International Petroleum Investment Company PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

30 JUNE 2016 (UNAUDITED)

pwc

Review report on interim condensed consolidated financial statements to the board of directors and shareholder of International Petroleum Investment Company PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of International Petroleum Investment Company PJSC (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2016 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting.'

Emphases of matter

We draw attention to the following notes to the interim condensed consolidated financial statements:

1. As explained in notes 13 and 23, as at 30 June 2016, the Group has recognised a receivable balance of US $ 1.7 billion (31 December 2015: US $ 1.6 billion) due from 1Malaysia Development Berhad ("1MDB") and/or the Ministry of Finance Inc, Malaysia ("MOF"). In addition, the Company has recognised a reimbursement asset receivable from 1MDB and/MOF in the amount of US $ 3.5 billion (31 December 2015: US $ 3.5 billion) being the present value of probable future payments which could be made under the joint guarantees that the Company had provided to certain 1MDB subsidiaries in 2012.

   We draw attention to notes 13 and 23 to these interim condensed consolidated financial statements which describe management's assessment of recoverability of the receivables mentioned above totalling US $ 5.2 billion (31 December 2015: US $ 5.1 billion). Management of the Group is confident that the total receivable amount referred to above is recoverable under the terms of the Binding Term Sheet entered into by the Company, its subsidiary Aabar Investments PJS, 1MDB and MOF, and has obtained legal advice supporting their position in respect of recovery of these receivables. In this respect, the Company has filed a request for arbitration (note 23.7) in a move to recover the receivable amount.

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2. As explained in note 23.6, 1MDB has alleged that payments of approximately US $ 3.5 billion were made by 1MDB and its affiliates ("1MDB Group") to a company named Aabar Investments PJS Limited ("Aabar BVI") which 1MDB further claims to be part of the Group. 1MDB has also claimed that it has benefitted from capital value guarantees for certain fund investments of 1MDB Group from Aabar Investments PJS and Aabar BVI for an amount of approximately US $ 940 million and US $ 1.5 billion respectively.

Management of the Group, however, believes that there is no basis for these allegations on account of the fact that:

a) 1MDB has not provided authenticated evidence to prove the alleged payments were made to, and alleged guarantees provided by, the Group;
b) the Group has not received any such payments from either 1MDB Group or Aabar BVI nor has the Group provided any guarantees in respect of certain fund investments of 1MDB group, nor assumed any liabilities or recognised any assets on behalf of Aabar BVI; and
c) Aabar BVI is not an entity controlled either directly or indirectly by the Group.

Our conclusion is not qualified in respect of the above matters.

Other matters

The interim condensed consolidated financial statements of the Group for the period ended 30 June 2015 were reviewed by another auditor, who expressed an unmodified conclusion on those interim condensed consolidated financial statements on 26 November 2015.

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another auditor, who expressed an unmodified opinion, with emphases of matter paragraphs, on those consolidated financial statements on 28 June 2016.

PricewaterhouseCoopers
14 November 2016

Mohamed ElBorno
Registered Auditor Number 946
Abu Dhabi, United Arab Emirates

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Period ended 30 June 2016 (Unaudited)

	Notes	*Six months ended 30 June* **2016** **US $ '000**	*2015* *US $ '000*
Revenue		**16,089,783**	18,673,001
Cost of sales		**(13,040,900)**	(15,631,208)
Gross profit		**3,048,883**	3,041,793
Share of post-tax profits of associates and joint ventures		**139,970**	331,404
Selling and distribution costs		**(971,187)**	(980,549)
General and administrative expenses		**(658,169)**	(637,923)
Research and development expenses		**(131,479)**	(200,744)
Operating profit		**1,428,018**	1,553,981
Net foreign exchange gains		**44,229**	705,820
Finance income	6	**142,784**	139,244
Finance costs	7	**(462,326)**	(544,166)
Other income		**113,385**	65,175
Other expenses		**(11,288)**	(266,330)
Losses on acquisitions and disposals		**(8,363)**	(23,475)
Other losses on financial instruments	8	**(947,433)**	(36,805)
Profit for the period from continuing operations before tax		**299,006**	1,593,444
Income tax expense		**(381,195)**	(342,414)
(Loss) profit for the period from continuing operations		**(82,189)**	1,251,030
DISCONTINUED OPERATIONS			
Loss after tax for the period from discontinued operations	4	**(8,495)**	-
(LOSS) PROFIT FOR THE PERIOD		**(90,684)**	1,251,030
(Loss) profit for the period attributable to:			
Equity holder of the parent		**(257,577)**	1,077,069
Non-controlling interests		**166,893**	173,961
		(90,684)	1,251,030
		US $	*US $*
Basic and diluted (loss) earnings per share attributable to equity holder of the parent	9	**(74)**	308

The attached notes 1 to 26 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Period ended 30 June 2016 (Unaudited)

	Six months ended 30 June	
	2016	*2015*
	US $ '000	*US $ '000*
(LOSS) PROFIT FOR THE PERIOD	**(90,684)**	1,251,030
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange gains (losses) on translation of foreign operations	**377,912**	(688,789)
Net losses arising on hedge of net investments	**(267,757)**	(223,927)
Net gains arising on cash flow hedges	**25,620**	6,551
Net losses arising on changes in fair value of available-for-sale financial assets	**(8,833)**	(228,607)
Share of other comprehensive loss of associates and joint ventures	**(47,994)**	(169,433)
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods	**78,948**	(1,304,205)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Net actuarial (losses) gains arising on defined benefit plans	**(109,232)**	8,516
Net other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods	**(109,232)**	8,516
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	**(30,284)**	(1,295,689)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(120,968)**	(44,659)
Total comprehensive loss for the period attributable to:		
Equity holder of the parent	**(341,226)**	(142,939)
Non-controlling interests	**220,258**	98,280
	(120,968)	(44,659)

The attached notes 1 to 26 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2016 (Unaudited)

	Notes	**30 June 2016 US $ '000**	*(Audited) 31 December 2015 US $ '000*
ASSETS			
Non-current assets			
Property, plant and equipment	10	**13,913,472**	13,891,507
Intangible assets	11	**2,801,558**	2,784,013
Investment properties		**2,871,835**	2,897,283
Investments in associates and joint ventures		**9,261,028**	9,150,871
Deferred tax assets		**1,163,925**	1,295,445
Investments in financial instruments	12	**2,337,684**	2,551,732
Trade and other receivables		**277,961**	244,639
Other assets	13	**7,390,447**	5,975,781
		40,017,910	38,791,271
Current assets			
Inventories		**3,146,902**	2,848,168
Trade and other receivables		**5,540,141**	5,598,072
Investments in financial instruments	12	**1,643,521**	2,286,825
Other assets	13	**1,449,701**	2,474,811
Cash and short term deposits		**5,656,069**	5,355,927
		17,436,334	18,563,803
Assets classified as held for sale	4	**402,028**	688,964
		17,838,362	19,252,767
TOTAL ASSETS		**57,856,272**	58,044,038
EQUITY AND LIABILITIES			
Equity attributable to equity holder of the parent			
Share capital	14	**3,500,000**	3,500,000
Shareholder loan	15	**1,000,000**	1,000,000
Retained earnings		**8,441,829**	8,701,552
Other reserves	16	**(3,558,765)**	(3,473,337)
		9,383,064	9,728,215
Non-controlling interests		**3,306,228**	3,290,334
Net equity		**12,689,292**	13,018,549

The attached notes 1 to 26 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued

At 30 June 2016 (Unaudited)

	Notes	*30 June 2016 US $ '000*	*(Audited) 31 December 2015 US $ '000*
EQUITY AND LIABILITIES continued			
Non-current liabilities			
Borrowings	17	**21,499,530**	19,507,767
Defined benefit plan deficit		**692,830**	540,472
Deferred tax liabilities		**1,538,669**	1,550,946
Derivative financial liabilities	19	**249,214**	89,854
1MDB guarantees	23	**3,500,000**	3,500,000
Other provisions	18	**767,576**	719,713
Trade and other payables		**98,230**	90,703
Other liabilities		**367,940**	350,510
		28,713,989	26,349,965
Current liabilities			
Trade and other payables		**7,730,329**	7,432,458
Borrowings	17	**5,851,963**	8,069,415
Other liabilities		**2,287,675**	2,403,819
Derivative financial liabilities	19	**120,941**	213,884
Other provisions	18	**166,740**	188,614
		16,157,648	18,308,190
Liabilities classified as held for sale	4	**295,343**	367,334
		16,452,991	18,675,524
Total liabilities		**45,166,980**	45,025,489
TOTAL EQUITY AND LIABILITIES		**57,856,272**	58,044,038

MANAGING DIRECTOR

CHIEF FINANCIAL OFFICER

The attached notes 1 to 26 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period ended 30 June 2016 (Unaudited)

	Attributable to equity holder of the parent						
	Share capital US $ '000	*Shareholder loan US $ '000*	*Retained earnings US $ '000*	*Other reserves US $ '000*	*Total US $ '000*	*Non-controlling interests US $ '000*	*Total equity US $ '000*
Balance at 1 January 2015	3,500,000	1,000,000	11,486,811	(2,094,645)	13,892,166	2,358,299	16,250,465
Profit for the period	-	-	1,077,069	-	1,077,069	173,961	1,251,030
Other comprehensive loss for the period	-	-	-	(1,220,008)	(1,220,008)	(75,681)	(1,295,689)
Total comprehensive income (loss) for the period	-	-	1,077,069	(1,220,008)	(142,939)	98,280	(44,659)
Acquisition of additional interest in subsidiaries	-	-	(961)	-	(961)	20,877	19,916
Acquisition of a subsidiary	-	-	-	20,707	20,707	1,033,208	1,053,915
Dividends paid to non-controlling shareholders	-	-	-	-	-	(55,387)	(55,387)
Movement in other reserves	-	-	(121,022)	37,075	(83,947)	-	(83,947)
Balance at 30 June 2015	3,500,000	1,000,000	12,441,897	(3,256,871)	13,685,026	3,455,277	17,140,303
Balance at 1 January 2016	**3,500,000**	**1,000,000**	**8,701,552**	**(3,473,337)**	**9,728,215**	**3,290,334**	**13,018,549**
(Loss) profit for the period	**-**	**-**	**(257,577)**	**-**	**(257,577)**	**166,893**	**(90,684)**
Other comprehensive (loss) income for the period	**-**	**-**	**-**	**(83,649)**	**(83,649)**	**53,365**	**(30,284)**
Total comprehensive (loss) income for the period	**-**	**-**	**(257,577)**	**(83,649)**	**(341,226)**	**220,258**	**(120,968)**
Acquisition of additional interest in subsidiaries	**-**	**-**	**(2,194)**	**-**	**(2,194)**	**(1,236)**	**(3,430)**
Dividends paid to non-controlling shareholders	**-**	**-**	**-**	**-**	**-**	**(203,222)**	**(203,222)**
Movement in other reserves	**-**	**-**	**48**	**(1,779)**	**(1,731)**	**94**	**(1,637)**
Balance at 30 June 2016	**3,500,000**	**1,000,000**	**8,441,829**	**(3,558,765)**	**9,383,064**	**3,306,228**	**12,689,292**

