



**SABIC Capital I B.V.**

**FINANCIAL STATEMENTS**

**For the period 3 September 2008 through 31 December 2009**

**SABIC Capital I B.V.**  
**Financial Statements**  
**3 September 2008 through 31 December 2009**

**GENERAL INFORMATION**

***Director***

SABIC Capital B.V.

***Registered Office***

Zuidplein 216  
1077 XV Amsterdam  
The Netherlands

***Auditors***

Ernst & Young Accountants LLP, The Netherlands

**SABIC Capital I B.V.**  
**Financial Statements**  
**3 September 2008 through 31 December 2009**

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**SABIC Capital I B.V.**  
**Financial Statements**  
**3 September 2008 through 31 December 2009**

**REPORT BY THE MANAGING BOARD**

***General***

SABIC Capital I B.V. (hereafter referenced to as “the Company”) was incorporated on 3 September 2008 as a private company with limited liability (“besloten vennootschap met beperkte aansprakelijkheid”) in accordance with the laws of The Netherlands and was registered at the trade register of the Chamber of Commerce in the Netherlands on 4 September 2008, with registered number 14105351.

The authorised share capital of the Company is EUR 90,000 divided into 90,000 ordinary shares of € 1,00 each, of which 18,000 shares have been issued and fully paid.

The Company is part of the group of companies headed by Saudi Basic Industries Corporation, Riyadh, Kingdom of Saudi Arabia (hereafter referred to as “the SABIC Group”). The Company’s immediate parent company is SABIC Capital B.V. The Company is considered and managed as part of a group of three financing companies headed by SABIC Capital B.V. (hereafter referred to as “the SABIC Capital Group”).

The Company was formed to act as a finance and investment company for (part of) the SABIC Group. In this respect, the Company benefits of an undertaking by SABIC to provide the Company with sufficient funds to comply with any and all of its payment obligations to any creditors.

These are the Company’s first financial statements with a prolonged year from 3 September 2008 through 31 December 2009.

***Results***

The Company’s net revenues consisting of interest income for the period 3 September 2008 through 31 December 2009 amounted to € 81 million of which € 68 million relates to interest from related parties and € 14 million relates to a guarantee support fee from a related party which are offset by interest expense related to third parties amounting to € 43 million, interest expense to related parties of € 23 million and a guarantee support fee to the ultimate parent company SABIC in the amount of € 14 million.

The Company’s main source of financing in the period ended 3 September 2008 through 31 December 2009 was represented by the proceeds from the issuance of a Eurobond in the amount of € 750 million (€ 721 million amortized cost value) and intercompany loans in the amount of € 360 million received from the ultimate parent company SABIC. These funds, amounting to € 1,081 million, were on-lent to SABIC Holding Europe B.V., another indirect fully owned subsidiary of SABIC.

***Equity contributions***

During the period the Company received € 8 million in equity contributions on the 18,000 issued shares from its parent company SABIC Capital B.V. and € 14 million from the ultimate parent company SABIC resulting from the waived guarantee support fee.

***Employees***

The Company has no employees.

***Future Financing***

The Company will continue to force its financing through external and internal resources.

**SABIC Capital I B.V.**  
**Financial Statements**  
**3 September 2008 through 31 December 2009**

Amsterdam, 21 April 2010

SABIC Capital I B.V.  
represented by its sole managing director SABIC Capital B.V.

M.A. Khan

M.R. De Groot

**SABIC Capital I B.V.**  
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**3 September 2008 through 31 December 2009**

**COMPANY PROFILE**

**General**

SABIC Capital I B.V. (hereafter referred to as “the Company”) was incorporated 3 September 2008. The Company, having its legal seat in Amsterdam, The Netherlands, is a direct wholly-owned subsidiary of SABIC Capital B.V. and an indirect wholly owned subsidiary of Saudi Basic Industries Corporation (“SABIC” or “SABIC Group”) a Saudi Arabian joint stock company based in Riyadh, Saudi Arabia. SABIC and its subsidiaries are engaged in the manufacturing, marketing and distribution of, chemicals, fertilizer and metal products in world markets.

The primary purpose of the Company is to act as a financing and investment company for (part of) the SABIC Group. In this respect, the Company benefits of an undertaking by SABIC provide the Company with sufficient funds to comply with any and all of its payment obligations to any creditors.

