BASE PROSPECTUS

شركة الاستثمارات البترولية الدولية
INTERNATIONAL PETROLEUM INVESTMENT COMPANY
IPIC

IPIC GMTN LIMITED

(an exempted company with limited liability incorporated in the Cayman Islands under the Companies Law (2011 Revision))

Global Medium Term Note Programme unconditionally and irrevocably guaranteed by International Petroleum Investment Company P.J.S.C.

(established with limited liability in the Emirate of Abu Dhabi, United Arab Emirates)

Under this Global Medium Term Note Programme (the "**Programme**"), IPIC GMTN Limited (the "**Issuer**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below). The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by International Petroleum Investment Company P.J.S.C. ("**IPIC**", the "**Company**" or the "**Guarantor**"). The aggregate nominal amount of the Notes outstanding will not be limited.

Notes may be issued in bearer or registered form (respectively "**Bearer Notes**" and "**Registered Notes**").

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time (each a "**Dealer**" and, together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the **"relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks, please see "*Risk Factors*" on page 10.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**U.K. Listing Authority**") for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the U.K. Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's regulated market (the "**Regulated Market**"). References in this Base Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes have been admitted to trading on the Regulated Market and have been admitted to the Official List or such other or further stock exchanges or markets as may be specified in the applicable Final Terms (as defined below). The Regulated Market is a regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined in "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the "**Final Terms**") which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the U.K. Listing Authority and the London Stock Exchange.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer, the Company and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Neither the Notes nor the guarantee contained in the Deed of Guarantee (as defined in "*Terms and Conditions of the Notes*") (the "**Guarantee**") have been or will be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or any U.S. state securities laws and the Notes may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available and the offer or sale is made in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and within the United States only: (i) to persons who are "qualified institutional buyers" ("**QIBs**") in reliance on Rule 144A under the Securities Act ("**Rule 144A**") that are also "qualified purchasers" (each a "**QP**") within the meaning of Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**"), and the rules and regulations thereunder; or (ii) to persons who are both "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions ("**Institutional Accredited Investors**") that are also QPs, who execute and deliver an IAI Investment Letter (as defined in the Agency Agreement) in which they agree to purchase the Notes for their own account and not with a view to the distribution thereof. Neither the Issuer nor the Company has registered and neither intends to register as an investment company under the Investment Company Act, in reliance on the exemption provided by Section 3(c)(7) thereof. Please see "*Summary of Provisions relating to the Notes while in Global Form*" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer. Please see "*Subscription and Sale and Transfer and Selling Restrictions*".

The rating of certain Series (as defined under "*Overview of the Programme*") of Notes to be issued under the Programme and the credit rating agency issuing such rating may be specified in the applicable Final Terms. The Company has been assigned ratings of Aa3 by Moody's Investors Service Ltd. ("**Moody's**") and AA by each of Fitch Ratings Ltd. ("**Fitch**") and Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), each with stable outlook. The Emirate of Abu Dhabi has been assigned ratings of AA by Fitch, Aa2 by Moody's and AA by S&P, each with stable outlook. The United Arab Emirates has been assigned a credit rating of Aa2 with a stable outlook by Moody's Investors Service Singapore Pte. Ltd.

Moody's Investors Service Singapore Pte. Ltd. is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). The rating has been endorsed by Moody's in accordance with the CRA Regulation. Each of Fitch, Moody's and S&P is established in the European Union and is registered under the CRA Regulation.

Arrangers

BofA Merrill Lynch **BNP PARIBAS** **National Bank of Abu Dhabi P.J.S.C.**

Dealers

BofA Merrill Lynch **BNP PARIBAS**
HSBC **National Bank of Abu Dhabi P.J.S.C.**
Standard Chartered Bank **The Royal Bank of Scotland**

The date of this Base Prospectus is 26 November 2012

IPIC

شركة الاستثمارات البترولية الدولية

INTERNATIONAL PETROLEUM INVESTMENT COMPANY

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the "Prospectus Directive"), as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State) and for the purpose of giving information with regard to the Issuer, the Company, the Group (as defined herein) and the Notes which, according to the particular nature of the Issuer, the Company, the Group and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company.

The Issuer and the Company accept responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer and the Company (each having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each Tranche of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" as supplemented by the applicable Final Terms. This Base Prospectus must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the applicable Final Terms.

The only persons authorised to use this Base Prospectus in connection with an offer of Notes are the relevant Dealer or the Managers, as the case may be.

Copies of Final Terms will be available from the registered office of the Issuer and the specified office of each of the Paying Agents (as defined in "*Terms and Conditions of the Notes*").

Certain information under the headings "*Risk Factors*", "*Overview of the U.A.E. and Abu Dhabi*" and "*Relationship with the Government*" has been extracted from the following public official sources:

- **information provided by the Organisation of the Petroleum Exporting Countries ("OPEC") (in the case of "*Risk Factors*" and "*Overview of the U.A.E. and Abu Dhabi*");**
- **publications of the U.A.E. and Abu Dhabi governments and their ministries and departments, including the Abu Dhabi Statistics Centre and the U.A.E. National Bureau of Statistics (in the case of "*Overview of the U.A.E. and Abu Dhabi*"); and**
- **information provided by Abu Dhabi National Oil Company ("ADNOC"), the International Monetary Fund ("IMF") and the U.A.E. Central Bank (in the case of "*Overview of the U.A.E. and Abu Dhabi*").**

Certain information appearing on pages 129 to 132 (inclusive) of this Base Prospectus under the heading "*Book-Entry Clearance Systems*" has been obtained from the clearing systems referred to herein.

Each of the Issuer and the Company confirms that all third party information contained in this Base Prospectus has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third party information contained in this Base Prospectus is stated where such information appears in this Base Prospectus.

No person is or has been authorised by the Issuer or the Company to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Company or any of the Arrangers or Dealers.

To the fullest extent permitted by law, none of the Arrangers or the Dealers accept any responsibility for the contents of this Base Prospectus or any information incorporated by reference into this document or for any other statement made, or purported to be made, by an Arranger or a Dealer or on its behalf in connection with the Issuer, the Company, or the issue and offering of the Notes. Each Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Base Prospectus or any such statement. Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes: (i) is intended to provide the basis of any credit or other evaluation; or (ii) should be considered as a recommendation by the Issuer, the Company, the Arrangers, the Dealers or Agents that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes

should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Company.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Company is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arrangers and Dealers expressly do not undertake to review the financial condition or affairs of the Issuer or the Company during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Company, the Arrangers or the Dealers represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Company, the Arrangers or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the Cayman Islands, the Dubai International Financial Centre, the European Economic Area, Hong Kong, Japan, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Singapore, the State of Kuwait, the State of Qatar, the United Arab Emirates (excluding the Dubai International Financial Centre), the United Kingdom and the United States. Please see "*Subscription and Sale and Transfer and Selling Restrictions*".

The Notes may not be a suitable investment for all investors. Each potential investor in Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- **have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;**
- **have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financing situation, an investment in Notes and the impact such investment will have on its overall investment portfolio;**
- **have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;**
- **understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and**
- **be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.**

Some Notes may be complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They generally purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in an issue of Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects of the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as of the date of issue of the Notes).

None of the Issuer, the Company, the Arrangers or the Dealers has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

In making an investment decision, investors must rely on their own independent examination of the Issuer and the Company and the terms of the Notes being offered, including the merits and risks involved.

None of the Issuer, the Company, the Arrangers or the Dealers makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) Notes constitute legal investments for it; (ii) Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to any purchase or pledge of any Notes by the investor. Financial institutions should consult their legal advisers or the appropriate regulations to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules and regulations.

U.S. INFORMATION

This Base Prospectus is being submitted on a confidential basis in the United States to a limited number of QIBs and Institutional Accredited Investors, each of whom is also a QP, for informational use solely in connection with the consideration of the purchase of certain Notes issued under the Programme. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended (the "Code") and the U.S. Treasury regulations promulgated thereunder.

Registered Notes may only be offered or sold in the United States in private transactions: (i) to persons who are QIBs that are also QPs, in transactions exempt from registration under the Securities Act; or (ii) to persons who are Institutional Accredited Investors that are also QPs; or (iii) to persons who are QPs pursuant to any other applicable exemption from registration under the Securities Act. Each subsequent U.S. purchaser of Registered Notes sold in reliance on Rule 144A is hereby notified that the offer and sale of any Registered Notes to it may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Purchasers of Notes sold under (ii) above will be required to execute and deliver to the Registrar an IAI Investment Letter.

NEITHER THE NOTES NOR THE GUARANTEE HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY SECURITIES COMMISSION OF ANY STATE IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

Each purchaser or holder of Definitive IAI Registered Notes (as defined herein), Notes represented by a Restricted Global Certificate (as defined herein) or any Notes issued in registered form in exchange or substitution therefor (together "Legended Notes") will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale and Transfer and Selling Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Summary of Provisions relating to the Notes while in Global Form*".

AVAILABLE INFORMATION

In connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act, each of the Issuer and the Company has undertaken in a deed poll dated 26 November 2012 (the "**Deed Poll**") to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and each of the Issuer and the Company is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Law (2011 Revision) and all or a substantial portion of the assets of the Issuer are located outside the United States. As a result, it may not be possible for investors to effect service of process upon the Issuer within the United States (or in any country outside of the Cayman Islands), or to enforce judgements against it obtained in courts within the United States (or in any country outside of the Cayman Islands) predicated upon civil liabilities of the Issuer under laws other than Cayman Islands law, including any judgement predicated upon United States federal securities laws or the securities laws of any state or territory within the United States.

The Company is a public joint stock company established by Emiri Decree under the laws of the U.A.E. and all or a substantial portion of the assets of the Company are located outside the United States. As a result, it may not be possible for investors to effect service of process upon the Company within the United States (or in any country outside of the U.A.E.), or to enforce judgements against it obtained in courts within the United States (or in any country outside of the U.A.E.) predicated upon civil liabilities of the Company under laws other than U.A.E. law, including any judgement predicated upon United States federal securities laws or the securities laws of any state or territory within the United States.

The Notes and the Deed of Guarantee are governed by English law and disputes in respect of them may be settled under the Arbitration Rules of the London Court of International Arbitration (the "**LCIA Rules**"), in London, England. In addition, actions in respect of the Notes and the Deed of Guarantee may be brought in the English courts.

In the absence of any bilateral treaty for the reciprocal enforcement of foreign judgements, the U.A.E. courts are unlikely to enforce an English court judgement or arbitration award without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the Notes and the Deed of Guarantee. Investors may have difficulties in enforcing any English judgements or arbitration awards against the Issuer or the Company in the courts of the U.A.E. In addition, even if English law is accepted as the governing law, this will only be applied to the extent that it is compatible with Abu Dhabi law, applicable federal law of the U.A.E. and public policy. Moreover, judicial precedent in Abu Dhabi or the U.A.E. has no binding effect on subsequent decisions and there is no formal system of reporting court decisions in Abu Dhabi or the U.A.E. These factors create greater judicial uncertainty than would be expected in certain other jurisdictions. Please see "*Risk Factors—Risks Relating to Enforcement—Investors may experience difficulties in enforcing arbitration awards and foreign judgements in Abu Dhabi*".