The attached notes 1 to 26 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Period ended 30 June 2016 (Unaudited)

	Note	*Six months ended 30 June* **2016** **US $ '000**	*2015* *US $ '000*
OPERATING ACTIVITIES			
Profit before tax from continuing operations		**299,006**	1,593,444
Loss before tax from discontinued operations		**(8,432)**	-
		290,574	1,593,444
Adjustments for:			
Depreciation and amortisation of fixed assets		**867,553**	1,062,395
Net impairment of fixed assets		**9,826**	260,295
Losses on disposals and acquisitions		**8,363**	23,475
Other losses on financial instruments		**947,433**	36,805
Finance income		**(142,784)**	(139,244)
Finance costs		**462,326**	544,166
Unrealised foreign exchange difference		**5,002**	(757,226)
Share of post-tax profits of associates and joint ventures		**(139,970)**	(331,404)
Reversal of previously recognised impairment losses in inventories		**(378,551)**	(393,241)
Other non-cash adjustments		**15,577**	(20,434)
		1,945,349	1,879,031
Working capital changes:			
Inventories		**139,377**	230,275
Trade and other receivables		**(282,739)**	(29,849)
Trade and other payables		**244,340**	171,731
Other assets and liabilities		**(279,505)**	(105,901)
		1,766,822	2,145,287
Income tax paid		**(113,008)**	(411,408)
Net cash from operating activities		**1,653,814**	1,733,879
INVESTING ACTIVITIES			
Purchase of subsidiaries, net of cash acquired		-	242,953
Purchase of financial instruments		**(97,683)**	(349,523)
Acquisition of associates and joint ventures		**(74,476)**	(116,877)
Purchase of fixed assets		**(816,344)**	(1,356,677)
Movement in financial instruments		**576,805**	442,166
Interest received		**23,517**	16,068
Dividends received		**183,638**	196,006
Advance paid against non-current asset	23	**(102,724)**	(1,000,000)
Net receipts (payments) against other assets		**82,798**	(17,027)
Net cash used in investing activities		**(224,469)**	(1,942,911)
FINANCING ACTIVITIES			
Proceeds from borrowings		**6,048,199**	4,977,143
Repayments of borrowings		**(6,524,387)**	(4,045,388)
Interest paid		**(444,422)**	(543,188)
Dividends paid to non-controlling shareholders		**(203,222)**	(55,387)
Net cash (used in) from financing activities		**(1,123,832)**	333,180
INCREASE IN CASH AND CASH EQUIVALENTS		**305,513**	124,148
Net foreign exchange difference		**(5,371)**	(118,965)
Cash and cash equivalents at 1 January		**5,355,927**	5,303,258
CASH AND CASH EQUIVALENTS AT 30 JUNE		**5,656,069**	5,308,441

The attached notes 1 to 26 form part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION

International Petroleum Investment Company PJSC ("IPIC" or the "Company") is a public joint stock company established on 29 May 1984 in Abu Dhabi, United Arab Emirates ("UAE") by Emiri Decree No 3/1984 (subsequently replaced by Emiri Decree No 2/1986). The Company is wholly owned by the Government of the Emirate of Abu Dhabi. The Company's head office is IPIC Square, Muroor Road, PO Box 7528, Abu Dhabi, UAE.

The principal activity of the Company is to invest, on a long-term basis, in overseas energy and energy-related assets and to undertake infrastructure projects. Additionally the Company's subsidiary, Aabar Investments PJS ("Aabar"), a diversified investment company, with investments across a broad range of sectors including aerospace, construction, commodities, financial services and real estate. The principal activities of the Company and its subsidiaries (the "Group") are further described in note 5.

On 29 June 2016, His Highness Sheikh Mohamed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Chairman of the Abu Dhabi Executive Council, issued a resolution to initiate the merger of IPIC and Mubadala Development Company PJSC ("Mubadala"). The resolution announced the creation of a joint steering committee to oversee the merger of the two companies. IPIC and Mubadala will continue to operate independently until a final decision from the Government of the Emirate of Abu Dhabi is made, based on the recommendation of the joint steering committee, on the effective date of the merger.

The interim condensed consolidated financial statements for the six months ended 30 June 2016 were authorised for issue by the management, on behalf of the Board of Directors, on 14 November 2016.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

The interim condensed consolidated financial statements have been presented in US Dollars ("US $"), which is the functional currency of the Company and presentation currency of the Group. All values are rounded to the nearest thousand (US $ '000) except when otherwise indicated.

2.2 STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*". It does not include all the information required for full annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2015, prepared in accordance with IFRS.

The Federal law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing law No. 8 of 1984 (as amended). The Group is currently assessing the impact of the new law and expects to be fully compliant on or before 30 June 2017.

2.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of the following new standards and interpretations effective as of 1 January 2016:

• Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
• Amendments to IAS 1 Disclosure Initiative
• Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Annual Improvements 2012-2014 Cycle

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits
- IAS 34 Interim Financial Reporting

The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

2.4 USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group’s interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments
In the process of applying the Group’s accounting policies, management has made the following additional significant judgments in 2016, apart from those involving estimations, which have the most significant effect on the amounts recognised in the interim condensed consolidated financial statements:

Consolidation of Arabtec Holding PJSC (“Arabtec”) (de facto control)
The Group, through its subsidiary Aabar, considers that it has de-facto control over Arabtec even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Arabtec with 36.11% equity interest, with the remaining equity shares being held many other shareholders. On 1 June 2016, the Group’s attendance in Arabtec’s annual general meeting was in simple majority. From 30 April 2015, the Group concluded that Aabar acquired de facto control of Arabtec, and since then there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

Recognition of deferred tax asset
The Group recognises deferred tax asset when it is highly likely that its subsidiaries, either individually or on a consolidated basis, will have sufficient future taxable profits that could be utilised in recover deductible temporary difference and unused carried forward losses/credits. At each closing date, the consolidated subsidiaries reassess recognised deferred tax asset to verify that they still qualify for recognition and they make the appropriate adjustments on the basis of the outcome of the analysis performed. These analysis are based on:

(i) the assessment of earnings estimates for each entity or tax group in accordance with their individual business plans and the Group's overall strategic plan; and
(ii) the statute of limitations period and other utilisation limits imposed under prevailing legislation in each country for the recovery of the tax credits.

The Group assessed to recognise deferred tax asset based on the best estimate of the subsidiaries’ future earnings, including certain tax planning measures and it is highly probable that the recognised deferred tax asset will be recovered.

Other significant judgements that the Group made, are disclosed within specific notes to the interim condensed consolidated financial statements, including but not limited to note 12.2 accounting of Cosmo as an available-for-sale investments, note 15 shareholder loan and note 23 1Malaysia Development Berhad (“1MDB”) transactions.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.4 USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Reserves base

The oil and gas development and production properties are depreciated on a unit of production basis at a rate calculated by reference to proved reserves estimated or revised by the Group's own engineers in accordance with Society of Petroleum Engineers rules and incorporating the estimated future cost of developing and extracting those reserves. Commercial reserves are determined using estimates of oil in place, recovery factors and future oil prices, the latter having an impact on the proportion of the gross reserves which are attributable to the host government under the terms of the Production Sharing Agreements. Future development costs are estimated using assumptions as to number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities and other capital costs.

The level of estimated commercial reserves is also a key determinant in assessing whether the carrying value of any of the Group's development and production assets have been impaired.

Impairment of investments of quoted associates

The Group's investments in its associates are accounted for using the equity method of accounting. For quoted associates, the Group compares, at the reporting date, the carrying values of those associates to their market values for any indications of impairment to the carrying values. If any such indication exists, the Group estimates the recoverable amount of the associates through an estimation of their value in use. Estimating the value in use requires the Group to make an estimate of the expected future cash flows for the periods and also choose a suitable discount rate in order to calculate the present value of those cash flows. The Group also reviews analysts' reports on the quoted associates to understand the market expectations and price consensus targets.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The uncertain tax positions, for example tax disputes, are accounted for by applying the most likely amount. The most likely amount is the single most likely amount in a range of realistically possible options. The Group evaluates the unit of account related to the uncertain tax positions on a case-by-case basis.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.4 USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions continued

Pensions and other post-employment benefits
The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension indexation increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. Also, given the allocation of assets, the market value of the plans' assets are sensitive to changes in the capital markets. All significant assumptions and assets are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the yields of high quality corporate bonds in the respective country, with terms to maturity that approximate the duration or match the projected cash flows to the Group's pension obligations. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases are based on the Group's long-term view of compensation trends and pension indexation is based on expected future inflation rates for the respective country.

Legal claims and contingencies
When assessing the possible outcomes of legal claims and contingencies, the Group rely on the opinions of the legal counsel. The opinions of the Group's legal counsel are based on the best of their professional judgment and take into consideration the current stage of the proceedings and legal experience accumulated with respect to the various matters. As the results of the claims may ultimately be determined by courts, or otherwise settled, they may be different from such estimates. Further details on legal claims and contingencies are disclosed in note 21.

3 SEASONALITY OF OPERATIONS

No income of a seasonal nature was recorded in the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2016 and 30 June 2015.

4 ASSETS CLASSIFIED AS HELD FOR SALE

	Six months ended 30 June	
	2016	*2015*
	US $ '000	*US $ '000*
Included in the consolidated statement of profit or loss:		
Loss on Arabtec's operations in Kingdom of Saudi Arabia entities	**(8,495)**	-

		(Audited)
	30 June	*31 December*
	2016	*2015*
	US $ '000	*US $ '000*
Included in the consolidated statement of financial position:		
Assets of Arabtec's operations in Kingdom of Saudi Arabia entities	**376,221**	381,120
Assets of CEPSA's PTA business	**-**	282,037
Asset of Al Yasat	**25,807**	25,807
	402,028	688,964
Liabilities of Arabtec's operations in Kingdom of Saudi Arabia entities	**295,343**	296,535
Liabilities of CEPSA's PTA business	**-**	70,799
	295,343	367,334

4 ASSETS CLASSIFIED AS HELD FOR SALE continued

Arabtec
Included in assets held for sale is Arabtec's equity interests in certain entities located in the Kingdom of Saudi Arabia. These entities were approved for disposal by Arabtec board of directors back in 2014. As management considers the sale to be highly probable and actively marketed, Arabtec's net interest in the above entities which has carrying value of US $ 80,878 thousand as at 30 June 2016 (31 December 2015: US $ 84,585 thousand) has been classified as assets held for sale in the interim condensed consolidated financial statements in accordance with *IFRS 5 ("Non-Current Assets Held For Sale And Discontinued Operations")*. The consideration for the sale of the assets is expected to be higher than the carrying amount.