The Company’s financing is ensured through equity contributions from its shareholder, intercompany loans from SABIC as well as external financing, currently from the capital markets. The Company uses such funds for financing other companies of the SABIC Group.

**SABIC CAPITAL I B.V.**  
**Statement of Income**  
**For the period 3 September 2008 through 31 December 2009**  
**(in thousands of Euros)**

	<u>Note</u>	<u>3 September 2008 through 31 December 2009</u>
Financial income .....	5	81,551
Financial expense .....	6	<u>(80,271)</u>
Profit before taxation .....		1,280
Corporate income tax .....	7	<u>(329)</u>
<b>Net profit</b> .....		<b><u>951</u></b>
Net profit attributable to equity holders of the Company .....		<b><u>951</u></b>

**SABIC CAPITAL I B.V.**  
**Statement of Comprehensive Income**  
**For the period 3 September 2008 through 31 December 2009**  
**(in thousands of Euros)**

	<u>3 September 2008 through 31 December 2009</u>
Net profit .....	951
Other comprehensive income .....	<u>—</u>
<b>Total comprehensive income .....</b>	<b><u>951</u></b>
<b>Attributable to equity holders of the Company .....</b>	<b><u>951</u></b>



**SABIC CAPITAL I B.V.**  
**Statement of Financial Position**  
**At 31 December 2009**  
**(in thousands of Euros)**

	<u>Note</u>	<u>31 December 2009</u>
<b>Assets</b>		
<i>Non-current assets</i>		
Other financial assets .....	9	1,080,854
<i>Current assets</i>		
Other receivables .....	10	25,743
Cash and cash equivalents .....		56
		<u>25,799</u>
<b>Total</b> .....		<b><u>1,106,653</u></b>
 <b>Equity and Liabilities</b>		
Equity attributable to equity holders of the Company .....	11	23,324
<i>Non-current liabilities</i>		
Interest bearing loans and borrowings .....	12	1,079,830
Deferred tax liabilities .....	8	177
		<u>1,080,007</u>
<i>Current liabilities</i>		
Other payables .....	13	3,322
<b>Total</b> .....		<b><u>1,106,653</u></b>

**SABIC CAPITAL I B.V.**  
**Statement of Changes in Equity**  
**For the period 3 September 2008 through 31 December 2009**  
**(in thousands of Euros)**

	<u>Issued capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Unappropriated income for the year</u>	<u>Total</u>
Issuance of shares at incorporation of the Company . . . . .	18	—	—	—	18
Total comprehensive income . . . . .	—	—	—	951	951
Total income and expense for the period 3 September through 31 December 2009 . . . . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>951</u>	<u>951</u>
Capital contribution . . . . .	—	13,610	745	—	14,355
Share premium . . . . .	—	8,000	—	—	8,000
<b>Balance at 31 December 2009 . . . . .</b>	<b><u>18</u></b>	<b><u>21,610</u></b>	<b><u>745</u></b>	<b><u>951</u></b>	<b><u>23,324</u></b>

**SABIC CAPITAL I B.V.**  
**Statement of Cash Flows**  
**For the period 3 September 2008 through 31 December 2009**  
**(in thousands of Euros)**

	<u>Note</u>	<u>3 September 2008 through 31 December 2009</u>
<i>Operating activities</i>		
Profit after tax from continuing operations .....		951
Adjustments to reconcile profit after tax with		
Net cash provided by operating activities:		
– Investments in financial assets .....	15	(1,109,981)
– Proceeds from interest bearing loans and borrowings .....	15	1,109,702
– Change in deferred tax .....	8	177
– Change in working capital .....	15	(8,811)
<b>Net cash provided by operating activities</b> .....		<b>(7,962)</b>
<i>Financing activities</i>		
– Proceeds from share capital and share premium contribution by the parent company ..	11	8,018
<b>Net cash provided by financing activities</b> .....		<b>8,018</b>
Change in cash .....		56
<b>Cash at beginning of financial year</b> .....		<b>—</b>
<b>Cash at end of financial year</b> .....		<b><u>56</u></b>

**SABIC Capital I B.V.**  
**Notes to the Financial Statements**  
**3 September 2008 through 31 December 2009**  
**(in thousands of Euros)**

**1. Corporate information**

SABIC Capital I B.V. (hereafter referred to as “the Company”) was incorporated 3 September 2008. The Company, having its legal seat in Amsterdam, The Netherlands, is a direct wholly-owned subsidiary of SABIC Capital B.V. and an indirect wholly owned subsidiary of Saudi Basic Industries Corporation (“SABIC” or “SABIC Group”) a Saudi Arabian joint stock company based in Riyadh, Saudi Arabia.