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO BAHRAIN RESIDENTS

In relation to investors in the Kingdom of Bahrain, Notes issued in connection with this Base Prospectus may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain ("**CBB**") in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.$100,000 (or equivalent in other currencies).

This Base Prospectus does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (Decree Law No. 64 of 2006). The offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Base Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain.

The CBB has not reviewed or approved the offering documents and it has not in any way considered the merits of the Notes to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Base Prospectus.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

This Base Prospectus does not and is not intended to constitute an offer, sale or delivery of notes or other debt financing instruments under the laws of the State of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority or Qatar Central Bank. The Notes are not and will not be traded on the Qatar Exchange.

KINGDOM OF SAUDI ARABIA NOTICE

This Base Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**").

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Base Prospectus and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Base Prospectus. Prospective purchasers of Notes issued under the Programme should conduct their own due diligence on the accuracy of the information relating to the Notes. If a prospective purchaser does not understand the contents of this Base Prospectus, he or she should consult an authorised financial adviser.

CAYMAN ISLANDS NOTICE

No invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the Notes and this Base Prospectus shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for the Notes.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information of the Group

Since its date of incorporation, no financial statements of the Issuer have been prepared.

Unless otherwise indicated, the financial position, financial performance and cash flow information included in this Base Prospectus relating to the Company, its consolidated subsidiaries and its associates and jointly controlled entities (collectively, the "**Group**"), have been extracted from the audited consolidated financial statements of the Group as of and for the years ended 31 December 2011 (the "**2011 Financial Statements**"), 31 December 2010 (the "**2010 Financial Statements**", and together with the 2011 Financial Statements, the "**Audited Financial Statements**") and the unaudited interim condensed consolidated financial statements of the Group as of and for the six months ended 30 June 2012 set forth elsewhere herein (the "**Unaudited Financial Statements**" and, together with the Audited Financial Statements, the "**Financial Statements**").

The Audited Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and have been audited by Ernst & Young Middle East (Abu Dhabi Branch) ("**Ernst & Young**") as stated in their reports included elsewhere in this Base Prospectus. The Unaudited Financial Statements have been prepared in accordance with International Accounting Standard No. 34, Interim Financial Reporting ("**IAS 34**") and have been reviewed by Ernst & Young, in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as stated in their report included elsewhere in this Base Prospectus.

This Base Prospectus also contains certain selected unconsolidated financial information of the Company, which has been extracted from the unaudited interim condensed unconsolidated financial statements of the Company as of and for the six months ended 30 June 2012 and the audited unconsolidated financial statements of the Company as of and for the year ended 31 December 2011.

The Group's financial year ends on 31 December, and references in this Base Prospectus to any specific year are to the 12 month period ended on 31 December of such year.

Pursuant to the settlement agreement between the Company and MAN (as defined below) in November 2011 and the subsequent disposal of Ferrostaal by the Company in March 2012, Ferrostaal was classified as a disposal group held for sale and as a discontinued operation in the 2011 Financial Statements. The 2010 financial information (as presented in the 2011 Financial Statements) of Ferrostaal for the consolidated income statement was reclassified as discontinued operations in the 2011 Financial Statements, as required by IFRS. As a result, certain 2010 financial information (as presented within the 2011 Financial Statements) is not comparable to the 2010 financial information within the 2010 Financial Statements. However, the reclassification in the 2011 Financial Statements had no effect on the reported equity or profit of the Group for the year. Please see Note 44 ("*Comparative Figures*") to the 2011 Financial Statements. For the avoidance of doubt, all 2010 financial information provided in this Base Prospectus is the reclassified financial information as presented within the 2011 Financial Statements (prepared in accordance with IFRS).

During the year ended 31 December 2010, the Group changed the presentation of certain line items in its consolidated income statement and consolidated statement of financial position to more accurately reflect the Group's business. As a result, the 2009 financial information (as presented within the 2010 Financial Statements) was reclassified to conform to the revised presentation of the 2010 Financial Statements. Accordingly, on an individual line item basis, the 2009 financial information (as presented within the 2010 Financial Statements) is not comparable to the 2009 financial information within the audited consolidated financial statements of the Group as of and for the year ended 31 December 2009. However, the reclassification in the 2010 Financial Statements had no effect on the reported profits or the equity of the Group and was not deemed to be material to the 2010 Financial Statements. Please see Note 41 ("*Corresponding Figures*") to the 2010 Financial Statements. For the avoidance of doubt, all 2009 financial information as provided in this Base Prospectus is the reclassified financial information as presented within the 2010 Financial Statements (prepared in accordance with IFRS).

Presentation of Statistical Information and Other Data

Certain statistical information in this Base Prospectus has been derived from a number of publicly available sources.

The statistical information in the section entitled "*Overview of the U.A.E. and Abu Dhabi*" has been derived from a number of different identified sources. All statistical information provided in that section may differ from that produced by other sources for a variety of reasons, including the use of different definitions and cut-off times. The data set out in the section relating to Abu Dhabi's gross domestic product ("**GDP**") for 2010 is preliminary and subject to change and certain other historical GDP data set out in that section may also be subject to future adjustment. Each of the Issuer and the Company confirms that all third party information (including statistical information) contained in this Base Prospectus has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third party information contained in this Base Prospectus is stated where such information appears in this Base Prospectus.

Certain Defined Terms

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed thereto in "*Terms and Conditions of the Notes*" or any other section of this Base Prospectus. In addition, the following terms as used in this Base Prospectus have the meanings defined below:

- references to "**Abu Dhabi**" herein are to the Emirate of Abu Dhabi;
- references to "**capital and investment expenditure**" incurred and expected to be incurred by the Group refer to expenditure in relation to existing and new investments, projects and the refinancing of indebtedness;
- references to "**capital contributions**" made by the Government to the Company refer to equity and other contributions to the capital of the Company;
- references to "**EIA**" herein are to the Emirates Investment Authority;
- references to "**Emirate**" herein are to one or more of the seven emirates of the U.A.E.;
- references to an "**Emiri Decree**" herein are to a law of the Emirate of Abu Dhabi;
- references to the "**Government**" herein are to the government of Abu Dhabi; and
- references to "**U.A.E.**" herein are to the United Arab Emirates.

Further, the following terms are used in this Base Prospectus to identify certain of the companies, investments and projects in the Company's investment portfolio and shall have the meanings set forth below:

- references to "**Aabar**" herein are to Aabar Investments P.J.S.;
- references to "**ADCOP**" herein are to Abu Dhabi Crude Oil Pipeline;
- references to "**Al Falah Growth Fund**" herein are to Al Falah Growth Fund LP;
- references to "**Arabtec**" herein are to Arabtec Holdings P.J.S.C.;
- references to "**Atlantia**" herein are to Atlantia S.p.A.;
- references to "**Banco Santander Brasil**" herein are to Banco Santander (Brasil) S.A.;
- references to "**Banvit**" herein are to Banvit Bandirma Vitaminli Yem Sanayii Anonim Ş irketi;
- references to "**Barclays**" herein are to Barclays Bank PLC;
- references to "**Borealis**" herein are to Borealis AG;
- references to "**Borouge**" herein are to Abu Dhabi Polymers Company Limited;
- references to "**CEPSA**" herein are to Compañia Española de Petróleos, S.A.;
- references to "**ChemaWEyaat**" herein are to the Abu Dhabi National Chemicals Company P.J.S.C.;
- references to "**Cosmo Oil**" herein are to Cosmo Oil Company, Limited;
- references to "**Daimler**" herein are to Daimler AG;
- references to "**EDP**" herein are to Energias de Portugal, S.A.;
- references to "**Falcon Bank**" herein are to Falcon Private Bank Ltd.;

- references to "**Ferrostaal**" herein are to Ferrostaal AG;
- references to "**GEM**" herein are to Gulf Energy Maritime P.J.S.C.;
- references to "**Glencore**" herein are to Glencore International plc;
- references to "**Hyundai Oilbank**" herein are to Hyundai Oilbank Co., Ltd.;
- references to "**IPBC Bond**" herein are to the mandatory exchangeable bonds issued by Independent Public Business Corporation to the Company which at maturity, and in certain circumstances, are exchangeable into shares of Oil Search;
- references to "**Mercedes-Benz Grand Prix**" herein are to Mercedes-Benz Grand Prix Ltd;
- references to "**Nova Chemicals**" herein are to Nova Chemicals Corporation;
- references to "**Oil Search**" herein are to Oil Search Limited;
- references to "**OIP**" herein are to Oasis International Power L.L.C.;
- references to "**OMV**" herein are to OMV Aktiengesellschaft;
- references to "**OPP**" herein are to Oman Polypropylene LLC;
- references to "**PARCO**" herein are to Pak-Arab Refinery Limited;
- references to "**QADIC**" herein are to Qatar and Abu Dhabi Investment Company Q.S.C.;
- references to "**RHB**" herein are to RHB Capital Berhad;
- references to "**SUMED**" herein are to Arab Petroleum Pipelines Company;
- references to "**TAQA**" herein are to Abu Dhabi National Energy Company;
- references to "**UniCredit**" herein are to UniCredit S.p.A.; and
- references to "**Virgin Galactic**" herein are to Galactic Ventures, LLC.

Certain Conventions

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

References in this Base Prospectus to the Company holding or making investments in certain entities include the holding and/or the making of investments (as applicable) in such entities through various direct or indirect intermediary corporate or partnership or other structured investment entities.

All references in this Base Prospectus to "**U.S. dollars**" and "**U.S.$**" refer to United States dollars, being the legal currency of the United States of America (the "**United States**") and all references to "**dirham**" and "**AED**" refer to the U.A.E. dirham, being the legal currency of the U.A.E. The dirham has been pegged to the U.S. dollar since 22 November 1980. The mid-point between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.$1.00. In addition, all references to "**GBP**", "**Sterling**" and "**£**" refer to pounds sterling, being the legal currency of the United Kingdom; "**JPY**", "**Yen**" and "**¥**" refer to Japanese yen, being the legal currency of Japan; "**A$**" refer to Australian dollars, being the legal currency of The Commonwealth of Australia; "**TL**" refer to Turkish lira, being the legal currency of the Republic of Turkey; "**KRW**" refer to South Korean Won, being the legal currency of the Republic of Korea; "**MYR**" refer to Malaysian Ringgit, being the legal currency of Malaysia; and "**euro**" and "**€**" refer to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended. Please refer to "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors that Affect the Group's Results of Continuing Operations—Foreign Currency Translation*", for accounting policy regarding exchange rates used in foreign currency translation.

References to a "**billion**" are to a thousand million.