5 OPERATING SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their industry classification and has five reportable operating segments.

Upstream and Integrated Investments
This segment is engaged in hydrocarbon exploration and production. The activities involve searching for potential underground or underwater crude oil and natural gas fields, drilling of exploratory wells, and subsequently drilling and operating the wells that recover and bring the crude oil and/or raw natural gas to the surface. This segment is also engaged in oil supply, refining and distributions; cogeneration of electricity; and in the distribution and retailing of electricity and natural gas. It includes the Company's investments in Compañía Española de Petróleos SA ("CEPSA"), OMV Aktiengesellschaft ("OMV") and Oil Search Limited ("OSH").

Midstream, Power & Utilities Investments
This segment is engaged in the transportation (by pipeline, oil tanker or truck), storage, and wholesale marketing of crude or refined petroleum products. This segment is also engaged in vertically integrated electric power generation, distribution of electricity and water, operation and maintenance of electricity and water plants and involved in renewable energy and environmental projects. It includes the Company's investments in Gulf Energy Maritime PJSC ("GEM"), Arab Petroleum Pipelines Company ("SUMED"), Energias de Portugal ("EDP"), Oasis International Power LLC ("Oasis") and Al Yasat Shipping Company ("Al Yasat").

Downstream investments
This segment is engaged in the refining of petroleum crude oil and the processing and purifying of raw natural gas as well as the marketing and distribution of products derived from crude oil and natural gas. This segment is also engaged in olefins and polyolefins (ethylene and polyethylene), chemical and energy co-products, expandable polystyrene and performance styrenic polymers. It includes the Company's investments in NOVA Chemicals Corporation ("NOVA"), Borealis AG ("Borealis"), Pak-Arab Refinery Limited ("PARCO") and Cosmo Oil Company ("Cosmo").

Diversified investments
This segment is engaged in investment advisory, asset management, private banking services, real estate and construction. It includes the Company's investments in Aabar Investments PJS ("Aabar"), Abu Dhabi Pakistan Holding Company ("ADPHL"), Qatar and Abu Dhabi Investment Company QSC ("QADIC"), Xojet, Inc. and Falah Growth Fund ("Falah"). Aabar, in turn, holds investments in Falcon Private Bank ("Falcon"), Arabtec Holding PJSC ("Arabtec"), RHB Capital Berhad ("RHB"), Unicredit SpA ("Unicredit"), Glencore Xstrata Plc ("Glencore"), Galactic Ventures LLC ("Virgin Galactic") and Aabar Properties Ltd.

Projects
This segment is engaged in strategic initiatives undertaken by Government of Emirate of Abu Dhabi through IPIC to construct, operate and maintain a refinery complex, construction and installation of oil pipelines, pumping stations and oil terminal storages in UAE, development of a new LNG regasification facility and a series of world-class petrochemicals complexes with access to Abu Dhabi's gas and liquid petroleum feedstock. These projects are not yet operational and are in construction phase. It includes the Company's investments in Emirates LNG LLC ("ELNG"), Abu Dhabi National Chemicals Company ("ChemaWEyaat"), Duqm Refinery and Petrochemical Industries LLC ("DRIPC"), Fujairah refinery and IPIC Refining Holdings LLC ("IRH").

Management monitors the results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss for the period and is measured consistently with profit or loss in the interim condensed consolidated financial statements.

5 OPERATING SEGMENT REPORTING continued

The following table presents revenue and results regarding the Group's operating segments:

	Upstream and integrated investments US $ '000	*Midstream, power and utilities investments US $ '000*	*Downstream investments US $ '000*	*Diversified investments US $ '000*	*Projects US $ '000*	*Corporate and others US $ '000*	*Total US $ '000*
Six months ended 30 June 2016							
Key components of the segments are							
Revenue from external customers	**9,093,377**	-	**5,736,642**	**1,245,942**	-	**13,822**	**16,089,783**
Share of post-tax profits of associates and joint ventures	(22,136)	3,423	262,586	(103,894)	(9)	-	139,970
Depreciation and amortisation of fixed assets, net	(441,421)	-	(356,672)	(61,792)	-	(7,668)	(867,553)
Net impairment of fixed assets	(5,609)	-	(4,217)	-	-	-	(9,826)
Finance income	32,605	41,964	5,331	47,345	-	15,539	142,784
Finance costs	(56,848)	-	(50,796)	(90,935)	-	(263,747)	(462,326)
Losses on acquisitions and disposals	(9,112)	-	533	193	-	23	(8,363)
Other losses on financial instruments	4,713	-	(623)	(841,192)	-	(110,331)	(947,433)
Tax expense	(134,604)	-	(245,474)	(1,117)	-	-	(381,195)
Profit (loss) for the period from continuing operations (segment results)	**330,559**	**45,387**	**955,033**	**(1,152,310)**	**(7,801)**	**(253,057)**	**(82,189)**
Loss for the period from discontinued operations (segment results)	-	-	-	**(8,495)**	-	-	**(8,495)**
Profit (loss) for the period (segment results)	**330,559**	**45,387**	**955,033**	**(1,160,805)**	**(7,801)**	**(253,057)**	**(90,684)**
Six months ended 30 June 2015							
Key components of the segments are							
Revenue from external customers	11,745,800	-	6,407,351	507,188	-	12,662	18,673,001
Share of post-tax profits (losses) of associates and joint ventures	111,384	2,657	287,721	(61,188)	(9,170)	-	331,404
Depreciation and amortisation of fixed assets, net	(677,821)	-	(347,292)	(29,739)	-	(7,543)	(1,062,395)
Net impairment of fixed assets	(9,926)	-	(18,514)	(231,855)	-	-	(260,295)
Finance income	43,780	32,741	5,632	51,185	-	5,906	139,244
Finance costs	(54,631)	-	(64,778)	(120,659)	-	(304,098)	(544,166)
(Losses) gains on acquisitions and disposals	21,973	-	134	(45,582)	-	-	(23,475)
Other gains (losses) on financial instruments	7,265	-	(378)	(149,950)	-	106,258	(36,805)
Tax expense	(112,860)	-	(227,954)	(1,600)	-	-	(342,414)
Profit (loss) for the period (segment results)	523,127	35,398	851,695	(310,953)	(16,962)	168,725	1,251,030

5 OPERATING SEGMENT REPORTING continued

The following table presents certain assets and liabilities information regarding the Group's operating segments:

	Upstream and integrated investments US $ '000	*Midstream, power and utilities investments US $ '000*	*Downstream investments US $ '000*	*Diversified investments US $ '000*	*Projects US $ '000*	*Corporate and others US $ '000*	*Total US $ '000*
At 30 June 2016							
Assets							
Investments in associates and joint ventures	3,165,581	84,715	4,108,731	1,774,191	127,810	-	9,261,028
Assets classified as held for sale	-	25,807	-	376,221	-	-	402,028
Other segment assets	14,447,397	606,312	12,905,032	18,100,019	581,968	1,552,488	48,193,216
Total assets	**17,612,978**	**716,834**	**17,013,763**	**20,250,431**	**709,778**	**1,552,488**	**57,856,272**
Liabilities							
Liabilities classified as held for sale	-	-	-	295,343	-	-	295,343
Other segment liabilities	7,947,232	262	6,671,226	16,285,930	450,767	13,516,220	44,871,637
Total liabilities	**7,947,232**	**262**	**6,671,226**	**16,581,273**	**450,767**	**13,516,220**	**45,166,980**
At 31 December 2015							
Assets							
Investments in associates and joint ventures	3,278,837	81,435	3,899,329	1,797,929	93,341	-	9,150,871
Assets classified as held for sale	282,037	25,807	-	381,120	-	-	688,964
Other segment assets	14,237,746	686,617	13,209,133	18,274,447	589,704	1,206,556	48,204,203
Total assets	17,798,620	793,859	17,108,462	20,453,496	683,045	1,206,556	58,044,038
Liabilities							
Liabilities classified as held for sale	70,799	-	-	296,535	-	-	367,334
Other segment liabilities	8,292,336	262	6,631,090	15,584,916	465,716	13,683,835	44,658,155
Total liabilities	8,363,135	262	6,631,090	15,881,451	465,716	13,683,835	45,025,489

6 FINANCE INCOME

	Six months ended 30 June	
	2016	*2015*
	US $ '000	*US $ '000*
Dividend income	**78,346**	75,423
Interest and other income	**64,438**	63,821
	142,784	139,244

Dividend income relates to the dividend received from the Group's investments in available-for-sale and fair value through profit and loss financial instruments.

7 FINANCE COSTS

	Six months ended 30 June	
	2016	*2015*
	US $ '000	*US $ '000*
Interest expense on borrowings and derivatives	**(431,767)**	(512,447)
Other finance costs	**(30,559)**	(31,719)
	(462,326)	(544,166)

8 OTHER LOSSES ON FINANCIAL INSTRUMENTS

	Six months ended 30 June	
	2016	*2015*
	US $ '000	*US $ '000*
Impairment loss on available-for-sale financial instruments (i)	**(63,355)**	(60,082)
Fair value (losses) gains on non-derivative financial instruments at fair value through profit or loss (ii)	**(1,001,718)**	116,428
Fair value gains (losses) on derivative financial instruments (iii)	**117,699**	(100,105)
Other (losses) gains on financial instruments	**(59)**	6,954
	(947,433)	(36,805)

(i) Impairment loss on available-for-sale financial investments as at 30 June 2016 mainly represents the following:

	Six months ended 30 June	
	2016	*2015*
	US $ '000	*US $ '000*
Impairment loss on investments in OCI N.V.	**(46,880)**	-
Impairment loss on investments in Glencore	**-**	(60,082)

8 OTHER LOSSES ON FINANCIAL INSTRUMENTS continued

(ii) Fair value (loss) gain on non-derivative financial instruments at fair value through profit or loss during the period includes the following:

	Six months ended 30 June	
	2016	*2015*
	US $ '000	*US $ '000*
Fair value (loss) gain on Unicredit SpA shares	**(998,247)**	101,860

(iii) Fair value gain (loss) on derivative financial instruments during the period includes the following:

	Six months ended 30 June	
	2016	*2015*
	US $ '000	*US $ '000*
Call and put options on Unicredit SpA (note a)	**224,254**	(47,672)
Options on Daimler AG shares (note b)	**(3,274)**	(251,052)
Embedded derivatives on exchangeable bonds of Daimler AG shares (note b)	-	227,282
Embedded derivatives on exchangeable bonds of Unicredit SpA shares (note c)	**749**	(135,976)
Cross-currency swaps	**(109,931)**	106,258

(a) Aabar entered into funded collar transactions upon the purchase of equity shares in Unicredit SpA. The rationale for entering into such funded collar transactions was to raise long-term, non–recourse, high loan-to-value financing to fund the purchase of the shares and to protect the Group against adverse movements in the value of the shares. The funded collar transactions include call and put options that restricted the revaluation gains and losses on the Unicredit SpA shares within a certain range. The collar structure on UniCredit SpA shares was restructured and accordingly only approximately 25% (31 December 2015: 25%) of the total holding in Unicredit SpA are subject to collar arrangement. The Group still maintains significant exposure to the share price on UniCredit SpA.