The primary purpose of the Company is to act as a financing and investment company for (part of) the SABIC Group. In this respect, the Company benefits of an undertaking by SABIC to provide the Company with sufficient funds to comply with any and all of its payment obligations to any creditors.

The Company’s financing is ensured through equity contributions from its shareholder, intercompany loans from SABIC as well as external financing, currently from the capital markets. The Company uses such funds for financing other companies of the SABIC Group.

Unless stated otherwise, all amounts are in € thousands except for shares, share amounts and employee information.

**2. Basis of preparation and accounting policies**

**2.1 Basis of preparation**

The Company’s first financial year has a prolonged accounting period and covers the period 3 September 2008 through 31 December 2009.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its Interpretations as adopted by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU) and in accordance with Part 9, Book 2 of the Dutch Civil Code.

The Company has early adopted the following relevant IFRS Standards and interpretations, which did not have any effect on the financial performance or position of the Company, however give rise to additional disclosures, including revision to accounting policies.

- IAS 1 *Presentation of Financial Statements* was amended by the IASB as of 6 September 2007. The goal is to ease the analysis and comparison of financial statements. Additional information on stockholders’ equity and other comprehensive income must be presented. The amended version of IAS 1 applies to all financial years beginning on or after 1 January 2009, and has no noteworthy impact on the Company, except for additional disclosures.

The Company has not early applied the following relevant new and revised standards, amendments or interpretations that have been issued of which some are not yet endorsed by the European Union, effective or applicable for the Company:

- Amendments to IFRIC 9 and IAS 39 *Financial Instruments: Recognition and Measurement*. The interpretation concludes that an entity must assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. This amendment has not yet been endorsed by the EU and will not apply for the Company.

**SABIC Capital I B.V.**  
**Notes to the Financial Statements**  
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- IFRIC 17 *Distributions of Non-cash Assets to Owners* clarifies that the valuation difference between the book value of the asset and the fair value should be recognized in profit or loss, except for common control transactions. It shall be applied to financial years beginning on or after 1 July 2009. IFRIC 17 is expected to have no effect on the Company.
- Amendments to IFRS 7 *Improving Disclosures about Financial Instruments*. The amendments require enhanced disclosures about fair value measurements and liquidity risk. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2009, with earlier application permitted. However, an entity will not be required to provide comparative disclosures in the first year of application. This amendment has not yet been endorsed by the EU and is expected to have no noteworthy impact on the Company.
- IFRS 9 *Financial Instruments* will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting 1 January 2013 with early adoption permitted. The Company will apply the changes as soon as they come into force and are endorsed by the European Union. Implementation of this Standard is expected to have no noteworthy impact on the Company, except for disclosures.
- IASB's annual improvements project resulted in 35 smaller amendments to several IFRSs. Most amendments will be effective as from 2009 these are expected to have no material impact on the Company's financial statements.

The other new and revised standards are not considered applicable for now and in the foreseeable future.

The financial statements are prepared on the historical cost basis concept.

## **2.2 Significant accounting judgments, estimates and assumptions**

The preparation of the Company's 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.

## **2.3 Summary of significant accounting policies**

### ***Foreign currency translation***

The EURO is the functional currency of the Company. Commercial transactions expressed in foreign currencies are stated in the accounts at the relevant rates. Balance sheet items in foreign currencies are translated at spot rates as at the balance sheet date. Exchange rate differences are taken to the statement of income.

The currency exchange rates in Euro versus the US dollar that is used for drawing up the financial statements is 0.70 as of 31 December 2009.

### ***Financial income and expense***

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or

**SABIC Capital I B.V.**  
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**(in thousands of Euros)**

receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income (or expense) is included in financial income (or expense) in the statement of income.

Premiums, discounts and transaction costs on loans are carried as an adjustment to interest expenses, spread over the term of the loans concerned.

***Expenses***

Operating costs are recognized on a historical cost basis.