References in this Base Prospectus to one gender shall be deemed to include the other except where the context does not permit.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Base Prospectus may be deemed to be forward-looking statements. Forward-looking statements include statements concerning the Company's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying such forward-looking statements. When used in this document, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward-looking statements. These forward-looking statements are contained in the sections entitled "*Risk Factors*", "*Relationship with the Government*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Description of the Group*" and other sections of this Base Prospectus. The Company has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although the Company believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable as at the date of this Base Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which the Company has otherwise identified in this Base Prospectus, or if any of the Company's underlying assumptions prove to be incomplete or inaccurate, the Company's actual results of operation may vary from those expected, estimated or predicted.

The risks and uncertainties referred to above include:

- the Company's ability to receive distributions and other revenue flows from its investments (including its subsidiaries);
- the Company's ability to obtain and maintain sufficient capital to fund its current and future investments and financial obligations, including the Company's ability to obtain external financing;
- the Company's ability to manage the growth of the Group successfully;
- actions taken by the Group's joint venture partners that may not be in accordance with the Company's policies and/or objectives;
- changes in international oil and gas prices and market prices for refined and petrochemicals products;
- regulatory restrictions applicable to certain companies within the Group pursuant to environmental and health and safety laws and potential liabilities arising thereunder;
- changes in political, social, legal or economic conditions in the markets that affect the Group and the value of the Group's investments; and
- the political and economic conditions in Abu Dhabi, the U.A.E. and the Middle East.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*".

Any forward-looking statements contained in this Base Prospectus speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer and the Company expressly disclaim any obligation or undertaking to disseminate after the date of this Base Prospectus any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward-looking statement is based.

SUPPLEMENTARY PROSPECTUS

If at any time the Issuer and the Company shall be required to prepare a supplementary prospectus pursuant to Section 87G of the Financial Services and Markets Act 2000 (the "**FSMA**"), the Issuer and the Company will prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further Base Prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Regulated Market, shall constitute a supplementary prospectus as required by the U.K. Listing Authority and Section 87G of the FSMA.

Each of the Issuer and the Company has given an undertaking to the Arrangers and Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in or removal from this Base Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Company, and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Arranger and Dealer such number of copies of such supplement hereto as such Arranger and/or Dealer may reasonably request.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) in the relevant subscription agreement (the "**Stabilising Manager(s)**") (or persons acting on behalf of any Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action or over-allotment may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of thirty (30) days after the issue date of the relevant Tranche of Notes and sixty (60) days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

CONTENTS

OVERVIEW OF THE COMPANY

The following overview is qualified in its entirety by, and is subject to, the more detailed information and Financial Statements contained or referred to elsewhere in this Base Prospectus, including the sections "Relationship with the Government", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Description of the Group" and "Management". To understand the terms of the Notes, investors should carefully read the sections of this Base Prospectus entitled "Terms and Conditions of the Notes" and the risks of investing in the Notes under "Risk Factors" and the applicable Final Terms.

Overview

IPIC was established by the Government of Abu Dhabi pursuant to an Emiri Decree in 1984 with a mandate to invest globally in energy and energy-related industries. The Government owns 100 per cent. of IPIC and appoints all of the members of its board of directors.

IPIC is a long-term strategic investor and currently holds more than 15 investments in over 10 countries and on five different continents. As of 30 June 2012, the Group's consolidated total assets were U.S.$65.4 billion. As of 30 June 2012, IPIC had approximately 140 employees and the consolidated companies in the Group had approximately 15,050 employees.

IPIC's registered office is Al Muhairy Center Office Tower, 10th Floor, Sheikh Zayed the 1st Street, P.O. Box 7528, Abu Dhabi, U.A.E. and its website address is www.ipic.ae. The information contained in IPIC's website is not incorporated by reference into, or otherwise included in, this Base Prospectus.

Management

IPIC benefits from an experienced board of directors comprised of senior members of the Government, the energy industry and the financial services industry. For example, the Chairman of the board of directors, His Highness Sheikh Mansour bin Zayed Al Nahyan, is a member of the ruling family of Abu Dhabi, the Deputy Prime Minister of the U.A.E. and the U.A.E. Minister of Presidential Affairs. In addition, three board members sit on Abu Dhabi's Supreme Petroleum Council, two board members sit on the Government's Executive Council, two are chairmen of leading Abu Dhabi banks, one is the chairman of the U.A.E. Central Bank and one board member is the Minister of Energy of the U.A.E.

Relationship with the Government

Since establishment in 1984, IPIC has received significant capital contributions from the Government. To date, the Government has made six equity contributions to IPIC totalling U.S.$3.5 billion, the last of which was in 2008. In addition to these amounts, in each of June 2010 and in the fourth quarter of 2011, the Government provided IPIC with a U.S.$500 million perpetual shareholder loan to meet its obligations in respect of QADIC, which is a joint venture between the Government and the government of the State of Qatar. The aggregate amount of U.S.$1.0 billion is, by the nature of its terms, accounted for within equity in IPIC's statement of financial position as at 30 June 2012.

IPIC believes the Government considers its ownership of IPIC to be a long-term strategic holding. IPIC has not paid any dividends to the Government to date, nor is IPIC aware of any plans by the Government to request dividends for the foreseeable future. The Government's support for IPIC was affirmed in a statement made by the Abu Dhabi Department of Finance on 5 March 2010. Please see "*Relationship with the Government—Government Statement of Support for IPIC*".

Strategy

IPIC leverages its 28 years of investment and portfolio management experience to invest across the entire hydrocarbon value chain and to undertake other diversified investments. IPIC seeks attractive returns by making investments which leverage its relationship with the Government and the synergies across its investment portfolio.

Furthermore, IPIC plays an integral role in the Government's strategy to secure and develop end markets for Abu Dhabi's crude oil production by investing in the midstream and downstream segments of the oil and gas sector. IPIC also provides Abu Dhabi with exposure to the international hydrocarbon sector outside of Abu Dhabi and provides Abu Dhabi with a natural hedge for adverse geopolitical and macro-economic developments.

Strengths

IPIC believes that it has the following key strengths:

- a focused mandate;
- a strong track record;
- an experienced board of directors;
- a proven ability to derive synergies from its portfolio; and
- a close relationship with the Government.

Risk Factors

The material risks associated with the business which IPIC operates and any investment in an issue of the Notes are discussed under *"Risk Factors"*. Prospective investors should review these carefully prior to making any decision to invest in an issue of Notes.

Please see *"Risk Factors", "Relationship with the Government", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Description of the Group" and "Management"*.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, is supplemented by the applicable Final Terms. The Issuer, the Company and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions of the Notes, in which event, in the case of listed Notes only, a new Base Prospectus or a supplement to the Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive.

Words and expressions defined in *"Terms and Conditions of the Notes"* and *"Summary of Provisions relating to the Notes while in Global Form"* shall have the same meanings in this overview.

Issuer:	IPIC GMTN Limited is an exempted company with limited liability incorporated in the Cayman Islands in accordance with the Companies Law (2011 Revision) of the Cayman Islands on 27 September 2010 with registration number 245969, having its registered office at the offices of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Issuer is a special purpose entity which is a wholly-owned subsidiary of IPIC and which has been established for the purpose of issuing the Notes under the Programme. Please see *"Description of the Issuer*".
IPIC, the Company or the Guarantor:	IPIC is a public joint stock company established under the laws of the U.A.E. on 29 May 1984 pursuant to Emiri Decree No. 3 of 1984, having its registered office at P.O. Box 7528, Abu Dhabi, U.A.E. IPIC is wholly-owned by the Government. Please see *"Relationship with the Government"* and *"Description of the Group"*. The payment of amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by IPIC.
Description:	Guaranteed Global Medium Term Note Programme.
Programme Size:	The Programme is unlimited in amount.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme and IPIC's ability to fulfil its obligations under the Guarantee. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These include certain risks relating to the structure of a particular Series of Notes and certain market risks. Please see *"Risk Factors"*.
Arrangers:	BNP Paribas, Merrill Lynch International and National Bank of Abu Dhabi P.J.S.C.
Dealers:	BNP Paribas, HSBC Bank plc, Merrill Lynch International, National Bank of Abu Dhabi P.J.S.C., Standard Chartered Bank, The Royal Bank of Scotland plc and any other Dealer(s) appointed from time to time in accordance with the terms of the Distribution Agreement (as defined herein) or in relation to a particular Tranche of Notes.

	The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Fiscal Agent, Paying Agent, Exchange Agent and Transfer Agent:	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent (in respect of Unrestricted Notes, as defined in the Agency Agreement):	The Bank of New York Mellon (Luxembourg) S.A.
Registrar and Transfer Agent (in respect of Restricted Notes, as defined in the Agency Agreement):	The Bank of New York Mellon, New York Branch.
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the "**Final Terms**").
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes:	The Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"). Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if: (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date; or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "*—Selling Restrictions*" below), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for a common depositary for one or more clearing systems are referred to as "**Global Certificates**". Registered Notes sold in an "offshore transaction" within the meaning of Regulation S will initially be represented by an Unrestricted Global Certificate (an "**Unrestricted Global Certificate**").

	Registered Notes sold in the United States to QIBs that are also QPs or Institutional Accredited Investors that are also QPs will initially be represented by a Restricted Global Certificate (a "**Restricted Global Certificate**"). Registered Notes sold in the United States are not exchangeable for Bearer Notes. Please see *"Terms and Conditions of the Notes*" and *"Summary of Provisions relating to the Notes while in Global Form*".
Clearing Systems:	Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and Euroclear Bank S.A./N.V. ("**Euroclear**") for Bearer Notes, Clearstream, Luxembourg, Euroclear and the Depository Trust Company ("**DTC**") for Registered Notes and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.
Initial Delivery of Notes:	On or before the issue date for each Tranche, the Global Note representing Bearer Notes ("**Global Notes**") or the Global Certificates may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and/or DTC (as applicable). Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Company and the relevant Dealers.
Redenomination, Renominalisation and/or Consolidation:	Notes denominated in a currency of a country that subsequently participates in the third stage of European Economic and Monetary Union may be subject to redenomination, renominalisation and/or consolidation with other Notes then denominated in euro.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer, the Company and the relevant Dealers, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Specified Denomination:	Definitive Notes will be in such denominations as may be specified in the applicable Final Terms, subject to compliance with then current laws and regulations and the provisions of the following sentence. Notes will have a minimum denomination of €100,000 (or its equivalent in other currencies), save that: (i) in case of any Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA, the minimum specified denomination shall be £100,000 (or its equivalent in other currencies), unless otherwise permitted by then current law and regulations; (ii) in the case of any Notes to be sold in the United States to QIBs that are also QPs, the minimum specified denomination shall be U.S.$200,000 (or its equivalent in other currencies); and (iii) in the case of any Notes to be sold in the United States to Institutional Accredited Investors that are also QPs, the minimum specified denomination shall be U.S.$500,000 (or its equivalent in other currencies).

Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the applicable Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (as may be specified in the applicable Final Terms) as adjusted for any applicable margin. Interest periods will be specified in the applicable Final Terms.
Zero Coupon Notes:	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the applicable Final Terms.
Redemption:	Subject to any purchase and cancellation or early redemption or redemption by instalments, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.
Redemption by Instalments:	The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Other Notes:	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes and any other type of Note that the Issuer, the Company and the relevant Dealers may agree to issue under the Programme will be set out in a supplementary prospectus (if applicable).
Optional Redemption:	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Early Redemption:	Except as provided in "*—Optional Redemption*" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. Please see "*Terms and Conditions of the Notes—Redemption, Purchase and Options*".
Change of Control:	If so specified in the applicable Final Terms, each holder will have the right to require the redemption of its Notes if a Change of Control occurs. Please see "*Terms and Conditions of the Notes—Redemption, Purchase and Options*".
Negative Pledge and Asset Sales:	Please see "*Terms and Conditions of the Notes—Negative Pledge*".

Cross-Default:	Please see "*Terms and Conditions of the Notes—Events of Default*".
Status of the Notes and Guarantee:	The Notes and the Guarantee will constitute unsubordinated and unsecured obligations of the Issuer and the Company, respectively, all as described in "*Terms and Conditions of the Notes—Guarantee and Status*".
Withholding Tax:	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of a Relevant Taxing Jurisdiction (as defined in Condition 6(c) (*Redemption, Purchase and Options—Redemption for Taxation Reasons*)), subject to customary exceptions, all as described in "*Terms and Conditions of the Notes—Taxation*".
Ratings:	Tranches of Notes will be rated or unrated. Where a tranche of Notes is to be rated, such rating (and the credit rating agency issuing such rating) will be specified in the applicable Final Terms. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating.
Governing Law:	English.
Waiver of Immunity:	To the extent that the Company may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment proceedings, injunctions and all other legal proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, the Company has agreed in the Distribution Agreement, the Agency Agreement, the Deed of Guarantee, the Deed of Covenant and the Deed Poll not to claim and has irrevocably and unconditionally waived such immunity in relation to any legal proceedings or disputes. Further, the Company has irrevocably and unconditionally consented to the giving of any relief or the issue of any legal proceedings, including without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any legal proceedings or disputes. Notwithstanding the foregoing, the Company makes no representation as to whether Article 247 of Federal Law No. 11 of 1992 regarding the Law of Civil Procedure will apply to its assets, revenues or property.
Listing and Admission to Trading:	Application has been made to list Notes issued under the Programme on the Official List and to admit them to trading on the London Stock Exchange's Regulated Market or as otherwise specified in the applicable Final Terms and references to listing shall be construed accordingly. As specified in the applicable Final Terms, a Series of Notes may be unlisted.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the Cayman Islands, the Dubai International Financial Centre, the European Economic Area, Hong Kong, Japan, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Singapore, the State of Kuwait, the State of Qatar, the U.A.E. (excluding the Dubai International Financial Centre), the United Kingdom and the United States. Additional restrictions may be required in connection with the offering and sale of a particular Tranche of Notes. Please see "*Subscription and Sale and Transfer and Selling Restrictions—Selling Restrictions*".

The Bearer Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless: (i) the applicable Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**"); or (ii) the Bearer Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the applicable Final Terms as a transaction to which TEFRA is not applicable.

Transfer Restrictions: There are restrictions on the transfer of Definitive IAI Registered Notes (as defined herein), Notes represented by a Restricted Global Certificate or any Notes issued in registered form in exchange or substitution therefor.

Please see *"Subscription and Sale and Transfer and Selling Restrictions—Transfer Restrictions"*.

ERISA: Notes (or any interest therein) may generally be purchased by Benefit Plan Investors (as defined in Section 3(42) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**")) and certain other plans that are subject to Similar Law (as defined herein), unless the terms of the Note provide otherwise. Please see *"ERISA and Certain Other U.S. Considerations"*.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the Financial Services Authority shall be incorporated in, and form part of, this Base Prospectus:

(a) the Terms and Conditions of the Notes contained on pages 40 to 62 (inclusive) in the base prospectus dated 19 October 2011 prepared by the Issuer in connection with the Programme; and

(b) the Terms and Conditions of the Notes contained on pages 38 to 59 (inclusive) in the base prospectus dated 1 November 2010 prepared by the Issuer in connection with the Programme.

Copies of the documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London.

Any parts of the documents referred to in (a) and (b) above which are not expressly incorporated by reference in this Base Prospectus as provided above are not relevant to an investor.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

RISK FACTORS

Each of the Issuer and the Company believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Company is in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes issued under the Programme are also described below.

If any of the risks described below actually materialise, the Issuer, the Company and/or the Group's business, results of operations, financial condition or prospects could be materially and adversely affected. If that were to happen, the trading price of the Notes could decline and investors could lose all or part of their investment.

Each of the Issuer and the Company believes that the factors described below represent all the material risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer or the Company to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer and the Company based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Risks Relating to the Group and its Strategy

The Company relies on distributions and other revenue flows from its investments (including its subsidiaries) to meet its financial obligations

The Company conducts its operations principally through, and derives most of its revenues from, its investments (including its subsidiaries) and has limited revenue-generating operations of its own. Consequently, the Company's cash flows and ability to meet its cash requirements, including its obligations under the Notes, depend upon the profitability and cash flows from its investments (including its subsidiaries). Because the Company's investments (including its subsidiaries) are not providing guarantees or any other form of security with respect to the Notes, investors in the Notes will not have any direct claim on the cash flows or assets of the Company's investments (including its subsidiaries) in the event of an insolvency, and the Company's investments (including its subsidiaries) will have no obligation, contingent or otherwise, to pay amounts due under the Notes, or to make funds available to the Company to make those payments.

The Terms and Conditions of the Notes do not restrict the amount of indebtedness which the Group may incur including indebtedness of its investments (including its subsidiaries). Such indebtedness, in certain cases, contains covenants which prevent or restrict distributions to the Company until such time as the relevant indebtedness has been repaid. The ability of the Company's investments (including its subsidiaries) to pay dividends or make other distributions or payments to the Company will also be subject to the availability of profits or funds for the purpose which, in turn, will depend on the future performance of the entity concerned which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that may be beyond its control. In addition, any such entity may be subject to restrictions on the making of such distributions contained in applicable laws and regulations. There can be no assurance that the Group's individual businesses will generate sufficient cash flow from operations or that alternative sources of financing will be available at any time in an amount sufficient to enable these businesses to service their indebtedness, to fund their other liquidity needs and to make payments to the Company to enable the Company to meet payment obligations under any inter-company loans from the Issuer and/or its guarantee of any Notes.

The Company expects to have significant financing requirements

The Company has in the past made, and anticipates that it will continue to make, significant capital and investment expenditures. The Company intends to finance its future expenditures and financial obligations through borrowings from third parties (including by way of the issue of Notes under the Programme), cash flow from the Company's investments and, in certain circumstances, capital contributions from the Government.

The Company's ability to obtain external financing and the cost of such financing depend on numerous factors, including general economic and market conditions, international interest rates, credit availability from banks or other financiers, investor confidence in the Company and the Government, the Company's credit rating, the financial condition of the Company and the performance of the Group's businesses. There can be no assurance that external financing will be available or, if available, that such financing will be obtainable on terms that are not onerous to the Company. Although the Government has, in the past, provided cash and other contributions to the Company to support its projects and investment objectives, the Government is not legally obliged to fund any of the Company's projects or investments and accordingly may decide not to do so in the future, even if it has previously approved the funding of the project or investment concerned. Furthermore, the Government is not guaranteeing any of the Company's obligations in respect of the Notes and the Noteholders therefore do not benefit from any legally enforceable claim against the Government. If the Company is not able to obtain adequate financing to make capital and investment expenditures in the future, this could have a material and adverse effect on the Group's business, financial condition and results of operations and therefore on the ability of the Issuer and the Company to perform their respective obligations in respect of any Notes.

The investments and projects that the Company undertakes require significant capital and investment expenditures, which are subject to a number of risks and uncertainties

The investments and projects that the Company undertakes are highly capital intensive and such expenditure may materially and adversely affect the profits of the Company. The Company's actual capital and investment expenditures may be significantly higher or lower than planned amounts due to various factors, including, among others, unplanned cost overruns, the Company's ability to generate sufficient cash flows from investments, the Company's ability to obtain adequate financing or, as the case may be, refinancing for its planned capital and investment expenditures or other such expenditures that may arise from time to time. The Company can make no assurances with regard to whether, or at what cost, its planned or other possible capital projects will be completed or that these projects will be successful if completed. Furthermore, the Company cannot provide any assurances that it will be able to obtain refinancing when needed on existing financing arrangements. In addition, the Company cannot make any assurances that it will be able to continue to obtain additional financing when needed on commercially acceptable terms or at all.

The Government's interests may, in certain circumstances, be different from the interests of the Noteholders

As the Company's sole shareholder, the Government is in a position to control the outcome of actions requiring shareholder approval and also appoints all the members of the Company's board of directors and thus has the ability to influence the board of directors' decisions.

The interests of the Government may from time to time be different from those of the Company's creditors, including the Noteholders. For example, decisions made by the Company's board of directors may be influenced by the need to consider Government objectives, including strategic and development objectives. Such decisions could result in the Company making investments for other than purely commercial reasons, which may not be in the interests of the Noteholders.

The Government may alter its relationship with the Company

The Government has the ability to limit the Company's mandate, or limit the amount of financial support provided to, or assets granted to, the Company. Any such actions by the Government could have a material and adverse effect on the Company's business, results of operations, financial condition and prospects, and subsequently affect the ability of the Issuer and the Company to perform their respective obligations in respect of any Notes.

The Company may be required to make distributions to its shareholder, the Government

In the past, the Government has provided funding to companies in which it has ownership interests, although it is under no legal obligation to do so. As the sole shareholder of the Company, the Government has the right to require that a meeting of the shareholders' general assembly be convened. At such a meeting, it is within the power of the Government to request that any particular issues be entered on the agenda, which could include a request for the Company to make distributions of profit or assets to the Government, in compliance with U.A.E. law. If the Company is required to make a distribution to the Government, this could have a material and adverse effect on the Company's business, results of operations, financial condition and prospects, and subsequently affect the ability of the Issuer and the Company to perform their respective obligations in respect of any Notes.

The Company depends significantly on the members of its board of directors and senior management team, and the departure of any of these individuals could materially and adversely affect the Company's ability to execute its investment strategy

The Company depends significantly on the diligence and skill of its board of directors and senior management team for the execution of its investment strategy and final selection, structuring, closing and ongoing management of its investments and projects. The Company's continued success depends to a significant extent on the continued service and coordination of its senior management team. None of these individuals would be easy to replace on short notice.