(b) This balance represents fair value changes of the purchased call options associated with the call options embedded in the exchangeable bonds. Aabar has recognised separately the derivative embedded in its exchangeable bonds. The holders of the bonds have the option to exchange their bonds into Daimler AG shares on exercise of exchange rights, however the Aabar has the option to deliver either shares or cash. The exchangeable bonds were settled by delivery of shares to the bond holders during the year ended 31 December 2015 which led to the derecognition of embedded derivatives.

(c) Aabar has recognised separately the derivative embedded in its exchangeable bonds that were issued in March 2015 (see note 17). The holders of the bonds have the option to exchange their bonds into Unicredit SpA shares on exercise of exchange rights six months before their maturities. However, Aabar has the option to deliver either shares or cash.

9 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holder of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are calculated by dividing profit for the period by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of dilutive information.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Six months ended 30 June	
	2016	*2015*
	US $ '000	*US $ '000*
Net (loss) profit attributable to ordinary equity holder of the parent for basic earnings	**(257,557)**	1,077,069
Weighted average number of ordinary shares for basic earnings per share (in thousands)	**3,500**	3,500
	US $	*US $*
Basic and diluted (loss) earnings per share	**(74)**	308

10 PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment during the period ended 30 June 2016 amounted to US $ 699,285 thousand (30 June 2015: US $ 1,395,242 thousand) of which US $ nil was acquired through business combinations (30 June 2015: US $ 281,790 thousand).

11 INTANGIBLE ASSETS

During the period ended 30 June 2016, the Group invested US $ 146,364 thousand into intangible assets (30 June 2015: US $ 487,087 thousand) of which US $ nil was acquired through business combinations (30 June 2015: US $ 412,775 thousand).

12 INVESTMENTS IN FINANCIAL INSTRUMENTS

	30 June 2016 US $ '000	*(Audited) 31 December 2015 US $ '000*
Non-derivative financial instruments:		
Financial assets at fair value through profit or loss (note 12.1)		
Held-for-trading	**524,928**	451,501
Designated on initial recognition	**744,798**	1,752,234
	1,269,726	2,203,735
Held to maturity investments	**8,622**	14,292
Available-for-sale financial assets (note 12.2)	**2,267,689**	2,321,331
	3,546,037	4,539,358
Derivative financial instruments	**435,168**	299,199
	3,981,205	4,838,557
Non-current	**2,337,684**	2,551,732
Current	**1,643,521**	2,286,825
	3,981,205	4,838,557

12.1 Financial assets at fair value through profit or loss

	Percentage holding		*Carrying value*	
	30 June 2016	*31 December 2015*	***30 June 2016 US $ '000***	*(Audited) 31 December 2015 US $ '000*
Unicredit SpA shares (i)	**5.04%**	5.1%	**681,653**	1,679,900
Others			**588,073**	523,835
			1,269,726	2,203,735
Non - current			**53,816**	62,832
Current			**1,215,910**	2,140,903
			1,269,726	2,203,735

i) This represents an investment in UniCredit SpA. The Group has taken collar and put options to fix the floor and cap price for movements in the share price of UniCredit SpA and to finance the acquisitions of shares. Shares in UniCredit SpA are pledged as collateral against a term loan. In 2014, the Group refinanced and restructured the collar position (see note 8 (iii) (a)).

12 INVESTMENTS IN FINANCIAL INSTRUMENTS continued

12.2 Available-for-sale financial assets

	Percentage holding		*Carrying value*	
				(Audited)
	30 June 2016	*31 December 2015*	***30 June 2016 US $ '000***	*31 December 2015 US $ '000*
Quoted investments:				
Glencore Xstrata Plc	**0.75%**	0.75%	**202,104**	132,436
Energias de Portugal	**4.06%**	4.06%	**453,993**	535,434
Cosmo Oil Company Limited *	**20.76%**	20.76%	**212,155**	238,483
Oil Search Limited ("OSH")	**12.89%**	12.89%	**977,087**	959,747
OCI N.V.	**2.00%**	2.00%	**57,158**	104,038
Others			**151,679**	142,614
			2,054,176	2,112,752
Unquoted investments carried at fair value			**160,662**	171,356
Unquoted investments carried at cost			**52,851**	37,223
			2,267,689	2,321,331

*Although the Company owns 20.76% of the equity of Cosmo, the Company has concluded that it does not have the ability to exert significant influence over Cosmo. Accordingly, Cosmo is accounted for as an available-for-sale investment marked to market.

Quoted investments
The fair value of the quoted investments is determined by reference to published price quotations in an active market.

Unquoted investments
The fair value of the majority of unquoted investments has been estimated using valuation techniques based on assumptions that are not supported by observable market prices. The valuation requires management to make estimates about the expected future cash flows of the shares which are discounted at current rates.

13 OTHER ASSETS

Other assets were US $ 8,840,148 thousand at 30 June 2016 (31 December 2015: US $ 8,450,092 thousand), net of impairment allowances of US $ 808,030 thousand (31 December 2015: US $ 824,542 thousand).

Included in other assets is an amount of US $ 5,210,898 thousand (31 December 2015: US $ 5,096,703 thousand) receivable from 1Malaysia Development Berhad ("1MDB") and/or Minister of Finance, Inc. Malaysia ("MOF") comprising of the following:

(a) Advance of US $ 1,000,000 thousand as of 30 June 2016 (31 December 2015: US $ 1,000,000 thousand) provided under the Binding Term Sheet ("BTS") (note 23.3);

(b) Cumulative interest payments of US $ 205,450 thousand as of 30 June 2016 (31 December 2015: US $ 102,725 thousand) out of which US $ 102,725 (31 December 2015: US $ 102,725) were paid under the BTS (note 23.3) and US $ 102,725 (31 December 2015: Nil) were paid under the financial guarantees (note 23.1);

(c) Interest receivable accrued on the above payments as of US $ 23,497 thousand as of 30 June 2016 (31 December 2015 amounting to US $ 12,028 thousand);

(d) Balance outstanding under the Option Agreement amounting to US $ 481,950 thousand (note 23.2); and

(e) Reimbursement asset of US $ 3,500,000 thousand recorded on the recognition of a provision for the present value of the future probable payments under the Guarantees (note 23.1).

In relation to each of the amounts mentioned above recognised on balance sheet it is the Company's opinion, in consultation with external counsel, that the Company has a very strong case to claim back and recover the recorded receivables. The Company is claiming these amounts from 1MDB and MOF under the BTS (see note 23.3). On 13 June 2016, the Company and Aabar submitted a Request for Arbitration (RFA) to the London Court of International Arbitration. The RFA concerns the failure by 1MDB and MOF to perform their contractual obligations under the BTS.

14 SHARE CAPITAL

	Authorised		Issued and fully paid	
		(Audited)		*(Audited)*
	30 June 2016 US $ '000	*31 December 2015 US $ '000*	***30 June 2016 US $ '000***	*31 December 2015 US $ '000*
Ordinary shares of US $ 1,000 each	5,000,000	5,000,000	3,500,000	3,500,000

15 SHAREHOLDER LOAN

In June 2010, the Company received US $ 500,000 thousand and received a further US $ 500,000 thousand in December 2011 from the Department of Finance on behalf of the Government of Abu Dhabi. The funds were provided to meet the Company's obligations in its investment in Qatar and Abu Dhabi Investment Company QSC ("QADIC"). An amount of US $ 50,000 thousand was provided to QADIC in July 2010, based on a cash call.

The US $ 1,000,000 thousand received is interest-free with no repayment terms and is repayable at the discretion of the Board of Directors of the Company. Accordingly, management has classified the US $ 1, 000,000 thousand as a shareholder loan within equity.

16 OTHER RESERVES

	Cumulative changes in fair value of available for-sale investments US $ '000	*Foreign currency translation reserve US $ '000*	*Reserve for cash flow hedges US $ '000*	*Reserve for actuarial gains and losses US $ '000*	*Share of reserves of associates US $ '000*	*Total US $ '000*
2015						
Balance at 1 January 2015	2,031,709	(2,987,191)	(99,719)	(242,325)	(797,119)	(2,094,645)
Other comprehensive (loss) income for the period	(227,499)	(835,767)	4,390	8,578	(169,710)	(1,220,008)
Acquisition of shares of a subsidiary	-	-	-	-	20,707	20,707
Movement in other reserves	237	36,838	-	6	(6)	37,075
Balance at 30 June 2015	1,804,447	(3,786,120)	(95,329)	(233,741)	(946,128)	(3,256,871)
2016						
Balance at 1 January 2016	**2,177,648**	**(5,405,479)**	**(54,547)**	**(224,945)**	**33,986**	**(3,473,337)**
Other comprehensive (loss) income for the period	**(11,718)**	**44,292**	**19,093**	**(87,348)**	**(47,968)**	**(83,649)**
Movement in other reserves	**296**	**(18)**	**-**	**(1,653)**	**(404)**	**(1,779)**
Balance at 30 June 2016	**2,166,226**	**(5,361,205)**	**(35,454)**	**(313,946)**	**(14,386)**	**(3,558,765)**

17 BORROWINGS

	30 June 2016 US $ '000	*(Audited) 31 December 2015 US $ '000*
Listed notes and other listed borrowing instruments	**12,610,276**	13,901,976
Unlisted borrowings	**13,999,203**	12,903,800
Overdrafts	**738,741**	767,044
Others	**3,273**	4,362
	27,351,493	27,577,182
Non-current	**21,499,530**	19,507,767
Current	**5,851,963**	8,069,415
	27,351,493	27,577,182

17 BORROWINGS continued

Borrowings as at the reporting date, analysed by each significant sub-group of companies, are as follows:

	30 June 2016 US $ '000	*(Audited) 31 December 2015 US $ '000*
The Company	**12,870,652**	13,066,622
Aabar	**7,623,033**	7,217,918
NOVA	**997,990**	997,765
Borealis	**1,802,929**	1,785,551
CEPSA	**4,056,889**	4,509,326
	27,351,493	27,577,182

Borrowings as at the reporting date, analysed by currency, are as follows:

	30 June 2016 US $ '000	*(Audited) 31 December 2015 US $ '000*
EUR	**13,625,126**	11,810,357
USD	**11,280,507**	12,286,497
AED	**385,868**	994,430
JPY	**652,760**	560,064
GBP	**766,409**	1,343,855
CNY	**502,431**	486,976
Others	**138,392**	95,003
	27,351,493	27,577,182

As of 30 June 2016 and 31 December 2015, the Company has not guaranteed the borrowings of any company including Group companies, except for joint guarantees with 1MDB, a strategic development company wholly-owned by the Government of Malaysia (see note 23 for further details) in relation to certain obligations (principal and associated interests) of subsidiaries of 1MDB. The principal amount of these obligations is US $ 3,500,000 thousand.