***Income taxes***

The Company is part of a Dutch fiscal unity together with its immediate parent company SABIC Capital B.V. and SABIC Capital II B.V. (hereafter referenced as “the SABIC Capital Group”) headed by SABIC Capital B.V. The Company’s corporate income tax is calculated on a stand alone basis.

***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Dutch Tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

***Deferred income tax***

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognized in other comprehensive income is recognized in the statement of changes in equity and not in the statement of income.

Deferred income tax assets and deferred income tax liabilities are offset in the Dutch fiscal unity.

***Other financial assets***

Other financial assets comprise non-current loans and receivables. Loans and receivables are measured at amortized cost, if necessary after deduction of a value adjustment for bad debts.

***Other receivables***

Other receivables only comprise current loans and receivables and are stated at amortized cost, which generally corresponds to face value, less an adjustment for bad debts.

***Cash and cash equivalents***

Cash and short-term deposits in the balance sheet comprise cash at banks and on hand and short term deposits with an original maturity of three months or less.

***Impairment of financial assets***

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**SABIC Capital I B.V.**  
**Notes to the Financial Statements**  
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***Interest bearing loans and borrowings***

Interest bearing loans and borrowings are initially recognized at cost, being the fair value of the proceeds received, net of transactions costs. Subsequently, interest bearing loans and borrowings are stated at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium. Interest expenses are accrued and recorded in the statement of income for each period.

***Current liabilities***

Current liabilities are stated at amortized cost, which generally corresponds to face value.

***Current versus non-current classification***

An asset (liability) is classified as current when it is expected to be realized (settled) within 12 months after the balance sheet date.

***Offsetting of financial assets and liabilities***

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

***De-recognition of financial assets and liabilities***

***Financial assets***

A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the rights to receive cash flows from the asset have expired: or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement: and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognized to the extent of the Company’s continuing involvement in the asset.

***Financial liabilities***

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.



**SABIC Capital I B.V.**  
**Notes to the Financial Statements**  
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**(in thousands of Euros)**

**3. Employee information**

The Company has no employees for the period 3 September 2008 through 31 December 2009.

*Remuneration key management of the Company*

The key management of the Company are remunerated for their services by SABIC Capital B.V. The remuneration for the whole SABIC Capital group is recorded in the Financial Statements of SABIC Capital B.V.

*Remuneration of the Managing Board*

The sole managing director of the Company is its shareholder SABIC Capital BV., whose directors are remunerated for their services by SABIC Capital B.V.

**4. Auditors' fee**

The financial information of SABIC Capital I B.V. is included in the consolidated financial statements of SABIC Capital B.V. which also includes the disclosure of accounting fees and services.

**5. Financial income**

	<b>3 September 2008 through 31 December 2009</b>
Interest income third parties .....	36
Interest income from related parties .....	67,905
Guarantee support fee from related party .....	13,610
<b>Total</b> .....	<b><u>81,551</u></b>

The guarantee support fee is related to the guarantee fee paid by SABIC Europe B.V., a related party.

**6. Financial expense**

	<b>3 September 2008 through 31 December 2009</b>
Interest expense third parties .....	43,392
Interest expense related parties .....	23,269
Guarantee support fee owed to SABIC .....	13,610
<b>Total</b> .....	<b><u>80,271</u></b>

*Guarantee support fee owed to SABIC*

On 14 February 2009, SABIC has entered into a guarantee agreement with the Company whereby SABIC has undertaken to the Company, among others, that it will make available to the Company sufficient funds to meet its payment obligations as and when the same become due and payable. Such undertaking is not limited in time or amount.

**SABIC Capital I B.V.**  
**Notes to the Financial Statements**  
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**(in thousands of Euros)**

**7. Corporate income tax**

The tax on income can be broken down as follows:

	<u>3 September 2008 through 31 December 2009</u>
Current corporate income tax:	
Current year corporate income tax .....	(407)
Deferred corporate income tax:	
Reversal of temporary differences .....	<u>78</u>
<b>Corporate income tax benefit/(expense) reported in the statement of income .....</b>	<b><u>(329)</u></b>

The relationship between the domestic income tax charge and the effective tax charge is as follows:

	<u>3 September 2008 through 31 December 2009</u>
Domestic income tax rate (%) .....	25.5
Tax charge at domestic rate .....	(326)
Tax effects of:	
– Tax-exempt non-deductible expense .....	<u>(3)</u>
<b>Total corporate income tax benefit/(expense) reported in the statement of income .....</b>	<b><u>(329)</u></b>

**8. Deferred tax liabilities**

The deferred tax liability of € 177 at 31 December relates to the tax effect on the difference between the amortized cost value and the nominal value of the Eurobond and the € 750 million intercompany loan (reference is made to note 9 and note 12).

