earnings		67	122
Remeasurement of retirement benefit obligation		35	35
Foreign currency translation reserve		10	13
Hedge reserve		25	29
Total equity		1,307	1,369
Liabilities			
Loans and borrowings	*4*	3,831	4,179
Deferred income		126	141
Lease liability		311	327
Deferred tax liabilities		138	148
Retirement benefit obligation		378	370
Long term incentives		2	2
Non-current liabilities		4,786	5,167
Loans and borrowings	*4*	500	150
Long term incentives		5	3
Lease liability		26	26
Deferred income		19	15
Due to related parties	*5*	132	127
Trade and other payables		465	586
Current liabilities		1,147	907
Total liabilities		5,933	6,074
Total equity and liabilities		7,240	7,443

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 2023

	Note	US$ million 2023	2022 (Audited)
Sales	*6*	1,518	2,238
Cost of sales		(1,297)	(1,541)
Gross profit		221	697
Management fee	*5*	3	3
Reservation right fees		8	8
General, administrative and selling expenses		(31)	(37)
Other expenses		(1)	(0)
Foreign exchange (loss) / gain		(2)	3
Profit from operations		198	674
Finance income		4	1
Finance costs		(110)	(108)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), Zakat, tax on subsidiaries and Board of Directors' remuneration		92	567
Contribution to KFAS		(2)	(5)
Contribution to Zakat		(1)	(3)
Tax on subsidiaries		(0)	(22)
Board of Directors' remuneration		(0)	(0)
Net profit for the period		89	537
Other comprehensive income / (loss)			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences		(3)	(6)
Fair value of cashflow hedge		(4)	18
Other comprehensive (loss) / income for the period		(7)	12
Total comprehensive income for the period		82	549

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 2023

	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 2022 (audited)	1,080	(450)	540	1,109	(13)	23	1	2,290
Net profit for the period	-	-	-	537	-	-	-	537
Other comprehensive (loss) / income	-	-	-	-	-	(6)	18	12
Total comprehensive income for the period	-	-	-	537	-	(6)	18	549
Dividends	-	-	-	(1,336)	-	-	-	(1,336)
Balance as at 30 June 2022	1,080	(450)	540	310	(13)	17	19	1,503
Balances as at 1 January 2023 (audited)	1,080	(450)	540	122	35	13	29	1,369
Net profit for the period	-	-	-	89	-	-	-	89
Other comprehensive loss	-	-	-	-	-	(3)	(4)	(7)
Total comprehensive income for the period	-	-	-	89	-	(3)	(4)	82
Dividends	-	-	-	(144)	-	-	-	(144)
Balance as at 30 June 2023	1,080	(450)	540	67	35	10	25	1,307

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 2023

	Note	US$ million 2023	2022
Cash flows from operating activities			
Net profit for the period		89	537
Adjustments for:			
Depreciation		140	142
Amortisation of intangibles and deferred assets		47	47
Reservation right fees		(8)	(8)
Finance costs		110	108
Finance income		(4)	(1)
Provision for retirement benefit obligation		31	22
Foreign exchange loss on retirement benefit obligations		(6)	(5)
Provision for long term incentives		8	4
		407	846
Changes in:			
Inventories		10	(12)
Due from related parties		(15)	10
Trade and other receivables		56	113
Deferred charges and other assets		-	0
Due to related parties		5	48
Trade and other payables		(139)	63
Retirement benefit obligation paid		(18)	(18)
Long term incentives paid		(6)	(6)
Net cash from operating activities		300	1,044
Cash flows from investing activities			
Purchase of property, plant and equipment		(142)	(37)
Investment in staff saving scheme		0	(2)
Finance income received		4	5
Net cash used in investing activities		(138)	(34)
Cash flows from financing activities			
Buy back of notes	*4*	-	(428)
Loan origination fee paid	*4*	(2)	(2)
Lease payments		(23)	(22)
Finance costs paid		(103)	(113)
Dividends paid		(144)	(1,336)
Net cash used in financing activities		(272)	(1,901)
Net decrease in cash and cash equivalents		(110)	(891)
Cash and cash equivalents at beginning of the period		408	1,219
Cash and cash equivalents at end of the period	*3*	298	328

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

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 2023 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:

Name of entity	Country of incorporation	Principal business	Percentage of holdings 30 June 2023	31 December 2022
MEGlobal B.V	Netherlands	Holding Company	-*	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	0%	100%
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%
Held through MEGC				
Alberta & Orient Glycol Company ULC	Canada	Manufacturing and sales of EG	100%	100%

The downstream merger of Equate Petrochemical B.V (Disappearing Company) with MEGlobal B.V. (Acquiring Company) was effective date as of 1 January 2023. MEGlobal B.V. is the surviving entity, post the merger.

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 27 August 2023.