The Company may not be able to manage the growth of the Group successfully

The Group has recently experienced a period of significant growth and the Company expects that the Group will continue to grow significantly in future years, including through acquisitions. Acquisitions expose the Group to numerous risks, including challenges in managing the increased scope, geographic diversity and complexity of the operations of the Group's companies.

Future growth may place a significant strain on the Company's managerial, operational, financial and other resources. The need to manage the Company's investments may require continued development of procedures and management controls, hiring and training additional personnel, as well as training and retaining its employee base. Such growth may also significantly increase costs, including the cost of compliance arising from exposure to additional activities and jurisdictions.

If the Company is not successful in meeting the challenges associated with any significant acquisitions it may make or managing its growth successfully, this could have a material and adverse effect on the Group's business, results of operations, financial condition or prospects and could therefore affect the ability of the Issuer and the Company to perform their respective obligations in respect of any Notes.

The Company's historical consolidated financial statements may be difficult to compare from one financial period to another due to its significant investment activity in recent years

The Company has engaged in significant investment activities in recent years. Since 1 January 2008, the Company's acquisitions have included, amongst others, its acquisition of its controlling stake in Aabar, its acquisition of 100 per cent. of Nova Chemicals and the increase, in several stages, of its stake in CEPSA to 100 per cent. Furthermore, the Group sold its entire interest in its subsidiary Hyundai Oilbank, which took place in August 2010 and in March 2012 the Company re-transferred and MAN SE re-purchased the Company's 70.0 per cent. share in Ferrostaal for €350 million. Please see *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors that Affect the Group's Results of Continuing Operations—Acquisitions and Disposals"*. Primarily as a result of its investment activities, the Group's consolidated total assets increased from U.S.$46.3 billion as of 31 December 2009 to U.S.$65.4 billion as of 30 June 2012.

Pursuant to the settlement agreement between the Company and MAN in November 2011 and the subsequent disposal of Ferrostaal by the Company, the 2010 financial information (as presented in the 2011 Financial Statements) of Ferrostaal for the consolidated income statement was reclassified as discontinued operations in the 2011 Financial Statements, as required by IFRS. Further, during the year ended 31 December 2010 the Group changed the presentation of certain line items in its consolidated income statement and consolidated statement of financial position to more accurately reflect the Group's business. As a result, the 2009 financial information (as presented within the 2010 Financial Statements) were reclassified to conform to the revised presentation of the 2010 Financial Statements. Therefore, on an individual line item basis, the 2009 financial information (as presented within the 2010 Financial Statements) is not comparable to the 2009 financial information within the audited consolidated financial statements of the Group as of and for the year ended 31 December 2009. Accordingly, the Company's historical consolidated financial statements may be difficult to compare from one financial period to another and may not be helpful in assessing the Company's or the Group's future cash flows, results of operations or rate of growth or the ability of the Issuer and the Company to perform their respective obligations in respect of any Notes.

Risks Relating to the Group's Investment Activities and Businesses

Implementing projects is inherently risky

When undertaking a new project, companies in the Group may face a number of risks, including:

- requirements to make significant capital expenditures without receiving cash flow from the project concerned until future periods;

- delays in obtaining, or a failure to obtain, all necessary governmental and regulatory permits, approvals and authorisations;
- an inability to complete projects on schedule or within budgeted amounts; and
- construction related risks, such as the inability to find a suitable contractor, disruptions in services, defective materials, shortages of materials, equipment and labour, disputes with contractors and sub-contractors, adverse weather conditions, natural disasters, accidents and escalating costs of construction materials.

There can be no assurance that any or all of the Group's current or future projects will be completed in the anticipated timeframe or at all, whether as a result of the factors specified above or for any other reason. The Group's inability to complete a project in the anticipated timeframe or at all could have a material and adverse effect on the Group's business, results of operations, financial condition or prospects and could therefore affect the ability of the Issuer and the Company to perform their respective obligations in respect of any Notes.

The due diligence process that the Company undertakes in connection with new investments and projects may not reveal all relevant facts

When conducting due diligence and making an assessment regarding a proposed new investment or project, the Company can rely only on resources available to it, including information provided by the target where relevant and, in some circumstances, third-party investigations. In some cases, information may be limited and cannot be verified by reference to the underlying sources. The Company can offer no assurance that any due diligence investigation that it carries out with respect to any investment opportunity or proposed project will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such opportunity or project. If relevant facts are not identified through the due diligence process, the Company may make misinformed business decisions, which could have a material and adverse effect on the Company's business, results of operations, financial condition or prospects and this could therefore affect the ability of the Issuer and the Company to perform their respective obligations in respect of any Notes.

The Company may pursue investment opportunities in countries in which it has no previous investment experience or in jurisdictions that are subject to greater social, economic and political risks

The Company may not be able to adequately assess the risks of investing in new jurisdictions irrespective of advice from its advisers. Investments made by the Company in emerging markets may involve a greater degree of risk than investments in developed countries. For example, emerging market investments may carry the risk of more volatile equity markets, less favourable and less sophisticated fiscal and commercial regulation, a greater likelihood of severe inflation, unstable currency, exchange controls, restrictions on repatriation of profits and capital, corruption, political, social and economic instability (including warfare and civil unrest) and government actions or interventions, including tariffs, royalties, protectionism, subsidies, expropriation of assets and cancellation of contractual rights, than investments in companies based in developed countries.

If any of the foregoing risks were to occur or if the Company failed to correctly identify the risks associated with an investment, the Company's business, results of operations, financial condition or prospects could be materially and adversely affected and this could therefore affect the ability of the Issuer and the Company to perform their respective obligations in respect of any Notes.

The Company's relationship with the Government may restrict its ability to make certain international investments

Certain countries heavily regulate or restrict foreign direct investment, in particular by state-controlled enterprises. These regulations and restrictions are likely to be particularly relevant to investments or projects in sectors considered to be strategically important to the country in which the investment is being made.

As a result, the Company's investment opportunities may be limited by regulatory constraints that arise, in particular, due to the Company's ownership by the Government. It is possible that in certain countries the Company will be prohibited from investing in particular sectors or, to the extent it is permitted to invest in a particular sector, its investments may be restricted or subject to governmental or regulatory approvals that may be difficult to obtain. If the Company is required to limit the scope of or forgo attractive investment opportunities due to these restrictions or requirements, the Company's business, results of operations, financial condition or prospects could be materially and adversely affected and this could therefore affect the ability of the Issuer and the Company to perform their respective obligations in respect of any Notes.

Certain of the investments made by the Group in companies or joint ventures are non-controlling stakes, which may expose the Group to additional risks

Current or future investments in which the Group does not have a controlling stake are subject to the risk that the other shareholders of the company in which the investment is made may have different business or investment objectives. As a result, such shareholders may have the ability to block and/or control business, financial or management decisions which the Group believes are crucial to the success of the project or investment concerned or may take risks or otherwise act in a manner that does not take into account the long-term interests of the Group.

In addition, any of the Group's joint venture partners may be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements or may experience financial or other difficulties that may materially and adversely affect the Group's investment. In certain of its joint ventures, the Group is reliant on the particular expertise of its joint venture partners and any failure by any such partner to perform its obligations in a diligent manner could also materially and adversely affect the Group's investment. The Group can give no assurance as to the performance of any of its joint venture partners.

In addition, the Group's equity investments in such companies may also be diluted if it does not participate in future equity or equity-linked fundraising opportunities.

If any of the foregoing were to occur, the Group's business, results of operations, financial condition or prospects could be materially and adversely affected and this could therefore affect the ability of the Issuer and the Company to perform their respective obligations in respect of any Notes.

The value of certain of the Group's assets is subject to factors beyond the Group's control and may be volatile

A substantial portion of the Group's assets consist of investments in public and non-public portfolio companies that are treated in its financial statements as investments in financial instruments assets and, accordingly, are carried at fair value on its statement of financial position and revalued on each statement of financial position date. As of 30 June 2012, 16.8 per cent. of the Group's total assets were classified as investments in financial instruments. The value of the Group's investments in financial instruments may be volatile and is likely to fluctuate due to a number of factors beyond the Group's control, including actual or anticipated fluctuations in the results of the relevant portfolio companies and other companies in the sectors in which they operate, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, changes in industry conditions, changes in government regulation, shortfalls in operating results from levels forecast by securities analysts, the general state of the securities markets and other material events, such as significant management changes, refinancings, acquisitions and dispositions. A significant decline in the value of the Group's investments in financial instruments could result in a material decrease in the Group's total assets and profits.

Revenues derived from the Group's oil and gas investments could be materially and adversely affected by changes in oil and gas prices

The Group's revenues depend significantly on the prices of oil and gas. The substantial decline in the price of crude oil materially and adversely affected the Group's revenues in 2008 and 2009 and any decline in the price of crude oil or natural gas could in the future have a material and adverse effect on the Group's revenue, operating income, cash flows and borrowing capacity and may require a reduction in the carrying value of the Group's assets, its planned level of spending for exploration and production and the level of its reserves. Historically, the markets for petroleum products have been volatile and these markets are likely to continue to be volatile in the future. Prices for oil and gas are based on world supply and demand dynamics and are subject to large fluctuations in response to relatively minor changes in demand, whether as a result of market uncertainty or other factors beyond the control of the Group, including actions taken by OPEC and adherence to agreed production quotas, war, terrorism, government regulation, social and political conditions in oil producing countries generally, economic conditions, prevailing weather patterns and meteorological phenomena such as storms and hurricanes and the availability and price of alternative sources of energy. It is impossible to accurately predict future oil and gas price movements. According to the OPEC website, the price of the OPEC Reference Basket has fluctuated significantly in the last three years, having a year-end figure in 2009 of U.S.$61.06 per barrel, a year-end figure in 2010 of U.S.$77.45 per barrel and a year-end figure in 2011 of U.S.$106.84 per barrel. As of 31 October 2012, the average price of the OPEC Reference Basket for the year to that date was U.S.$109.95 per barrel. No assurance can be given that oil and gas prices will be sustained at levels that will enable the Group to operate its oil and gas businesses profitably.

The volatility of international market prices for refined and petrochemicals products and the Group's feedstocks, and the cyclical nature of the refinery and petrochemicals industries, could materially and adversely affect the Group's revenues and results of operations

A substantial portion of the Group's revenues are derived from its refining and petrochemicals businesses. Historically, the refining and petrochemicals industries have experienced alternating periods of tight supply, resulting in increased prices and profit margins, followed by periods of substantial increases in capacity, resulting in oversupply and declining prices and profit margins. The historical operating results of the Group have in part reflected this volatile and cyclical nature of the refining and petrochemicals industries.

The Group's sales arrangements for its refined and petrochemicals products generally provide for the purchase price to be referenced in part to industry benchmarks. Fluctuations in benchmarks have a corresponding impact on the prices the Group receives for its principal products and hence its revenues.