The Company is part of a fiscal unity. The standard conditions for a Dutch tax unity stipulate that all companies included in the tax unity are jointly and severally liable for all tax liabilities due by the head of the fiscal unity until the tax unity ceases. The Company's corporate income tax is calculated on a stand alone basis.

**9. Other financial assets**

Other financial assets consist of the following at 31 December:

	<u>effective interest rate %</u>	<u>maturity</u>	<u>2009</u>
Intercompany loan SABIC Holding Europe B.V. ....	6.67%	2013	720,822
Intercompany loan SABIC Holding Europe B.V. ....	8.00%	2018	245,557
Intercompany loan SABIC Holding Europe B.V. ....	7.18%	2018	33,107
Intercompany loan SABIC Holding Europe B.V. ....	8.85%	2018	54,642
Intercompany loan SABIC Holding Europe B.V. ....	8.40%	2018	<u>26,726</u>
<b>Total .....</b>			<b><u>1,080,854</u></b>

Other financial assets consist of intercompany loans to related party SABIC Holding Europe B.V.

**SABIC Capital I B.V.**  
**Notes to the Financial Statements**  
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**(in thousands of Euros)**

In November 2008, an € 750 million intercompany loan has been issued, which carries a coupon of 5.53% and is recorded at amortized cost for a net value of € 715 million. The difference is recorded through the statement of changes in equity. The loan matures on 26 November 2013. Based on the effective interest rate of 6.67% (including the guarantee fee received from SABIC Europe B.V.), an amortization amount of € 6 million was added to the carrying amount of the loan in the current financial year.

In December 2008, the Company issued an intercompany loan of € 246 million (principal loan amount USD 325 million). The interest rate is fixed at 8.00%. Interest is capitalized and added to the carrying amount of the loan. The repayment of the loan is due on 31 March 2018.

In March 2009 an intercompany loan amounting to € 33 million (USD 45 million) has been issued. The interest rate is fixed at 7.18%. Interest is capitalized and added to the carrying amount of the loan. The repayment of the loan is due on 31 March 2018.

In July 2009 an intercompany loan amounting to € 55 million (USD 75 million) has been issued. The interest rate is fixed at 8.85%. Interest is capitalized and added to the carrying amount of the loan. The repayment of the loan is due on 31 March 2018.

In September 2009 an intercompany loan amounting to € 27 million (USD 38 million) has been issued. The interest rate is fixed at 8.40%. Interest is capitalized and added to the carrying amount of the loan. The repayment of the loan is due on 31 March 2018.

## **10. Other receivables**

Other receivables consist of the following at 31 December:

	<u>2009</u>
Receivables from related parties .....	21,652
Accrued interest from related parties .....	4,091
<b>Total</b> .....	<b><u>25,743</u></b>

In the receivables from related parties is an amount of € 17,953 interest-bearing from the financial current account from SABIC Europe. The accrued interest relates to the interest to be received on the € 750 million intercompany loan.

## **11. Equity**

Issued capital and share premium amounts to € 18,000 distributed over 18,000 ordinary shares with a par value of € 1 per share. The authorized share capital amounts to € 90,000 consisting of 90,000 ordinary shares with a par value of € 1 per share. In 2008 SABIC Capital B.V. made a contribution on the shares for an amount of € 8 million.

### *Nature and purpose of capital contributions*

The intercompany loan given to SABIC Holding Europe B.V. (reference is made to note 9) of € 750 million has a fair value at inception (measured at amortized cost) of € 715 million. The difference of € 35 million is recorded as a debit on shareholder's contribution through the statement of changes in equity for an amount of

**SABIC Capital I B.V.**  
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€ 26 million (net of tax). The Company's bonds (reference is made to note 12) of € 750 million, and for which a cash consideration of € 750 million is received, has a fair value at inception (measured at amortized cost) of € 714 million. The difference of € 36 million is recorded through the statement of changes in equity for an amount of € 27 million (net of tax).