2. Basis of preparation

a) Statement of compliance

These combined condensed interim financial information for the six months period ended 30 June 2023 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 2022 ("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 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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 2023, prepared in accordance with IAS 34 *Interim Financial Reporting.*

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 2022 except for the amendments to IFRS which are effective for annual accounting period starting from 1 January 2023.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 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 cash equivalents

	US$ million	
	30 June 2023	31 December 2022 (Audited)
Bank balances	133	162
Term deposits	225	306
Cash and cash equivalents in the statement of financial position	358	468
Less: Amount reserved relating to staff saving scheme	(60)	(60)
Cash and cash equivalents in the statement of cash flows	298	408

The effective interest rate on term deposits as at 30 June 2023 was 4.38% (as at 31 December 2022: 0.93%) per annum.

4. Loans and borrowings

	US$ million	
	30 June 2023	**31 December 2022 (Audited)**
Balance at 1 January	4,329	4,753
Loan origination fee	(2)	(2)
Amortization for the period	4	6
Repayment of long term loan	-	(75)
Buy back of bonds	-	(428)
New loan facilities (Murabaha and Term loan facility)	-	75
Balance at 30 June	4,331	4,329
Non-current	3,831	4,179
Current	500	150
	4,331	4,329

	USD million	
	2023	**2022 (Audited)**
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 semi annual 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
vi) Term loan facility amounting to US$ 225 million having a term of 3 years, maturing in June 2026, with an effective interest rate of Term SOFR + 1.60% per annum. Out of the US$ 225 million, US$ 75 million was repaid in 2022.	150	150
vii) Murabaha facility amounting to US$ 150 million having a term of 3 years, maturing in December 2024, with an effective profit rate of Term SOFR + 1.60% per annum.	150	150
	4,334	4,334

The effective interest rate as at 30 June 2023 on the term and murabaha loans is 6.49% (31 December 2022: 3.39%).

As at 30 June 2023, medium term notes described in i), ii), iii) and iv) above are quoted at 96.03, 97.99, 101.31 and 87.35 respectively (31 December 2022: 95.75, 98.35, 100.67 & 87.14 respectively). These quotes are based on level 1 inputs of fair value. All the notes are listed on EURONEXT.

As at 30 June 2023, Sukuk described in v) are quoted at 98.92 (31 December 2022: 98.16), based on level 1 inputs of fair value and listed in EURONEXT.

In 2023, the Group has extended the maturity date of the US$ 500 million revolving credit facility for one year to 2025.

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

In 2021, the 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 Group secured a new bilateral revolving facility amounting $200 million valid until 2025 with one year extension option.

In 2022, The Group secured 3 years Murabaha Working Capital Facility amounting US$ 150 million valid until 2025 with two years extension option.

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 2020, 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.

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 2023	**30 June 2022**
a) Sales and management fee		
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	28	20
Operating cost reimbursed by PIC for running of Polypropylene plant	3	2
Operating and utility cost reimbursed by TKSC for running of Styrene plant	25	30
Operating and utility cost reimbursed by KPPC for running of Aromatics plant	37	36

	US$ million	
	30 June 2023	**30 June 2022**
b) Purchases and expenses		
Feed gas and fuel gas purchased from KPC	188	194
Ethylene Purchase from Dow Chemical Canada ULC	-	153
Ethylene Purchase from TDCC	85	158
Service cost reimbursed to Dow Chemical Canada ULC	53	50
Service cost reimbursed to TDCC	5	4
Service cost reimbursed to DEHBV	-	6
Glycol purchase from TDCC	21	86
Catalyst purchased from UNIVATION	4	3
Operating costs reimbursed to EMC	-	1
Staff secondment costs reimbursed to DEHBV	-	1
Tugging fees payments to Kuwait Oil Company K.S.C.C. (“KOC”)	4	4

	US$ million	
	30 June 2023	**30 June 2022**
c) Key management compensation		
Salaries, short term and terminal benefits	1	3

	US$ million	
	30 June 2023	**31 December 2022 (Audited)**
d) Due from related parties		
Due from PIC	1	1
Due from UCC	2	4
Due from TDCC	4	4
Due from Dow Chemical Canada ULC	15	11
Due to Dow Europe GMBH	2	0
Due from TKSC	16	20
Due from KPPC	32	17
Due from Kuwait National Petroleum Corporation K.S.C.C.	-	0
	72	57

	US$ million	
	30 June 2023	**31 December 2022 (Audited)**
e) Due to related parties		
Due to KPC	108	96
Due to PIC	3	3
Due to Kuwait Oil Company K.S.C	1	2
Due to TDCC	2	3
Due from Dow Chemical Canada ULC	12	12
Due to Dow Canada Limited	3	2
Due to DEHBV	-	6
Due to KPPC	2	-
Due to UNIVATION	-	1
Due to TKSC	1	-
Due to KNPC	-	2
	132	127

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.