17 BORROWINGS continued

Details of the group borrowings are as follows:

Listed notes and other borrowing instruments

	Maturity (Year)	*Currency*	*Coupon rate*	***30 June 2016 US $ '000***	*(Audited) 31 December 2015 US $ '000*
IPIC - Bond 1	2020	US $	5.000%	**1,489,862**	1,488,913
IPIC - Bond 3	2021	EUR	5.875%	**1,371,167**	1,339,671
IPIC - Bond 4 (note ii)	2016	EUR	4.875%	-	1,355,945
IPIC - Bond 5	2026	GBP	6.875%	**726,077**	803,620
IPIC - Bond 6	2022	US $	5.500%	**1,494,290**	1,493,897
IPIC - Bond 7	2017	US $	3.750%	**1,498,538**	1,497,534
IPIC - Bond 8	2041	US $	6.875%	**743,266**	743,216
IPIC - Bond 10	2018	EUR	2.375%	**885,808**	865,692
IPIC - Bond 11	2023	EUR	3.625%	**934,766**	913,680
Aabar - Exchangeable bond 2 (note i)	2020	EUR	0.50%	**1,068,541**	1,039,164
Aabar - Exchangeable bond 3 (note i)	2022	EUR	1.00%	**1,047,144**	1,018,399
Borealis - Bond 1	2017	EUR	5.375%	**222,120**	217,240
Borealis - Bond 2	2019	EUR	4.000%	**138,825**	135,775
NOVA - Bond 6	2023	US $	5.250%	**495,130**	494,786
NOVA - Bond 7	2025	US $	5.000%	**494,742**	494,444
				12,610,276	13,901,976

(note i) - In March 2015, Aabar issued EUR 1,000,000 thousand 0.50% 5 year and EUR 1,000,000 thousand 1.00% 7 year senior unsecured exchangeable bonds, exchangeable into UniCredit SpA shares ("the UniCredit Exchangeable Bonds"). The UniCredit Exchangeable Bonds are quoted hybrid securities consisting of a straight bond and an embedded call option with a fixed strike price to exchange the bond for either UniCredit SpA shares, or cash of an equivalent value.

(note ii) – IPIC – Bond 4 was completely repaid in May 2016 on maturity.

17 BORROWINGS continued

Unlisted borrowings

	Maturity (Year)	Currency	30 June 2016 US $ '000	(Audited) 31 December 2015 US $ '000
IPIC - Loan 15	2018	JPY	**652,760**	560,064
IPIC - Loan 16 (note i)	2016	EUR / US $	**944,140**	934,306
IPIC - Loan 17 (note i)	2019	EUR / US $	**940,044**	931,172
IPIC - Loan 18 (note ii)	2019	EUR	**885,370**	-
Aabar - Loan 16 (note iii)	2016	US $	-	492,515
Aabar - Loan 17 (note iii)	2016	AED	-	356,026
Aabar - Loan 18 (note iii)	2016	EUR	-	550,480
Aabar - Loan 19 (note iii)	2018	US $	-	286,463
Aabar - Loan 20 (note iii)	2018	AED	-	234,621
Aabar - Loan 21 (note iii)	2018	EUR	-	386,843
Aabar - Loan 23 (note iii)	2016	GBP	-	496,000
Aabar - Loan 25	2017	EUR	**474,699**	464,040
Aabar - Loan 26 (note iii)	2019	EUR	-	732,952
Aabar - Loan 27	2017	EUR	**382,072**	373,493
Aabar - Loan 28 (note iv)	2021	EUR	**3,941,751**	-
Borealis- Loan 1	2018	EUR / US $	**133,272**	130,344
Borealis- Loan 3	2016 - 2028	US $	**166,590**	162,930
CEPSA- Loan 1	2018	EUR	**140,050**	209,518
CEPSA- Loan 7	2022	US $	**145,766**	142,564
CEPSA- Loan 18	2019	US $	**270,097**	269,380
CEPSA- Loan 19	2020	EUR	**275,099**	274,369
CEPSA- Loan 21	2017	CNY	-	588,645
CEPSA- Loan 22	2024	US $	**317,449**	324,312
CEPSA- Loan 25	2021	US $	**150,054**	149,656
CEPSA- Loan 26	2015	US $	**159,057**	127,706
CEPSA- Loan 27	2019	US $	**384,516**	389,104
CEPSA- Loan 28	On demand	US $	**222,671**	296,908
CEPSA- Loan 29	2016	US $	**220,079**	219,495
Others			**3,193,667**	2,819,894
			13,999,203	12,903,800

Analysed as follows:

Fixed interest rate loans	**2,173,357**	2,426,282
Variable interest rate loans	**11,825,846**	10,477,518
	13,999,203	12,903,800

All variable interest rate loans carry interest rates at applicable inter-bank rates plus a margin.

(note i) - On 19 December 2013, the Company entered into US $ 1,000,000 thousand 3 years and US $ 1,000,000 thousand 6 years multicurrency revolving facilities agreement with an interest rate at a margin over, in relation to any loan in US $, LIBOR or, in relation to any loan in euro, EURIBOR. At 30 June 2016, facilities were fully drawn (31 December 2015: facilities were fully drawn).

(note ii) - On 29 June 2016, the Company entered into EUR 800,000 thousand 3 year EUR currency revolving facility agreement with an interest rate at a margin over EURIBOR. At 30 June 2016, the facility was fully drawn.

(note iii) - During the period from March 2016 to April 2016, Aabar repaid the following loan facilities:

- USD 1,500,000 thousand 3 year senior unsecured term loan (Aabar – Loans 16-18).
- EUR 90,000 thousand 3 year senior unsecured term loan.
- GBP 338,064 thousand 3 year senior secured term loan (Aabar – Loan 23).
- EUR 675,000 thousand 5 year senior unsecured term loan (Aabar – Loan 26).
- USD 1,000,000 thousand 5 year senior unsecured term loan (Aabar – Loans 19-21).

(note iv) - On 17 March 2016, Aabar has entered into loan agreements of EUR 2,100,000 thousand 5 year senior EURIBOR unsecured term loan and EUR 1,500,000 thousand 5 year senior EURIBOR unsecured revolving loan. The loans are repayable on 2021.

(note v) - All of IPIC loans are unsecured. Aabar loans are unsecured, except for Aabar – Loan 23, 25 and 27 which are secured through pledges on land mortgage and certain securities as of 30 June 2016.

(note vi) - All loans within Others are individually less than US $ 150,000 thousand and are unsecured except for an amount of US $ 8,118 thousand (31 December 2015: US $ 8,535 thousand) which is secured on property, plant and equipment.

17 BORROWINGS continued

Unlisted borrowings continued

The Group is required to comply with certain covenants in case of bank borrowings. Certain subsidiaries of the Group had not been able to comply with certain covenants. As the Group does not have an unconditional right to defer the settlement of the outstanding amounts before the year end, the outstanding balances relating to such bank facilities have been classified under current liabilities. In 2016, most of these loans were settled in full. For the remaining loans, management, based on their ongoing discussions with banks, is confident that this will not have any significant implications on the facilities provided by the banks.

Overdrafts

	Maturity (Year)	*Currency*	***30 June 2016 US $ '000***	*(Audited) 31 December 2015 US $ '000*
IPIC - Overdraft	On demand	US $	**304,565**	138,913
Other overdrafts	On demand	EUR / US $ / AED	**434,176**	628,131
			738,741	767,044

IPIC overdraft has an undrawn amount of US $ 1,123,435 thousand as at 30 June 2016 (31 December 2015: US $ 1,289,087 thousand).

All overdrafts within Other overdrafts are unsecured except for an amount of US $ thousand 19,360 thousand (31 December 2015: US $ 21,780 thousand) which is secured on property, plant and equipment and project proceeds.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and other borrowings. Individually, each company within the Group seeks to ensure that the amount of borrowings that mature in the next 12 month period should not result in the current ratio falling below 100%.

The table below summarises the maturity profile of the Group's borrowings at 30 June 2016 and 31 December 2015, on a contractual undiscounted basis. In the table below, interest rates on variable rate loans have been based on rates prevailing at the reporting dates.

Undiscounted contractual basis	*On demand US $ '000*	*0 - 3 months US $ '000*	*3 - 12 months US $ '000*	*1 - 3 years US $ '000*	*3 - 5 years US $ '000*	*>5 years US $ '000*	*Total US $ '000*
At 30 June 2016							
Borrowings	**304,565**	**986,146**	**4,714,392**	**3,772,126**	**11,081,872**	**7,219,579**	**28,078,680**
At 31 December 2015							
Borrowings	138,913	610,171	7,940,910	6,725,237	5,840,460	10,643,668	31,899,359

18 OTHER PROVISIONS

	Decommissioning US $ '000	*Legal disputes US $ '000*	*Others US $ '000*	*Total US $ '000*
At 1 January 2016	**232,288**	**114,433**	**561,606**	**908,327**
Additions	**3,606**	**91,320**	**43,516**	**138,442**
Accretion expenses	**3,666**	**5,017**	**1,374**	**10,057**
Utilised	**(15)**	**(2,692)**	**(75,987)**	**(78,694)**
Reversed	**(4,443)**	**(6,951)**	**(48,519)**	**(59,913)**
Exchange adjustments	**6,022**	**2,103**	**7,972**	**16,097**
Balance at 30 June 2016	**241,124**	**203,230**	**489,962**	**934,316**

	30 June 2016 US $ '000	*31 December 2015 US $ '000*
Classified as:		
Non-current	**767,576**	719,713
Current	**166,740**	188,614
	934,316	908,327

18 OTHER PROVISIONS continued

(i) Provision for decommissioning mainly relates to asset retirement obligations of the Group and expected costs to be incurred upon termination of operations, the closure of active manufacturing plant facilities and the abandonment of crude oil production fields.