SABIC has entered into a guarantee agreement with the Company whereby it will guarantee to the Company, and certain of its creditors also part of this agreement, that it will make available to the Company sufficient funds to meet its payment obligations to the creditors in question. At the end of 2009 a fee of € 13.6 million was due by the Company to SABIC under the guarantee agreement (1% of the € 750 million intercompany loan and 1% of the average outstanding amount of the multicurrency revolving syndicated credit facility of SABIC Europe B.V.). SABIC agreed to unconditionally and irrevocably waive the payment of the fee. This amount is recorded through the statement of changes in equity as a shareholder's contribution.

The tax impact of the movements directly recorded in equity amount to € 255.

## 12. Interest bearing loans and borrowings

Non-current interest bearing loans and borrowings consist of the following at 31 December:

	<b>effective interest rate %</b>	<b>maturity</b>	<b>2009</b>
Eurobond € 750 million .....	5.64%	2013	720,128
Intercompany loan SABIC .....	7.97%	2018	245,485
Intercompany loan SABIC .....	6.15%	2018	32,859
Intercompany loan SABIC .....	8.82%	2018	54,634
Intercompany loan SABIC .....	8.37%	2018	26,724
<b>Total non-current .....</b>			<b><u>1,079,830</u></b>

### *Eurobond*

In 2006, SABIC Europe B.V., a related party, issued € 750 million 7-year (maturity 2013) Eurobond. The Eurobond carried a coupon of 4.5% and was listed on the non-regulated market in London. The applicable rating was BBB Stable (Standard & Poor's) and A Stable (Fitch). In December 2008, the existing € 750 million SABIC Europe Eurobond was redeemed and exchanged with a new € 750 million Eurobond issued by the Company. The new Eurobond of € 750 million is recorded at amortized cost for a net value of € 714 million. The difference is recorded as a shareholder's contribution for which reference is made to the statement of changes in equity. Based on the effective interest rate of 5.64% (excluding the guarantee fee to be paid to SABIC), an amortization amount of € 6 million was added to the carrying amount of the loan in the current financial year.

### *Intercompany loans from SABIC*

The intercompany loan of € 245 million (USD 325 million) has been received in December 2008. The interest rate is fixed at 7.97%. Interest payable is added to the carrying amount of the loan. The repayment of the loan is due on 31 March 2018.

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In March 2009, an intercompany loan amounting to € 33 million (USD 45 million) was received. The interest rate is fixed at 6.15%. Interest payable is added to the carrying amount of the loan. The repayment of the loan is due on 31 March 2018.

In July 2009, an intercompany loan amounting to € 55 million (USD 75 million) was received. The interest rate is fixed at 8.82%. Interest payable is added to the carrying amount of the loan. The repayment of the loan is due on 31 March 2018.

In September 2009, an intercompany loan amounting to € 27 million (USD 38 million) was received. The interest rate is fixed at 8.37%. Interest payable is added to the carrying amount of the loan. The repayment of the loan is due on 31 March 2018.

On 14 February 2009, SABIC has entered into a guarantee agreement with the Company whereby SABIC has undertaken to the Company, among others, that it will make available to the Company sufficient funds to meet its payment obligations as and when the same become due and payable. Such undertaking is not limited in time or amount.

### **13. Other payables**

Other payables consist of the following at 31 December:

	<u>2009</u>
Income tax due related parties .....	178
Accrued interest .....	<u>3,144</u>
<b>Total .....</b>	<b><u>3,322</u></b>

The accrued interest relates to the interest to be paid on the € 750 million Eurobond.

### **14. Commitments and contingencies**

#### *Guarantees*

The Company being part of a fiscal unity is jointly and severally liable for all tax liabilities due by the tax parent company until the tax unity ceases. The Company is also included in a Dutch Value Added Tax unity headed by SABIC Holding Europe B.V., a related party.

#### *Financial indebtedness and guarantees*

In February 2009, the Company issued a guarantee for the benefit of the lenders under the € 1,250 million multicurrency revolving syndicated credit facility of SABIC Europe B.V.. In relation to this guarantee, SABIC has undertaken to the Company and the lenders that SABIC will make available to the Company sufficient funds to meet its payment obligations in question.