As the Group's feedstock costs form a substantial part of the Group's cost of sales, the Group's cost of sales is linked to the price of oil and gas. Increases in the price of oil or gas, which are not always of the same magnitude or direction as the changes in the prices the Group receives for its products, can cause significant fluctuations in the margins that these businesses generate if the Group cannot pass on the increases in feedstock prices to its customers. The ability of the Group to pass on increases in feedstock prices through an increase in sales prices is limited due to intense competition in the refining and petrochemicals industries.

Certain companies in the Group could face significant liabilities under environmental and safety laws

Environmental contamination, toxicity and explosions from leakage and associated penalties are inherent risks to the oil and gas, refinery, pipeline and petrochemicals businesses. Companies in the Group must comply with national, state and local environmental laws and regulations which may affect their operations. These laws and regulations set various standards regulating certain aspects of health, safety, security and environmental quality, provide for civil and criminal penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to remediate current and former facilities and locations where operations are or were conducted. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation.

Significant liability could be imposed on members of the Group for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of property purchased by the Group, acts of sabotage or non-compliance with environmental laws or regulations. Such liability could have a material and adverse effect on the Group's business, results of operations, financial condition or prospects (either because of the cost implications for the Group or because of disruption to services provided at the relevant project or business). It may also result in a reduction of the value of the relevant project or business or affect the ability of the Group to dispose of such project or business.

The Group cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. Compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory authority, could in the future require material expenditures by the Group for the installation and operation of systems and equipment for remedial measures, any or all of which may have a material and adverse effect on the Group's business, results of operations, financial condition or prospects and this could therefore affect the ability of the Issuer and the Company to perform their respective obligations in respect of any Notes.

Changes in laws or regulations, or a failure to comply with any laws and regulations, may materially and adversely affect the Group's business

The Group and each project and company in which it invests are subject to laws and regulations enacted by national, regional and local governments. In addition, the Group seeks to structure the holding of its investments in a tax efficient manner in accordance with the then current relevant tax regulations in the various jurisdictions in which it operates, and in which it holds such investments.

Tax authorities may conclude differently from the Group (and its advisers) as to amounts of tax to which the Group should be subject. In addition, laws and regulations and their interpretation and application may change from time to time. Any such change of law, regulation or interpretation (or divergence of views by any authority to that of the Group's) may have a material and adverse effect on the Group's business, results of operations, financial condition or prospects and this could therefore affect the ability of the Issuer and the Company to perform their respective obligations in respect of any Notes.

The Group needs to maintain high capacity utilisation rates in its refineries and petrochemicals plants in order to maintain its profit margins

Earnings in the refinery and petrochemicals business are closely tied to global chemical demand, industry inventory levels and plant capacity utilisation. The Group's ability to maintain profitability depends, to a significant degree, on its ability to maintain high capacity utilisation rates in its refineries and petrochemicals plants, which is the level of output each facility achieves in relation to its capacity.

If the markets for the Group's products do not grow as the Group has anticipated, the Group risks under-utilisation of its facilities, which would reduce its profitability. In addition, excess industry capacity, especially at times when demand is weak, has in the past caused companies in the Group and other industry participants to lower production rates, which may reduce the Group's margins, income and cash flow. The failure by the companies in the Group to maintain high capacity utilisation rates could have a material and adverse effect on the Group's results of operations.

The industries in which the Group operates are highly competitive

The hydrocarbon, petrochemicals and plastics industries are highly competitive. The Company's portfolio companies compete with companies that may possess greater technical, physical and/or financial resources. Many of these competitors engage not only in oil and gas exploration and production, but also carry on refining operations and market petroleum and other products on an international basis. As a result of these complementary activities, some of these competitors may have greater and more diverse competitive resources.

If competitors increase their throughput or refining capacity in the future, some of the Group companies could face increased competition, which would put pressure on the prices of their products. Certain companies in the Group also compete with other industries that provide alternative means of energy, such as natural gas, coal and renewable energy sources. If such companies are unable to compete effectively, both within and outside their industries, business, results of operations, financial condition or prospects could be materially and adversely affected, which could materially and adversely affect the Group's business, results of operations, financial condition or prospects.

The Group also faces significant competition in each of its petrochemicals markets. In the polyolefins chemicals industry, competition is based upon a number of considerations, principally product differentiation and innovation, product quality and quality of logistics, including distribution capability. In addition, in some market segments, the Group's products are subject to intense price competition due to factors such as overcapacity, competition from low-cost producers and consolidation and globalisation among the Group's customers and competitors. Increased price competition may also occur in certain product areas as industry segments mature. If the Group is not able to compete with new products or technologies developed by competitors, it could lose customers for its petrochemicals products, which could have a material and adverse effect on its competitive position.

The Group also competes with other companies to attract and retain experienced skilled management and industry professionals. Failure to compete successfully with other companies with respect to any of these considerations could have a material and adverse effect on the Group's business, results of operations, financial condition or prospects and this could therefore affect the ability of the Issuer and the Company to perform their respective obligations in respect of any Notes.

The Company's results of operations may be affected by exchange rate fluctuations

The Company maintains its accounts on a consolidated group basis, and reports its results, in U.S. dollars and its reported financial results are therefore subject to movements in exchange rates on the translation of the results of businesses whose operational currencies are different from its reporting currency. In particular, a significant number of companies within the Group report, or have listed equity securities denominated, in euro and, as a result, significant fluctuations in the exchange rates between the euro and the U.S. dollar could affect the Company's reported results. In order to reduce the Company's exposure to currency fluctuations, the Company has a policy to finance its acquisitions, when possible, in the same currency as in which it makes them, thereby creating a natural hedge against currency fluctuations with respect to the cost of the acquisition. However, this policy may not fully protect the Company from significant decreases or increases in particular currencies. In addition, the loans and financing facilities that are denominated in currencies other than the Company's reporting currency may also increase the Company's overall exposure to a particular currency. The Company's assessment and estimates of future changes in exchange rates and the chosen degree of risk aversion or risk tolerance may therefore materially impact its ability to protect successfully against currency fluctuations. If the Company's currency hedging policies are unsuccessful, the value of investments in the Company's financial results and the income the Company receives from its portfolio companies that do not report in U.S. dollars could be significantly reduced.

Economic recessions or downturns could impair the value of the Group's projects and investments or prevent it from increasing its project and investment base

During periods of adverse economic conditions, projects and companies in which the Group invests may experience decreased revenues, financial losses, difficulty in obtaining access to financing and increased funding costs. During such periods, these projects and companies may also have difficulty expanding their businesses and operations and be unable to meet their debt service obligations or other expenses as they become due. Any of the foregoing could cause the value of the affected projects and investments to decline and materially and adversely affect the ability of the Company's portfolio companies to pay dividends and make other distributions to the Company. In addition, during periods of adverse economic conditions, the Group may have difficulty accessing financial markets, which could make it more difficult or impossible to obtain funding for additional projects and investments and materially and adversely affect its business, results of operations, financial condition or prospects.

In recent years, global markets, particularly in the United States and Europe, have experienced difficult conditions of varying intensity. A number of countries in Europe, such as Greece, Italy, Ireland, Portugal and Spain, have been particularly adversely affected by recent financial and economic conditions and are struggling with large public budget deficits. The public budget deficits, weak economies and the disruption in the capital markets necessitated rescue packages for Greece and Ireland in 2010, Portugal in May 2011 and further proposed assistance for Greece in the second half of 2011. The perceived risk of default on the sovereign debt of those countries intensified in the latter part of 2011 and continued into the early part of 2012, particularly in relation to Greece. This raised concerns about the contagion effect such a default would have on other EU economies as well as the ongoing viability of the euro currency and the European Monetary Union ("**EMU**"). A further rescue package for Greece was finally agreed in February 2012 but remains subject to a number of uncertainties, including whether such package will be successful. In addition, other European Union countries also face potential fiscal tightening and growth rates may remain weak in the near future. Reflecting these and other concerns, in January 2012 one of the major international credit rating agencies lowered its long-term ratings in respect of nine European sovereigns, further increasing market uncertainty. Furthermore, the effectiveness of the actions aimed at stabilising European economies and reducing debt burdens is not assured and the possibility remains that the euro could be abandoned as a currency by countries that have already adopted its use or, in an extreme scenario, abandonment of the euro could result in the dissolution of the EMU. This would lead to the re-introduction of individual currencies in one or more EMU member states.

These challenging market conditions have resulted at times in greater volatility, reduced liquidity, widening of credit spreads and lack of price transparency in credit markets. The effects on the European and global economies of the potential dissolution of the EMU, exit of one or more EU member states from the EMU and the redenomination of financial instruments from the euro to a different currency, are impossible to predict fully.

The financial performance of the Group has at times been adversely affected by these trends and could be adversely affected in the future by any deterioration of general economic conditions in the markets in which the Group operates or any dissolution of the EMU or other changes affecting the euro, as well as by United States and international trading market conditions and/or related factors. In addition, changes in investment markets, including changes in interest rates, exchange rates and returns from equity, property and other investments, may also materially adversely affect the financial performance of the Group which could therefore affect the ability of the Issuer and the Company to perform their respective obligations in respect of any Notes.

Credit ratings assigned to the Company and/or the Notes are subject to ongoing evaluation and there can be no assurance that the ratings currently assigned to the Company and/or the Notes will not be placed on credit watch or downgraded

As at the date of this Base Prospectus, the Company has been assigned a rating of AA (stable outlook) by Fitch, Aa3 (stable outlook) by Moody's and AA (stable outlook) by S&P. One or more independent credit rating agencies may also assign credit ratings to the Notes. Any ratings of either the Company or the Notes may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this Base Prospectus and other factors that may affect the value of the Notes. Nevertheless, real or anticipated changes in the Company's credit ratings or the ratings of the Notes generally will affect the market value of the Notes. Any adverse change in the applicable credit rating could adversely affect the trading price of the Notes.

The Company's credit rating is closely linked to that of the sovereign credit rating of the Government. In the event that any of Fitch, Moody's and/or S&P and/or any other agency that provides the sovereign credit rating for the Government downgrades the Government's sovereign credit rating, there can be no assurance that such downgrade of the Government's sovereign credit rating will not materially and adversely affect the credit rating of the Company and/or its debt securities (including the Notes).

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-European Union credit rating agencies, unless the relevant credit ratings are endorsed by a European Union-registered credit rating agency or the relevant non-European Union rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list. Limited information with respect to the credit rating agencies and ratings will be disclosed in the applicable Final Terms. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

Interest rate fluctuations may increase the cost of the Group's current and future borrowings

The Group's interest-bearing borrowings (on a consolidated basis and after giving effect to the Group's interest rate swaps) are subject to floating interest rates, which fluctuate based on market interest rates. An increase in market interest rates applicable to all the currencies in which the Group has borrowings of 0.5 per cent. for the year ended 31 December 2011 would have resulted in a U.S.$71.7 million reduction in the Group's profit before tax. In addition, the Company expects that it and other companies in the Group may seek a substantial amount of additional debt financing (including under the Programme) to fund capital and investment expenditure and operations, and the cost of such financing will depend to a great extent on market interest rates. As a result, increases in interest rates, to the extent that their effects are not hedged, will increase the Company's funding costs and the Company's business, results of operations, financial condition or prospects could be materially and adversely affected and this could therefore affect the ability of the Issuer and the Company to perform their respective obligations in respect of any Notes.