Information about reportable segments

	US$ million					
	30 June 2023			30 June 2022		
	PMC	**Others**	**Total**	**PMC**	**Others**	**Total**
External segment revenue	1,314	204	1,518	2,146	92	2,238
EBITDA	352	25	377	831	24	855
Net profit for the period	81	8	89	532	5	537
Interest income	(4)	0	(4)	(1)	-	(1)
Interest expenses	108	2	110	106	2	108
Depreciation, amortization and reservation rights	165	15	180	164	17	181
Income tax / KFAS / Zakat	3	0	3	30	0	30

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**
30 June 2023					
Americas	195	-	-	-	195
North Asia	467	76	-	-	543
India sub-continental	235	29	-	-	264
Europe	119	41	52	-	212
Rest of the World*	67	139	-	98	304
External revenue	1,083	285	52	98	1,518

Revenue by product / services and geography			**US$ million**		
	EG	**PE**	**PET**	**Others**	**Total**
30 June 2022					
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

* Rest of the World includes revenue from Kuwait of US$ 30 million (2022: US$ 35 million)

Timing of revenue recognition

	US$ million	
	30 June 2023	**30 June 2022**
Products transferred at a point in time	1,295	1,984
Products and services transferred over time	131	162
Revenue from contracts with customers	1,426	2,146
Other revenue	92	92
	1,518	2,238

EBITDA by product line			**US$ million**		
	EG	**PE**	**PET**	**Others**	**Total**
30 June 2023	273	93	(14)	25	377
30 June 2022	548	250	33	24	855

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

The net notional value of the forward exchange contracts (off Balance Sheet exposure) as at 30 June 2023 is as follows:

	US$ million	
	30 June 2023	31 December 2022 (Audited)
Long position		
KD	919	1,077
CAD	79	122
Others	45	18
Short position		
KD	435	522
CAD	48	71
Others	49	33

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 2023 amounting to US$ 0 million (31 December 2022: US$ 0 million).

Cash flow hedge

At 30 June 2023, the Reporting Entity had an interest rate swap agreement in place with a notional amount of USD 0 million (2022: USD 340 million) whereby the Reporting Entity receives a fixed rate of interest 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 the terms of the interest rate swap match the terms of the fixed rate GMTN notes (i.e., notional amount, maturity, payment and reset dates). 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 2023	**31 December 2022**
		(Audited)
Notional amount:	-	340
Fair value	-	29

The Reporting Entity uses the level 2 hierarchy inputs to measure the fair value of derivative financial instruments.

During 2023, the hedging instrument was sold prior to maturity, accordingly the hedge accounting was discontinued prospectively. Since the hedge accounting for cash flow hedges is discontinued, the amount of USD 25 million (2022: USD 4 million) has been accumulated in the hedge reserve which remains in equity until, it is reclassified to consolidated statement of profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

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 Reporting Entity as at 30 June 2023, 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 2022.

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 2022: 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.

Group has entered short term arrangements to obtain the right to use 15,547,563 troy ounces (2022: 16,988,159 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 2023-2024 and are guaranteed by EQUATE Petrochemical Company K.S.C.C. The subsidiaries pay lease fees for these arrangements which are expensed over the terms of such arrangements. The subsidiaries also bear the risk of loss of silver resulting from usage.

The following summarizes the quantity and value of silver outstanding at 30 June 2023 under such arrangements:

	30 June 2023			31 December 2022		
Bank	**Credit Limit US$ million**	**Qty (TOZ)**	**Silver Value US$ million**	**Credit Limit US$ million**	**Qty (TOZ)**	**Silver Value US$ million**
HSBC	175	3,749,443	93	175	5,333,316	108
Sumitomo	150	2,397,501	55	150	4,303,879	86
BMO	240	7,434,172	171	220	3,199,354	75
Mitsubishi		960,417	23	-	4,160,479	98
J.P. Morgan	150	1,006,031	23	-	-	-
Total	**715**	**15,547,564**	**365**	**545**	**16,997,028**	**367**

Bank	30 June 2023 Credit Limit US$ million	Qty (TOZ)	Palladuim Value US$ million	31 December 2022 Credit Limit US$ million	Qty (TOZ)	Palladuim Value US$ million
Mitsubishi		1,131	2		1,131	2
Total		**1,131**	**2**		**1,131**	**2**

In addition to the above, the Reporting Entity had the following commitments and contingent liabilities outstanding as at 30 June 2023:

	US$ million 30 June 2023	31 December 2022 (Audited)
Letters of credit and letters of guarantee	9	15
Capital commitments	17	34

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, ME-Global Canada ULC received a Corporation Income Tax re-assessments from the Canada Revenue Agency (CRA) for a transfer pricing adjustment amounting to CAD 61.6 million (US$ 46.5 million) for 2013, CAD 75 million (US$ 56.6 million) for 2014, CAD 75.8 million (US$ 57.2 million) for 2015, CAD 82.3 (US $ 62.1 million) for 2016 and CAD 140.5 (US$ 106 million) for 2017. This has resulted in additional assessed federal taxes, provincial taxes, Part XIII taxes, interest and penalties of CAD 40.3 million (US$ 30.4 million) for 2013, CAD 47.7 million (US$ 36 million) for 2014, CAD 48.6 million (US$36.6 million) for 2015, and CAD 52.4 million (US$ 39.5 million) for 2016 and CAD 88.3 million (US$ 66.6 million) for 2017.

The Management has filed notice of objections for each of the re-assessments for the years 2013, 2014, 2015, 2016 and 2017.
The Management 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 re-assessments which were appealed. The management is also of the view that no additional tax liabilities is required for these commitments as of 30 June 2023. The Management is currently awaiting to get a date for the hearing from the appeals officer.