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**15. Notes to the statement of cash flows**

The cash flow change relating to the working capital can be broken down as follows in the period:

	<u>Note</u>	<u>3 September 2008 through 31 December 2009</u>
<i>Investments in financial assets:</i>		
Other financial assets .....	9	1,080,854
Adjustment to fair value at inception .....	11	35,369
Amortization for the year .....	9	(6,242)
<b>Total</b> .....		<b>1,109,981</b>
<b>Change in cash flow</b> .....		<b><u>(1,109,981)</u></b>
<i>Proceeds from interest bearing loans and borrowings:</i>		
Interest bearing loans and borrowings .....	12	(1,079,830)
Adjustment to fair value at inception .....	11	(36,371)
Amortization for the year .....	12	6,499
<b>Total</b> .....		<b>(1,109,702)</b>
<b>Change in cash flow</b> .....		<b><u>1,109,702</u></b>
<i>Change in working capital:</i>		
Receivables .....	10	25,743
Current liabilities, non-interest-bearing .....	13	(3,322)
Waiver guarantee fee .....	6	(13,610)
<b>Total</b> .....		<b>8,811</b>
<b>Change in cash flow</b> .....		<b><u>(8,811)</u></b>

The cash flows related to paid and received interest, corporate income tax and dividends are as follows for the period:

	<u>3 September 2008 through 31 December 2009</u>
Interest paid .....	(33,731)
Interest received .....	41,475
Corporate income tax paid .....	(230)

The cash flows related to paid and received interest and corporate income tax are included in the net cash provided by operating activities.

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**16. Related party transactions**

All intercompany relations and transactions with related parties have been included as follows in the statement of income for the period ended and the statement of financial position at December 31:

	<u>Note</u>	<u>2009</u>
<i>Statement of income</i>		
Interest income related parties . . . . .	5	67,905
Guarantee support free from related parties . . . . .	5	13,610
Interest expense related parties . . . . .	6	(23,269)
Guarantee support fee owed to SABIC . . . . .	6	(13,610)
<i>Statement of financial position</i>		
Receivables from related parties . . . . .	10	21,652
Accrued interest from related parties . . . . .	10	4,091
Intercompany loans . . . . .	9	1,080,854
Intercompany loans . . . . .	12	(359,702)
Income tax due to related parties . . . . .	13	(178)

**17. Financial risk management objectives and policies**

The Company's principal financial liabilities comprise loans and borrowings and other payables contracted to raise funding for further funding (part of) the SABIC Group. The Company's financial assets include intercompany loans and other receivables, and cash and short-term deposits that arrive directly from its financing activities.

The Company is exposed to market risk, credit risk and liquidity risk.

The SABIC Capital group ensures that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk profile. The Company does not have any derivative financial instruments at the end of 2009.

The Board of Directors review and manage each of these risks which are summarised below.

*Market risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk. Financial instruments affected by market risk include loans and borrowings.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The SABIC Capital group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The group's policy is to maintain between 50% and 100% of its borrowings at fixed rates. To manage this, the group enters into interest rate swaps if necessary, in which the group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

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As per the end of 2009, for interest bearing loans and borrowings the group had only limited exposure to the risk of changes in market interest rates as all loans given and taken carry fixed interest rates. Furthermore, the interest rate risk for the group is limited as the loans are back to back using the same interest rate plus a mark-up for the interest on the loan receivables.

The exposure is on the internal current account (2009: € 17,953; Note 10). The interest receivable on the internal current account is based on 1 month Euribor minus 0.125%.

*Interest rate sensitivity*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings), at December 31:

	<u>Increase/(Decrease) in basis points</u>	<u>Effect on Income/(Loss) before taxation</u>
1 month Euribor		
2008 versus 2009 .....	(215)	386

*Foreign currency risk*

The Company operates internationally and is primarily exposed to foreign exchange risk arising from loan related USD exposures. The foreign exchange risk arising from loans denominated in USD is limited to the Company as the cash outflows, loans issued, are almost completely offset by cash inflows, loans received. The effect of a reasonable change in income/(loss) before taxation is assessed as not material.

*Credit and counterparty risk*

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or contract, resulting in a financial loss. The Company is exposed to credit risk from its financing activities, including loans to other companies of the SABIC group, deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Company has a policy to manage exposure to counterparty risk represented by possible defaults on financial instruments by monitoring the concentration of risk that it has with any individual bank or counterparty and through the use of minimum credit quality standards for accepting counterparties. As per the end of 2009, the Company does have financial instruments in place with third parties.