(ii) Provision for legal disputes covers the best estimate of the Group exposure to the outcome of several litigations from the area of product liability, patent infringement, tax lawsuits, etc. Refer to note 22 for litigations and contingencies.

(iii) Others cover mainly provision for restructuring, warranty provisions arising from the Group's ordinary operations that might give rise to actual liabilities with their dealings with third parties, and environmental provisions relating to legal or contractual liabilities or commitments acquired by the Group to prevent, reduce or repair damage to the environment. It also includes the estimated amounts for environmental action to remedy the risk of gradual soil pollution.

The timing of the cash outflows cannot be determined with certainty.

19 DERIVATIVE FINANCIAL INSTRUMENTS

Hedge of net investments in foreign operations
During the period ended 30 June 2016, a set of borrowings amounting to EUR 4,747,113 thousand had been designated as a hedge of the net investment in CEPSA. These borrowings were used to hedge the Group's exposure to EUR foreign exchange risk on this investment. Gains or losses on the retranslation of these borrowings were transferred to other comprehensive income to offset any gains or losses on translation of foreign operations. There was no ineffectiveness recorded during the period ended 30 June 2016.

In 2015, the Group entered into partial cross currency fixed to fixed USD/EUR swap ("CCS") on its 5.5% US $ 1,500,000 thousand, 6.875% US $ 750,000 thousand and 3.75% US $ 1,500,000 thousand, due March 2022, March 2041 and March 2017, and with notional amounts of EUR 846,166 thousand, EUR 423,132 thousand and EUR 846,581 thousand respectively. At 1 January 2016, the management designated the CCS derivatives as hedging instruments against the hedge of net investments in Borealis (excluding Borouge) and in OMV (an equity-accounted associate) with the similar nominal amounts. Gains or losses on the retranslation of these hedging instruments were transferred to other comprehensive income to offset any gains or losses on translation of foreign operations. There was no ineffectiveness recorded during the period ended 30 June 2016.

20 FAIR VALUE MEASUREMENT

Fair values

Financial assets include portfolio investments, derivative financial instruments, bank balances and cash, and certain other assets. Financial liabilities consist of interest bearing loans and borrowings and certain other liabilities.

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial assets and financial liabilities:

	Carrying amount		*Fair value*	
		(Audited)		*(Audited)*
	30 June 2016	*31 December 2015*	***30 June 2016***	*31 December 2015*
	US $ '000	*US $ '000*	***US $ '000***	*US $ '000*
Financial assets				
Derivative financial assets	**435,168**	299,199	**435,168**	299,199
Portfolio investments				
Held to maturity investments	**8,622**	14,292	**8,622**	14,292
Investments at fair value through profit or loss				
Held for trading	**524,928**	451,501	**524,928**	451,501
Designated on initial recognition	**744,798**	1,752,234	**744,798**	1,752,234
Available-for-sale investments (including investment carried at cost)	**2,267,689**	2,321,331	**2,219,657**	2,321,331
Trade receivables	**5,818,102**	5,842,711	**5,818,102**	5,842,711
Other assets	**8,840,148**	8,450,592	**8,840,148**	8,450,592
Cash and short-term deposits	**5,656,069**	5,355,927	**5,656,069**	5,355,927
	24,295,524	24,487,787	**24,247,492**	24,487,787
Financial liabilities				
Trade payables	**7,828,559**	7,523,161	**7,828,559**	7,523,161
Borrowings	**27,351,493**	27,577,182	**29,981,402**	29,098,697
Derivative financial liabilities	**370,155**	303,738	**370,175**	303,738
Other financial liabilities	**2,655,615**	2,754,329	**2,655,615**	2,754,329
	38,205,822	38,158,410	**40,835,731**	39,679,925

The fair value of the financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair values:

- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity.

  As at 30 June 2016, the marked to market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

20 FAIR VALUE MEASUREMENT continued

Fair values continued

- Fair value of portfolio investments is derived from quoted market prices in active markets, if available. Fair value of unquoted portfolio investments is estimated using appropriate valuation techniques including discounted cash flow (DCF). In the DCF method, future cash flows are projected for a reasonable forecast period of time and adjusted for their time value.

- Fair value of cash and short-term deposits, short term trade receivables, other assets and other liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- Fair value of fixed and variable rate borrowings also approximate their carrying amounts except for listed notes. Listed notes are fair valued at the quoted market price as at 30 June 2016.

- Long-term trade receivables and other assets are valued by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer, and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 30 June 2016, the carrying amounts of such trade receivables and other assets, net of allowances, are not materially different from their calculated fair values.

- The fair value of certain non-current other assets as well as other non-current liabilities are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

20 FAIR VALUE MEASUREMENT continued

Fair value hierarchy continued
The following table provides the fair value measurement hierarchy of the Group's assets and liabilities. Below assets and liabilities are valued at 30 June 2016 and 31 December 2015.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 30 June 2016:

	Total	*Quoted price in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*
	US $ '000	*US $ '000*	*US $ '000*	*US $ '000*
Assets measured at fair value				
Derivative financial assets				
Currency	**66,281**	**-**	**66,281**	**-**
Equity	**320,914**	**-**	**320,914**	**-**
Commodity	**37,890**	**-**	**37,890**	**-**
Others	**10,083**	**-**	**10,083**	**-**
Portfolio investments				
Investments at fair value through profit or loss				
Held for trading	**524,928**	**489,932**	**34,996**	**-**
Designated on initial recognition	**744,798**	**690,982**	**19,361**	**34,455**
Available-for-sale investments				
Quoted equity shares	**368,914**	**368,914**	**-**	**-**
Unquoted equity shares	**1,804,098**	**1,643,323**	**-**	**160,775**
Quoted debt securities	**41,939**	**41,939**	**-**	**-**
Liabilities measured at fair value				
Derivative financial liabilities				
Interest rate	**23,390**	**-**	**23,390**	**-**
Currency	**55,622**	**-**	**55,622**	**-**
Equity	**5,449**	**-**	**5,449**	**-**
Commodity	**30,463**	**-**	**30,463**	**-**
Others	**255,231**	**-**	**40,374**	**214,857**

20 FAIR VALUE MEASUREMENT continued

Fair value hierarchy continued
Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2015 (audited):

	Total US $ '000	*Quoted price in active markets (Level 1) US $ '000*	*Significant observable inputs (Level 2) US $ '000*	*Significant unobservable inputs (Level 3) US $ '000*
Assets measured at fair value				
Derivative financial assets				
Currency	83,967	-	83,967	-
Equity	96,507	-	96,507	-
Commodity	56,671	-	56,671	-
Others	62,055	-	5,548	56,507
Portfolio investments				
Investments at fair value through profit or loss				
Held for trading	451,501	436,650	14,851	-
Designated on initial recognition	1,752,234	1,689,401	29,235	33,598
Available-for-sale investments				
Quoted equity shares	2,085,009	2,085,009	-	-
Unquoted equity shares	159,850	-	-	159,850
Quoted debt securities	39,249	39,249	-	-
Liabilities measured at fair value				
Derivative financial liabilities				
Interest rate	11,551	-	11,551	-
Currency	114,357	-	114,357	-
Equity	3,670	-	3,670	-
Commodity	55,331	-	55,331	-
Others	118,829	-	55,917	62,912

21 COMMITMENTS AND CONTINGENCIES

	30 June 2016 US $ '000	*(Audited) 31 December 2015 US $ '000*
Guarantees		
Performance and bid bonds	**3,658,288**	2,923,549
Advance payment bonds	**720,726**	558,425
Letters of credit	**206,455**	180,334
Retention bonds	**107,378**	88,425
Others	**324,022**	63,940
	5,016,869	3,814,673
Operating lease commitments		
Up to 1 year	**310,902**	370,550
1 to 5 years	**778,225**	869,252
Beyond 5 years	**747,100**	726,888
	1,836,227	1,966,690
Capital commitments		
Property, plant and equipment	**1,077,183**	1,452,341
Investment properties	**689,114**	745,666
Investments in equity instruments	**60,799**	55,039
Intangible assets	**6,013**	4,406
	1,833,109	2,257,452
Fiduciary assets	**125,373**	157,184

A fiduciary asset is a placement made with another bank or loan granted to an institution in the name of Falcon Private Bank, but for the account and the risk of the customer of the bank. Assets held in fiduciary capacity are reported as off balance sheet items in the interim condensed consolidated financial statements, as they are not the assets of the Group.

22 LITIGATIONS AND CONTINGENCIES

The Group is involved in litigations from time-to-time in the ordinary course of business. Legal claims often involve highly complex issues, actual damages, and other matters. These issues are subject to substantial uncertainties and, therefore, the probability of loss and an estimate of damages are often difficult to determine.

The Group has recorded a provision for claims for which it is able to make an estimate of the expected loss or range of possible loss, but believe that the publication of this information on a case-by-case basis would seriously prejudice its position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, for these claims, the Group has disclosed information with respect to the nature of the claim, but not an estimate of the range of potential loss or any provision accrued.

The Group believes that the aggregate provisions recorded for these matters are adequate based upon currently available information as of the statement of financial position date. However, given the inherent uncertainties related to these claims, the Group could, in the future, incur judgments that could have a material adverse effect on its results of operations, liquidity, financial position or cash flows in any particular period.

For contingent liabilities, the Group has disclosed the claims, but have not recorded a provision of the potential outcome of these claims and is unable to make an estimate of the expected financial effect that will result from ultimate resolution of the proceedings.

Dow Litigations
In 2005, The Dow Chemical Company ("Dow Chemical") filed suit against NOVA in the Federal District Court in Delaware alleging that certain grades of NOVA's SURPASS® polyethylene film resins infringe two Dow Chemical patents. In 2010, a jury trial took place and a judgment of infringement against NOVA was entered on June 18, 2010. Dow Chemical was awarded certain amounts for damages and pre-judgment interest. In 2012, after unsuccessful appeals, NOVA paid Dow Chemical approximately US $ 77 million. A Supplemental Damages Bench Trial was held on April 30, 2013 and May 1, 2013 to determine any additional damages that should be awarded to Dow Chemical based on sales of certain grades of NOVA's SURPASS resin in the United States from January 1, 2010 through the expiration of the patents on October 15, 2011. The court issued a decision in March 2014. Approximately US $ 30 million was awarded to Dow Chemical for supplemental damages. In April 2014, NOVA appealed the validity of Dow Chemicals' patents based on a change in U.S. law. Oral arguments in the appeal were heard by a panel of three judges of the Court of Appeals for the Federal Circuit ("CAFC") in June 2015. In August 2015, CAFC panel held in a unanimous, precedential decision that the patents-in-suit are invalid as indefinite and reversed the lower court award of supplemental damages. In September 2015, Dow Chemical petitioned the CAFC for panel rehearing. The CAFC denied Dow Chemical's petition in a split decision. In March 2016, Dow Chemical filed a petition for certiorari (review) with the U.S. Supreme Court, which was denied in May 2016, securing NOVA's victory in the supplemental damages action. As a result, NOVA reversed the related provision of US $ 31 million.