Certain companies in the Group may be subject to losses that are not covered by insurance

The operations of the companies in the Group are subject to hazards and risks inherent in, among other things, refining and petrochemicals operations and in transporting and storing crude oil and refined products. Such hazards and risks include fires, explosions, pipeline ruptures and spills, storage tank leaks, chemical spills, discharges or releases of hazardous substances or gases and other environmental risks, mechanical failure of equipment at the Group's facilities, war, terrorism, sabotage and natural disasters. In addition, many of these operating and other risks may cause personal injury and loss of life, severe damage to or destruction of the Group's properties and the properties of others and environmental pollution which may result in suspension of operations and the imposition of civil or criminal penalties.

While the Company believes that certain companies in the Group maintain insurance coverage in amounts consistent with industry norms in the countries in which such companies operate, if production facilities are damaged in whole or in part, or if such companies' operations are interrupted for a sustained period, there can be no assurance that their insurance policies (including their business interruption insurance policies) will be adequate to cover the losses that may be incurred as a result of such interruption or the costs of repairing or replacing the damaged facilities. If companies in the Group suffer large uninsured losses or if any insured loss suffered by a company in the Group significantly exceeds its insurance coverage, the business, results of operations, financial condition or prospects of such companies may be materially and adversely affected. If the foregoing were to occur, the ability of the Company's portfolio companies to pay dividends and make other distributions to the Company, and the Company's consolidated revenue, could be materially and adversely affected.

Risks Relating to Abu Dhabi, the U.A.E. and the Middle East

Certain companies in the Group are subject to political and economic conditions in Abu Dhabi, the U.A.E. and the Middle East

Certain companies in the Group currently have significant operations and interests in the U.A.E., including, among others, the Company's ADCOP project, Borealis' investment in Borouge and the Fujairah Refinery Project (as defined below) in the Emirate of Fujairah, and plan to make future investments in Abu Dhabi, the U.A.E. and the Middle East. Furthermore, the Company and certain of its subsidiaries are based in, or have operations or investments in, the Middle East. While the U.A.E. is seen as a relatively stable political environment, certain other jurisdictions in the Middle East are not. In particular, since early 2011 there has been political unrest (leading in certain circumstances to a change in political regime) in a range of countries in the Middle East and North Africa ("**MENA**") region, including Algeria, Egypt, the Hashemite Kingdom of Jordan, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Libya, the Republic of Yemen, the Sultanate of Oman, Syria and Tunisia. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and has given rise to increased political uncertainty across the region. The businesses of the companies in the Group may be affected by the financial, political and general economic conditions prevailing from time to time in the U.A.E. and the MENA region. It is not possible to predict the occurrence of events or circumstances such as war, terrorism, civil unrest or hostilities, or the impact of such occurrences, and no assurance can be given that the Company would be able to sustain its business and/or the development of all of its projects if further adverse political events or circumstances were to occur. Any such occurrences could have a material and adverse effect on the Company's business, results of operations, financial condition or prospects and this could therefore affect the ability of the Issuer and the Company to perform their respective obligations in respect of any Notes.

A general downturn or instability in certain sectors of the U.A.E. or the regional economy could have a material and adverse effect on the Group's business, results of operations, financial condition or prospects and on the ability of the Issuer and the Company to perform their respective obligations in respect of any Notes. The Company's business and financial performance could be adversely affected by political, economic or related developments both within and outside the Middle East because of the inter-relationships between the global financial markets.

Although the U.A.E. has enjoyed significant economic growth and stability in recent years, there can be no assurance that such growth or stability will continue. Moreover, while the Government's policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained.

The Company's business may be materially and adversely affected if the U.A.E. dirham/U.S. dollar peg were to be removed or adjusted

The Company maintains its accounts, and reports its results, in U.S. dollars, while the Company's headquarters and certain of its Group's operations are located within the U.A.E. As at the date of this Base Prospectus, the U.A.E. dirham remains pegged to the U.S. dollar. However, there can be no assurance that the U.A.E. dirham will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that materially and adversely affects the Company. Any such de-pegging could have a material and adverse effect on the Company's business, results of operations, financial condition or prospects and this could therefore affect the ability of the Issuer and the Company to perform their respective obligations in respect of any Notes.

The U.A.E.'s economy is highly dependent upon its oil revenues

The U.A.E.'s economy, and the economy of Abu Dhabi in particular, is highly dependent upon its oil revenues. The Company has historically been funded, in part, by contributions made by the Government, which derive predominantly from its significant oil revenues. Declines in international prices for oil products in the future could therefore adversely affect the availability of funding for the Company from the Government which, in turn, could adversely affect the Company's ability to fund its investments and the ability of the Issuer and the Company to perform their respective obligations in respect of any Notes.

Oil prices have fluctuated in response to changes in many factors over which the Company has no control. These factors include, but are not limited to:

- economic and political developments in oil producing regions, particularly in the Middle East;
- global and regional supply and demand dynamics, and expectations regarding future supply and demand, for oil products;

- the ability of members of OPEC and other crude oil producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude oil producing or consuming countries;
- prices and availability of alternative fuels;
- global economic and political conditions;
- prices and availability of new technologies; and
- global weather and environmental conditions.

Risks Relating to the Issuer

The Issuer has a limited operating history and no material assets and will depend on receipt of payments from the Company to make payments to Noteholders

The Issuer is an exempted company with limited liability incorporated in the Cayman Islands in accordance with the Companies Law (2011 Revision) of the Cayman Islands on 27 September 2010 and, accordingly, only has a limited operating history.

The Issuer has not and will not engage in any business activity other than the issuance of Notes under this Programme and other borrowing programmes established from time to time by the Company, the making of loans to the Company or other companies controlled by the Company and other activities incidental or related to the foregoing. The Issuer has not had and is not expected to have any income but will receive payments from the Company and/or from other companies controlled by the Company in respect of loans made by the Issuer to those companies, which will be the only material sources of funds available to meet the claims of the Noteholders. In the absence of sufficient repayment of any inter-company loan, the Issuer's ability to pay principal and interest and other amounts will depend on the Company's ability to obtain additional external financing or capital contributions from the Government. As a result, the Issuer is subject to all the risks to which the Company and other Group companies are subject, to the extent that such risks could limit their ability to satisfy in full and on a timely basis their respective obligations to the Issuer under any such loans. Please see *"— Risks Relating to the Group and its Strategy"* above for a further description of these risks.

Risks Relating to Notes Generally

The claims of Noteholders against the assets and revenues of the Company's investments (including its subsidiaries) are structurally subordinated to the claims of the creditors of the Company's subsidiaries and other portfolio companies

The Company's investments (including its subsidiaries) have incurred, and will continue to incur in the future, substantial amounts of debt in order to finance their operations. In the event of the insolvency of any of the subsidiaries or other entities or ventures of the Company, claims of secured and unsecured creditors of such entity, including trade creditors, banks and other lenders, will have priority with respect to the assets of such entity over any claims that the Company or the creditors of the Company, as applicable, may have with respect to such assets. Accordingly, if the Company became insolvent at the same time, claims of the Noteholders against the Company in respect of any Notes would be structurally subordinated to the claims of all such creditors of the Company's investments (including its subsidiaries).

Notes are subject to modification by a majority of Noteholders without the consent of all Noteholders

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests. These provisions permit defined majorities to bind all Noteholders (including Noteholders who did not attend or vote at the relevant meeting as well as Noteholders who did attend the relevant meeting, but voted in a manner contrary to the majority).

The Terms and Conditions of the Notes also provide that the Issuer and the Company may make any modification to the Notes, the Receipts, the Coupons, the Deed of Guarantee, the Deed of Covenant, the Deed Poll or the Agency Agreement which is not materially prejudicial to the interests of the Noteholders or is of a formal, minor or technical nature or is made to correct a manifest error, without the consent of the Noteholders. In addition, the Issuer may, without the consent of the Noteholders, substitute for itself another company as principal debtor under any Notes in the circumstances described in Condition 11(c) (*Meetings of Noteholders and Modifications—Substitution*).

The transferability of the Notes may be limited under applicable securities laws

The Notes have not been registered under the Securities Act or the securities laws of any state of the United States or any other jurisdiction. In addition, neither the Issuer nor the Company has registered and neither intends to register as an investment company under the Investment Company Act, in reliance on the exemption set forth in Section 3(c)(7) thereof. The Notes may not be offered, sold or otherwise transferred in the United States or to or for the account or benefit of a U.S. person other than to persons that are QIBs that are also QPs or Institutional Accredited Investors that are also QPs. Each purchaser of the Notes will also be deemed, by its acceptance of such Notes, to have made certain representations and agreements intended to restrict transfers of the Notes as described under *"Subscription and Sale and Transfer and Selling Restrictions"*. It is the obligation of each purchaser of the Notes to ensure that its offers and sales of the Notes comply with all applicable securities laws.

In addition, if at any time the Issuer determines that any owner of Notes, or any account on behalf of which an owner of Notes purchased its Notes, is a person that is required to be either a QIB that is also a QP or an Institutional Accredited Investor that is also a QP and does not meet those requirements, the Issuer may require that such owner's Notes be sold or transferred to a person designated by or acceptable to the Issuer.

The European Monetary Union may cause Notes denominated in certain currencies to be re-denominated in euro

If Notes are issued under the Programme which are denominated in the currency of a country which, at the time of issue, is not a member of the European Monetary Union which has adopted the euro as its sole currency and, before the relevant Notes are redeemed, the euro becomes the sole currency of that country, a number of consequences may follow, including, but not limited to, any or all of the following: (i) all amounts payable in respect of the relevant Notes may become payable in euro; (ii) applicable law may allow or require such Notes to be re-denominated into euro and additional measures to be taken in respect of such Notes; and (iii) there may no longer be available published or displayed rates for deposits in such currency used to determine the rates of interest on such Notes. The introduction of the euro in such a country could be accompanied by a volatile interest rate and/or economic environment which could adversely affect investors in the Notes. Any of these or any other consequences could materially and adversely affect the holders of the relevant Notes.

The EU Savings Directive may give rise to withholding on certain Notes

Under EC Council Directive 2003/48/EC (the "**EU Savings Directive**") on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or collected by such person for, an individual resident in that other Member State or to certain limited types of entity established in that other Member State. However, for a transitional period, Austria and Luxembourg may instead apply (unless during that period they elect otherwise) a withholding system in relation to such payments deducting tax at rates rising over time to 35.0 per cent. (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above. A number of non-EU countries and territories including Switzerland have adopted similar measures with effect from the same date.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, the Company nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Issuer and the Company will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive.