As per the end of 2009, the Company has financing activities only with related parties, primarily SABIC Holding Europe B.V. With respect to loans to related parties, the Company acts as intermediate between its ultimate shareholder SABIC or the capital markets and the related party compan(y)(ies) and bears a pre-defined and limited credit risk.

With respect to intercompany loans by the Company to SABIC Holding Europe B.V. for which the Company has borrowed a corresponding amount from SABIC, individual limitation of recourse letters have been entered into between the three companies, whereby, among others, the Company's exposure to a default of the borrower under the intercompany loan agreement is limited to the maximum amount of € 2 million per intercompany loan and the assignment of such intercompany loan to SABIC.



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With respect to the € 750 million intercompany loan by the Company to SABIC Holding Europe B.V. which the Company has financed by the issuance of € 750 million fixed rate notes (Eurobond) in December 2008, and with respect to which SABIC has issued a direct guarantee for the benefit of the bond holders, an individual limitation of recourse letter has been entered into between the three companies, whereby, among others, the Company's exposure to a default of the borrower under the intercompany loan agreement is limited to the maximum amount of € 2 million per intercompany loan and the assignment of such intercompany loan to SABIC.

*Financial indebtedness and guarantees*

In February 2009 the Company issued a guarantee for the benefit of the lenders under the € 1,250 million multicurrency revolving syndicated credit facility of SABIC Europe B.V.. In relation to this guarantee, SABIC has entered into a guarantee agreement with the Company dated February 2009, whereby SABIC has undertaken to the Company and the lenders that SABIC will make available to the Company sufficient funds to meet its payment obligations in question.

*Liquidity risk*

The Company monitors its risk of a shortage of funds using forecasting models to model impacts of operational activities on overall liquidity availability. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of various sources of liquidity.

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2009 based on undiscounted contractual payments:

	<u>Within 1 year</u>	<u>1 – 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Interest bearing loans and borrowings .....	62,392	965,816	452,787	1,480,995
Other payables .....	3,322	—	—	3,322

*Capital management*

Capital represents equity attributable to the equityholders of the parent. The primary objective to the Company's capital management is to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objective, policies or processes during the period 3 September 2008 through ended 31 December 2009.

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*Fair values*

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements at 31 December:

	<u>Carrying amount 2009</u>	<u>Fair value 2009</u>
<i>Financial assets</i>		
Cash and cash equivalents . . . . .	56	56
Other financial assets . . . . .	1,080,854	1,186,825
Other receivables . . . . .	25,743	25,743
<i>Financial liabilities</i>		
Interest-bearing loans and borrowings:		
Fixed rate borrowings . . . . .	1,079,830	1,183,792
Other payables . . . . .	3,322	3,322

The fair value of the financial assets and liabilities represent the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, other receivables, and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of unquoted instruments, loans from banks and other financial indebtedness, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities.

Amsterdam, 21 April 2010

SABIC Capital I B.V.  
represented by its sole managing director SABIC Capital B.V.

M.A. Khan

M.R. De Groot

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**OTHER INFORMATION**

**Appropriation of result for the period**

According to Article 14 of the Articles of Association of SABIC Capital I B.V. the profit is at the disposal of the General Meeting of Shareholders.

**Subsequent events**

*Financing*

On 29 March 2010, SABIC Capital I B.V. has received a loan of € 457 million from SABIC, bearing interest at a fixed rate of 7.22%. The proceeds of the loan have been on-lent to SABIC Holding Europe B.V.

The Company will continue to force its financing through external and internal resources.

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**AUDITORS' REPORT**

To: The Management Board and Shareholder of SABIC Capital I B.V.

**Report on the financial statements**

We have audited the accompanying financial statements 2009 of SABIC Capital I B.V., Amsterdam, which comprise the statement of financial position as at 31 December 2009, the statement of income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting principles and other explanatory notes.

*Management's responsibility*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Management Board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of SABIC Capital I B.V. as at December 31, 2009, and of its results and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

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**Report on other legal and regulatory requirements**

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Eindhoven, April 21, 2010

Ernst & Young Accountants LLP

signed by W.T. Prins