In December 2010, Dow Chemical filed a Statement of Claim against NOVA in Federal Court in Canada alleging that certain grades of NOVA's SURPASS polyethylene film resins infringe a Dow Chemical Canadian patent, and in March 2011, NOVA filed its statement of defences and counterclaim. A trial on the infringement issue commenced in September 2013 and concluded in November 2013. In May 2014, the judge for the Federal Court issued an adverse judgment. In August 2014, NOVA filed a Notice of Appeal with the Federal Court of Appeal. Oral arguments in the appeal were held in December 2015. In September 2016, the Federal Court of Appeal dismissed NOVA's appeal from the Federal Court decision. A damages trial will commence in December 2016. NOVA has filed an application to the Supreme Court of Canada to review the judgement. The Dow Chemical Canadian patent at issue expired in April 2014.

In 2006, a claim was filed against NOVA in the Court of Queen's Bench of Alberta by Dow Chemical Canada ULC and its European affiliate (collectively, "Dow Canada") concerning the jointly owned third ethylene plant at NOVA's Joffre site. Dow Canada has amended its initial statement of claim and has claimed for further losses and damages in an amount to be proven at trial of this action. In its most recent amendment, Dow Canada estimates its claim at an amount exceeding US $ 800 million. NOVA initially counterclaimed in the same action. NOVA also amended its statement of defence and counterclaim. The amount of the counterclaim is estimated in NOVA's most recent amendment at approximately US $ 50 million. A trial commenced in January 2015 and concluded in March 2016. During the trial, NOVA further reduced the amount of its counterclaim.

22 LITIGATIONS AND CONTINGENCIES continued

Tax contingencies
On 29 December 2014, Borealis Technology Oy ("TOY"), a Finish subsidiary of Borealis AG, has received a re-assessment decision by the Finnish Tax Authority (FTA) for the year 2008, regarding its polyolefin technology. Based on this re-assessment the taxable income of TOY has been increased by an amount of US $ 930,300 thousand (Euro 700,000 thousand). This leads to a requested additional total payment of US $ 374,442 thousand (Euro 281,747 thousand), comprising of taxes, late payment interest and penalties.

On 9 June 2015, TOY received from the Finnish tax authority a second re-assessment decision, with regards to its catalyst technology, to pay an additional amount of US $ 165,593 thousand (Euro 124,600 thousand) in taxes, penalties and interest related to the year 2010. The amount claimed for catalyst is based on assessing an additional taxable income of US $ 451,860 thousand (Euro 340,000 thousand) in the year 2010.

Borealis believes that both decisions are unfounded and has filed claims against the re-assessment decisions concerning the polyolefin and catalyst technologies on 27 February 2015 and 13 November 2015, respectively.

On 31 December 2015, Borealis Polymers Oy ("BPOY"), a Finnish subsidiary of Borealis AG ("BAG"), received a re-assessment decision by the Finnish Tax Authority (FTA) for the year 2009. Based on this re-assessment decision, the taxable income of BPOY has been increased by an amount of US $ 395,377 thousand (Euro 364,000 thousand) which relates to a license arrangement and other agreements entered into between BPOY and BAG and the tax treatment thereof. This leads to a requested additional total payment of US $ 165,645 thousand (Euro 152,500 thousand), comprising of taxes, late payment interest and penalties. Borealis believes that this re-assessment decision is also unfounded and has filed a claim against this decision to the Board of Adjustment, on 29 February 2016.

All payment obligations have been suspended pending all above mentioned appeals.

Further, several other companies within the Group are currently subject to routine tax audits performed by their respective tax authorities. In some of the audits, specific emphasis is put on business restructuring and transfer pricing. Managements' opinions are that the companies are in compliance with all applicable regulations. Given the preliminary nature of the proceedings, potential impacts, if any, cannot be currently reliably estimated.

23 1Malaysia Development Berhad ("1MDB") transactions

23.1 Financial Guarantees

The Company agreed in 2012 to guarantee the obligations (principal and associated interests) (the "Guarantee") of certain subsidiaries of 1MDB, a company wholly-owned by the Government of Malaysia, in respect of two financings in the energy and power sector. The aggregate principal amount of these obligations is US $ 3,500,000 thousand which comprises:

- US $ 1,750,000 thousand fixed rate 5.75 per cent. notes due 2022 issued by 1MDB Energy (Langat) Limited and unconditionally and irrevocably guaranteed by 1MDB ("1MDB Energy (Langat) Notes"); and

- US $ 1,750,000 thousand fixed rate 5.99 per cent. notes due 2022 issued by 1MDB Energy Limited and unconditionally and irrevocably guaranteed by 1MDB ("1MDB Energy Notes" and, together with the 1MDB Energy (Langat) Notes, the "Notes").

The guarantees were initially recognised as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantees. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

As at 30 June 2016, the unamortised deferred income was US $ 222,472 thousand (31 December 2015: US $ 240,322 thousand). In accordance with the requirements of International Financial Reporting Standards, the Company must consider whether payment under the Guarantee is probable (more likely than not) for a provision to be recognised under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. As of 30 June 2016, the Company made total interest payments of US $ 205,451 thousand (31 December 2015: US $ 102,725 thousand) under the Guarantees (see note 13) and accordingly the Company was required to make a provision of the present value of the total amount (principal and interest), estimated at US $ 3,500,000 thousand, probable under the Guarantees at the balance sheet date. A corresponding reimbursement asset recorded on balance sheet (note 13).

23.2 Option Agreements

In respect of the above Guarantee, the Company benefits from back-to-back guarantees and support from 1MDB and had secured for its Group the rights (the "Option Agreements") to acquire up to a 49% stake in the shares of two subsidiaries of 1MDB at a fixed price.

In 2014, the Group entered into an agreement relating to the Option Agreements where the Group agreed to assign all of its rights under the Option Agreements to 1Malaysia Energy Holdings Limited for a fixed price. As at 31 December 2015 an amount of US $ 481,950 thousand was outstanding from 1MDB and/or MOF (31 December 2015: US $ 481,950 thousand). The amount outstanding is the subject of claims referred to in note 13.

23.3 Binding Term Sheet

On 28 May 2015, IPIC, Aabar, MOF and 1MDB entered into a binding term sheet ("BTS") that provides for the following principal matters:

- on 4 June 2015, IPIC provided US $ 1,000,000 thousand to the 1MDB group for the 1MDB group to utilise immediately to settle certain of its liabilities (the "Cash Payment");

- from 4 June 2015, IPIC assumed the obligations to pay (up to 31 December 2015) all interest due under the Notes.

23 1Malaysia Development Berhad (1MDB) transactions continued

23.3 Binding Term Sheet continued

- upon the completion of the transfer of assets as described below, IPIC would directly assume liability for all payment obligations under the Notes (the "Assumption of Debt") and would forgive certain financial obligations of the 1MDB Group to the IPIC Group in an amount of US $ 481,950 thousand (the "Debt Forgiveness");
- from the date of the BTS, IPIC, Aabar, 1MDB and MOF agreed to waive and release all past arrangements between each of them and each of their respective subsidiaries, excluding those matters the subject of the Debt Forgiveness and the BTS;
- by 30 June 2016, IPIC should receive a transfer of assets with an aggregate value of an amount which represents the sum of the Cash Payment, the Assumption of Debt and the Debt Forgiveness;
- 1MDB and MOF agreed that if they had not (i) performed certain obligations under the BTS to transfer certain assets by 31 December 2015; or (ii) completed all of their obligations to transfer assets by 30 June 2016, they would each indemnify IPIC from such date on in relation to any obligations of IPIC under the guarantees it has entered into in respect of the Notes.

1MDB and MOF agreed to perform the obligations contemplated in the BTS and to indemnify IPIC and Aabar for any non-performance, and vice versa.

IPIC made the Cash Payment from existing liquidity available to IPIC. On 16 October 2015 and 10 November 2015, IPIC paid interest amounting to US $ 50,312 thousand and US $ 52,413 thousand respectively due under the Notes. These payments were made from existing liquidity.

23.4 1MDB and MOF defaults on Binding Term Sheet

On 18 April 2016, IPIC announced that 1MDB and MOF had failed to perform certain payments and other obligations owed by them to the IPIC group pursuant to the terms of the BTS, including the obligation to pay to IPIC by way of transfer of assets an amount of US $ 1,102,725 thousand plus interest accruing under the terms of the BTS, amounting to US $ 12,028 thousand which was due by 31 December 2015, or alternatively, a payment in cash which was due during January 2016. The Company has accrued further interest receivable on the outstanding balance amounting to US $ 11,469 thousand during the six months ended 30 June 2016.

As a result, 1MDB and MOF are in default pursuant to the terms of the BTS and IPIC's and Aabar's obligations under the BTS have terminated effective 31 December 2015.

1MDB and MOF continue to be bound by their respective obligations under the terms of the BTS, including their continued indemnification of IPIC and Aabar for any non-performance under the BTS and in relation to any claims which may be made against IPIC pursuant to the Guarantee.

Following such default, IPIC and Aabar have engaged with, and extended opportunities to, both 1MDB and MOF to remedy their defaults without success. IPIC and Aabar have made written demands under the Binding Term Sheet and have reserved all of their rights under the BTS and referred the matter to the appropriate dispute resolution forum (see note 23.7).

23 1Malaysia Development Berhad (1MDB) transactions continued

23.5 1MDB defaults on the Notes and IPIC pays down interests under its Guarantees

1MDB and 1MDB Energy (Langat) Limited failed to make an interest payment of US $ 50,313 thousand due under the 1MDB Energy (Langat) Notes on 18 April 2016 (or within the applicable grace period). Accordingly, a 1MDB Default occurred under the 1MDB Energy (Langat) Notes.

1MDB and 1MDB Energy Limited failed to make an interest payment of US $ 52,413 thousand due under the 1MDB Energy Notes on 11 May 2016 (or within the applicable grace period). Accordingly, a 1MDB Default occurred under the 1MDB Energy Notes.

IPIC's Guarantee provides that IPIC's payment obligations in respect of the Notes are subject to certain conditions, including the occurrence of a 1MDB Event. 1MDB Events, in turn, include a default by 1MDB for more than five business days in the payment on the due date of interest or principal payable in respect of the Notes ("1MDB Default"). The Guarantees also prescribe the number of days following such 1MDB Default within which IPIC must fulfil its payment obligations in respect of the Notes. A 1MDB Default does not cross-default IPIC.

On 25 April 2016 and 12 May 2016, following receipt of demands under the Guarantees, IPIC made full payment under the Guarantee of the interest due, amounting to US $ 50,313 thousand and US $ 52,413 thousand respectively, and payable by 1MDB and its subsidiaries under the Notes. IPIC has made such payments out of existing liquidity and pursuant to its obligations in respect of the Guarantees.

1MDB and MOF are in default pursuant to the terms of the BTS and IPIC's and Aabar's obligations under the BTS have terminated effective 31 December 2015. After that date, any payment in respect of the Notes was made by IPIC in respect of its obligations under the Guarantees and not in any capacity under the terms of the BTS.

IPIC notes that it is entitled to the benefit of indemnities from 1MDB and MOF in respect of all amounts that it may be required to pay in respect of the Notes and the Guarantees under the terms of the BTS and these indemnities survive the termination of the BTS.

23.6 Aabar BVI, alleged payments and alleged guarantees

On 11 April 2016, IPIC made an RNS announcement through the London Stock Exchange in relation to certain media reports concerning the activities of 1MDB. In particular, such reports commented that substantial payments of approximately US $ 3,500,000 thousand have been made by entities within the 1MDB group to an entity called "Aabar Investments PJS Limited" ("Aabar BVI"), which IPIC and Aabar understand, from publicly available records, to be a company incorporated in the British Virgin Islands and which was wound up and dissolved in June 2015.

Both IPIC and Aabar confirm that Aabar BVI was not an entity within either corporate group. Further, both IPIC and Aabar confirm that neither has received any payments from Aabar BVI nor has IPIC or Aabar assumed any liabilities on behalf of Aabar BVI. Accordingly these interim condensed consolidated financial statements of the Group do not include any balances, transactions or other disclosures relating to Aabar BVI. The Group understands that other companies outside the group's corporate structure were incorporated in other offshore jurisdictions using variations of the "Aabar" name. The Group is investigating these entities further.

Further, 1MDB has intimated the existence of (i) guarantees of approximately US $ 940,000 thousand provided by Aabar in respect of fund units in a Cayman registered fund, owned by 1MDB subsidiary Brazen Sky and (ii) guarantees from Aabar BVI of fund investments held with various third party fund managers in the amount of approximately US $ 1,500,000 thousand. Both IPIC and Aabar confirm there is no record of any such guarantees being provided by Aabar and as such no disclosure of financial guarantees needs to be made in these interim condensed consolidated financial statements. IPIC and Aabar further confirm that neither has received any payments, assets or fund units from Brazen Sky.

23 1Malaysia Development Berhad (1MDB) transactions continued

23.7 IPIC Submits a Request for Arbitration

On 13 June 2016, IPIC and Aabar have submitted a Request for Arbitration (RFA) to the London Court of International Arbitration ("LCIA"). The RFA concerns the failure by 1MDB and MOF to perform their contractual obligations under the BTS as described in note 22.4 above. The failure of 1MDB and MOF to perform their obligations, cure their defaults or put forward acceptable proposals has left IPIC in the position where it must pursue its claims in arbitration. The total amount claimed by IPIC and Aabar is approximately US $ 6,469,463 thousand. The claim will be determined by an arbitral tribunal that will comprise of three arbitrators in accordance with the BTS and the LCIA Rules.

24 RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. The terms of these transactions are approved by each Company's management and are made on the terms agreed by the Board of Directors or management.

Compensation of key management personnel
The remuneration of senior key management personnel of the Group during the period was as follows:

	Six months ended 30 June	
	2016	*2015*
	US $ '000	*US $ '000*
Short-term benefits	**2,327**	3,901

Transactions with related parties included in interim condensed consolidated statement of profit or loss are as follows:

	Goods and services		*Financing*	
Business relationship	*Purchases from*	*Sales to*	*Interest received*	*Interest paid*
	US $ '000	*US $ '000*	*US $ '000*	*US $ '000*
Six months ended 30 June 2016				
Associates	**725,061**	**249,119**	**12**	**3**
Joint ventures	**180,217**	**215,912**	**4,406**	**77**
Entities under common management of key management personnel of the Company	**27,326**	**119,367**	**-**	**-**
Others	**196**	**6,215**	**1,724**	**90**
	932,800	**590,613**	**6,142**	**170**
Six months ended 30 June 2015				
Associates	1,021,217	383,652	82	-
Joint ventures	288,816	476,657	7,595	122
Entities under common management of key management personnel of the Company	10,836	10,730	-	-
Others	585	7,830	1,560	4
	1,321,454	878,869	9,237	126

24 RELATED PARTY TRANSACTIONS AND BALANCES continued

Balances with related parties included in the interim condensed consolidated statement of financial position are as follows:

	Goods and services			
Business relationship	*Receivables from US $ '000*	*Payables to US $ '000*	*Other Payables US $ '000*	*Other receivables US $ '000*
At 30 June 2016				
Associates	**22,798**	**15,927**	**3,511**	**5,096**
Joint ventures	**121,537**	**195,859**	**65,657**	**29,013**
Others	**118,575**	**125,262**	**11,140**	**548,770**
	262,910	**337,048**	**80,308**	**582,879**
At 31 December 2015(Audited)				
Associates	114,982	193,778	3,534	537,878
Joint ventures	4,401	33,546	75,732	9,978
Others	116,055	129,523	13,500	121,490
	235,438	356,847	92,766	669,346

Pursuant to the 29 May 1984 Emiri Decree No 3/1984 (subsequently replaced by Emiri Decree No 2/1986), the Company is wholly owned by the Government of Abu Dhabi.

The Group, in the ordinary course of business, enters into various transactions including borrowings and bank deposits with financial institutions which may be majority-owned or significantly influenced by the Government of the Emirate of Abu Dhabi. The effect of these transactions is included in the interim condensed consolidated financial statements. These transactions are made at terms equivalent to those that prevail in arm's length transactions. There are no collaterals provided against borrowings from related parties.

	Six months ended			
	30 June 2016		*30 June 2015*	
Business relationship	*Interest income US $ '000*	*Interest expense US $ '000*	*Interest income US $ '000*	*Interest expense US $ '000*
Financing:				
Entities under common shareholder - the Government of the Emirate of Abu Dhabi	**3,604**	**15,165**	4,023	19,936

	30 June 2016		*(Audited) 31 December 2015*	
Business relationship	*Cash and cash equivalents US $ '000*	*Borrowings US $ '000*	*Cash and cash equivalents US $ '000*	*Borrowings US $ '000*
Financing:				
Entities under common shareholder - the Government of the Emirate of Abu Dhabi	**1,202,225**	**1,148,968**	575,932	1,521,909

25 GROUP INFORMATION

25.1 Interests in subsidiaries

The interim condensed consolidated financial statements include the interim financial statements of the Company and all its material subsidiaries as at 30 June 2016. The significant operating subsidiaries are listed in the following table:

Name of company	*Country of incorporation*	*Percentage holding* **30 June 2016**	*Percentage holding* *31 December 2015*
Borealis AG ("Borealis")	Austria	**64%**	64%
Aabar Investments PJS ("Aabar")	United Arab Emirates	**98.49%**	98.46%
NOVA Chemicals Corporation ("NOVA")	New Brunswick, Canada	**100%**	100%
Compañía Española de Petróleos, S.A.U. ("CEPSA")	Spain	**100%**	100%
Falcon Private Bank Ltd. ("Falcon Private Bank")	Switzerland	**100%**	100%
Arabtec Holding PJSC ("Arabtec") (note 4.1)	United Arab Emirates	**36.11%**	36.11%

25.2 Investments in associates

The Group has the following significant investments in associates**:**

Name of company	*Country of incorporation*	*Percentage holding** **30 June 2016**	*Percentage holding** *31 December 2015*
Abu Dhabi Polymers Company Limited ("Borouge")	United Arab Emirates	**40.00%**	40.00%
Pak-Arab Refinery Limited ("PARCO")	Pakistan	**40.00%**	40.00%
OMV AG ("OMV")	Austria	**24.90%**	24.90%
RHB Capital Berhad ("RHB Capital")	Malaysia	**17.75%**	17.75%
Galactic Ventures LLC ("Virgin Galactic")	British Virgin Islands	**32.86%**	32.86%
APICO LLC ("APICO")	USA	**39.00%**	39.00%
Cosmo Abu Dhabi Energy Exploration & Production Co. Ltd ("Abu Dhabi Oil Co.")	United Arab Emirates	**12.84%**	12.84%

25.3 Investments in joint ventures

The Group has the following significant investment in a joint venture**:**

Name of company	*Country of incorporation*	*Percentage holding** **30 June 2016**	*Percentage holding** *31 December 2015*
Medgaz, S.A.	Spain	**42.09%**	42.09%

* Percentage holding represents the percentage of the results, assets and liabilities recognized in the interim condensed consolidated financial statements. The effective percentage holding attributable to the equity holder of the parent company may be different.

26 EVENTS AFTER THE REPORTING PERIOD

(i) On 1 July 2016, the Company entered into a EUR 500,000 thousand revolving credit facility which pays a margin over EURIBOR with a maturity on 1 July 2019.

(ii) On 1 July 2016, Aabar entered into a three year EUR 350,000 thousand loan facility with an interest rate margin over Euribor.

(iii) In July 2016, Aabar repaid its EUR 343,962 thousand (Aabar – Loan 27 in note 17) loan facility maturing in November 2017.

(iv) In August 2016, Aabar decided to unwind its collar position on the UniCredit SpA shares before its original maturity of November 2017. Proceeds from the collar unwind were used to partially repay the collar loan (see below (v)) associated with the collar structure.

(v) In August 2016, Aabar repaid its EUR 427,350 thousand (Aabar – Loan 25 in note 17) loan facility maturing in November 2017.

(vi) On 11 October 2016, the Swiss Financial Market Supervisory Authority (FINMA) and the Monetary Authority of Singapore (MAS) completed their investigations around Falcon Private Bank's (FPB) involvement in the 1MDB case. Based on these investigations, the MAS decided to withdraw FPB’s banking license in Singapore. This does not impact the strategic development of the Bank and the Group does not expect any significant financial impact. The Singapore office will be closed in due course.

(vii) On 21 October 2016, Aabar entered into a four year EUR 150,000 thousand loan facility with an interest rate margin over EURIBOR.