Payments made on or with respect to the Notes may be subject to U.S. withholding tax

Under recent guidance, starting no earlier than 2017, a portion of payments on or made with respect to Notes issued after the date that is six months after the date on which final regulations that define "foreign passthru payments" are published (the "**end of the grandfathering period**") or any Notes that are classified as equity for U.S. federal income tax purposes, whenever issued, may be subject to U.S. withholding tax pursuant to U.S. legislation ("**FATCA**"). Under FATCA, new information reporting and other requirements will be imposed with respect to certain holders of "financial accounts", as such term is defined in the FATCA rules. In order to avoid being subject to withholding under FATCA, non-U.S. financial institutions generally will be required to enter into agreements with the U.S. Internal Revenue Service ("**IRS**") to identify financial accounts held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other "financial institutions" that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. For these purposes, the term "financial institution" includes, among others, banks, insurance companies and funds that are engaged primarily in the business of investing, reinvesting or trading in securities, commodities or partnership interests.

If a participating non-U.S. financial institution makes a covered payment to an accountholder that: (i) has not provided information requested to enable the institution to comply with its FATCA reporting obligations; (ii) has prevented the financial institution from reporting the information; or (iii) is a non-participating non-U.S. financial institution (that is not otherwise exempt), the payer will be required to withhold 30.0 per cent. on all or a portion of the payment. The withholding tax on payments to a non-participating non-U.S. financial institution generally will apply whether the financial institution is receiving payments for its own account or on behalf of another person. The IRS has issued proposed regulations under FATCA, but it is not entirely clear how FATCA will apply to Notes issued after the end of the grandfathering period (or any Notes that are classified as equity for U.S. federal income tax purposes, whenever issued) under these proposed regulations. It is possible that a portion of any interest on and proceeds from the disposition or retirement of the Notes may be subject to this withholding based on the percentage of the Issuer's total assets that are U.S. assets.

If the Issuer or the Company were to enter into a reporting agreement with the IRS under the FATCA rules, an investor in Notes that is not a financial institution may be required to provide information to establish whether it is a U.S. person or is substantially owned by U.S. persons in order to establish an exemption from this withholding tax. An investor in Notes that is a financial institution may be required to establish whether it is a U.S. financial institution or a participating non-U.S. financial institution in order to establish such an exemption.

If a series of Notes is issued before the end of the grandfathering period and the Issuer issues additional Notes of such series pursuant to *"Terms and Conditions of the Notes—Further Issues"* after the end of the grandfathering period, the new Notes may not be treated as exempt from FATCA withholding. Since the new Notes generally will be indistinguishable from the original Notes, this may have a negative impact on the market price of the Notes after the new issuance. Furthermore, if financial intermediaries between a Paying Agent and the investors in the Notes are unable to determine whether they are making payments on new or old Notes, they may treat the old Notes as being subject to FATCA withholding even though the old Notes may have been acquired by an investor before the issuance of the additional Notes.

An investor may be able to obtain a credit for or refund of any amounts withheld under these rules, provided the required information is timely furnished to the IRS. An investor that is a non-U.S. financial institution generally will be able to obtain a refund only to the extent an applicable income tax treaty with the United States entitles such institution to a reduced rate of tax on the payment that was subject to withholding under these rules. Investors generally will not be entitled to interest from the IRS for the period prior to the refund. It is not entirely clear how income tax treaty exemptions apply to withholding on payments of principal or gross proceeds recognised on the sale or other disposition of Notes.

Investors will not be entitled to receive additional amounts or otherwise be compensated by the Issuer or the Company with respect to taxes withheld pursuant to FATCA.

This description of the FATCA rules is based on preliminary guidance. Further guidance is anticipated, which may significantly modify these rules as they apply to the Issuer or the Company and to investors.

Investors should consult their own advisors about the application of FATCA to the Notes, in particular if they may be classified as financial institutions under these rules.

Certain Bearer Notes, the denominations of which involve integral multiples, may be illiquid and difficult to trade

In relation to any issue of Bearer Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination.

In such a case a holder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination would need to purchase an additional amount of Notes such that it holds an amount equal to at least the minimum Specified Denomination to be able to trade such Notes. Noteholders should be aware that Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

If a Noteholder holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time, such Noteholder may not receive a definitive Bearer Note in respect of such holding (should they be printed) and would need to purchase a principal amount of Notes such that its holding amounts to at least a Specified Denomination in order to be eligible to receive a definitive Bearer Note.

Investors in the Notes must rely on DTC, Euroclear and Clearstream, Luxembourg procedures

Notes issued under the Programme will be represented on issue by one or more Global Notes or Global Certificates that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or may be deposited with a nominee for DTC. Except in the circumstances described in each Global Note and Global Certificate, investors will not be entitled to receive Notes in definitive form. Each of Euroclear, Clearstream, Luxembourg and DTC and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note or Global Certificate held through it. While the Notes are represented by a Global Note or a Global Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes or Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note or a Global Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the Notes. The Issuer and the Company have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note or Global Certificate.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

A change of law may materially and adversely affect the Notes

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issuance of the relevant Notes nor whether any such change could adversely affect the ability of the Issuer or the Company to make payments under the Notes.

Risks Relating to the Structure of a Particular Issue of Notes

Notes issued at a substantial discount or premium are subject to increased volatility

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The Notes may be subject to optional redemption

Any optional redemption feature that any Notes may include is likely to limit their market value. During any period when the Issuer may elect to redeem certain Notes, the market value of such Notes generally will not rise substantially above the price at which they may be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Notes may be redeemed prior to their final maturity date for tax reasons

If the Issuer or the Company becomes obliged to pay any additional amounts in respect of the Notes or under the Guarantee (as the case may be) as provided or referred to in Condition 8 ("*Taxation*") as a result of any change in, or amendment to, the laws or regulations of a Relevant Taxing Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, the Issuer may redeem all but not some only of the outstanding Notes of such Tranche in accordance with Condition 6(c) (*"Redemption, Purchase and Options—Redemption for Taxation Reasons"*).

Partly-paid Notes are subject to additional risks

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Inverse Floating Rate Notes are subject to increased volatility

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates which further materially and adversely affects the market value of these Notes.

Fixed/Floating Rate Notes are subject to additional risks

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than the prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than the then prevailing rates on the Notes.

Any Fixed Rate Notes the Issuer may issue will be subject to interest rate risks

An investment in Fixed Rate Notes involves the risk that subsequent changes in market rates may materially and adversely affect the value of such Fixed Rate Notes.

Risks Relating to Enforcement

Investors may experience difficulties in enforcing arbitration awards and foreign judgements in Abu Dhabi

The payments under the Notes are dependent upon the Issuer (failing which, the Company) making payments to investors in the manner contemplated under the Notes or the Guarantee, as the case may be. If the Issuer and subsequently the Company fail to do so, it may be necessary to bring an action against the Company to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time-consuming.

Under current Abu Dhabi law, the Abu Dhabi courts are unlikely to enforce an English or United States court judgement without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the transaction. In the U.A.E., foreign law is required to be established as a question of fact and the interpretation of English law, by a court in the U.A.E., may not accord with the perception of an English court. In principle, courts in the U.A.E. recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the U.A.E., or to any mandatory law of, or applicable in, the U.A.E.

The U.A.E. is a civil law jurisdiction and judicial precedents in Abu Dhabi have no binding effect on subsequent decisions. In addition, court decisions in Abu Dhabi are generally not recorded. These factors create greater judicial uncertainty.

The Notes, the Agency Agreement, the Deed of Guarantee, the Deed Poll, the Deed of Covenant and the Distribution Agreement are governed by English law and the parties to such documents have agreed to refer any unresolved dispute in relation to such documents to arbitration under the LCIA Rules.

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the **"New York Convention"**) entered into force in the U.A.E. on 19 November 2006. Any arbitration award rendered in London should therefore be enforceable in Abu Dhabi in accordance with the terms of the New York Convention. Under the New York Convention, the U.A.E. has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Abu Dhabi courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the U.A.E. There have been limited instances where the U.A.E. courts, most notably the Fujairah Court of First Instance and the Dubai Court of Cassation, have ratified or ordered the recognition and enforcement of foreign arbitration awards under the New York Convention.

It should be noted that only the Dubai Court of Cassation decision was a final decision. The uncertainty regarding the interpretation and application of the New York Convention provisions by the courts is further reinforced by the lack of a system of binding judicial precedent in the U.A.E. and the independent existence of different Emirates within the U.A.E., some with their own court systems, whose rulings may have no more than persuasive force within other Emirates. There is therefore no guarantee that the Abu Dhabi courts will take the same approach in similar proceedings in the future.

There are limitations on the effectiveness of guarantees in the U.A.E. and claims under a guarantee may be required to be made within a prescribed period

As described above, the Abu Dhabi courts are unlikely to enforce an English or United States judgement without re-examining the merits of the claim, including the validity of the obligations of the parties contained in the underlying documentation. If an Abu Dhabi court were to re-examine the merits of a claim made against the Company for payment under the Guarantee, notwithstanding that the Guarantee is governed by English law, the Abu Dhabi court may interpret the Guarantee in light of U.A.E. law principles rather than English law principles.

Under the laws of the U.A.E., the obligation of a guarantor is incidental to the obligations of the principal debtor and the obligations of a guarantor will only be valid to the extent of the continuing obligations of the principal debtor. The laws of the U.A.E. do not contemplate a guarantee by way of indemnity of the obligations of the debtor by the guarantor and instead contemplate a guarantee by way of suretyship. Accordingly, it is not possible to state with any certainty whether a guarantor could be obliged by the Abu Dhabi courts to pay a greater sum than the debtor is obliged to pay or to perform an obligation that the debtor is not obligated to perform. In order to enforce a guarantee under the laws of the U.A.E., the underlying debt obligation for which such guarantee has been granted may need to be proved before the Abu Dhabi courts.

Consequently, were an Abu Dhabi court to re-examine the merits of a claim made against the Company for payment under the Guarantee, if the Issuer's obligation to make payment under the Notes cannot be proven to the satisfaction of the Abu Dhabi court, the court may conclude that there is no obligation on the Company to make payment in the full amount claimed under the Guarantee. Furthermore, notwithstanding that the Notes and the Guarantee are governed by English law, if an Abu Dhabi court were to apply U.A.E. law principles when assessing a claim in respect of the Guarantee, the Company may be released from its obligations under the Guarantee if the relevant claim is not made within six months of payment becoming due under the Guarantee.

The Company's waiver of immunity may not be effective under the laws of the U.A.E.

U.A.E. law provides that public or private assets owned by the U.A.E. or any of the Emirates may not be confiscated. Since the Company is wholly-owned and controlled by the Government, there is a risk that the assets of the Company may fall within the ambit of government assets and as such cannot be attached or executed upon.

The Company has waived its rights in relation to sovereign immunity, however, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it under the Agency Agreement, the Deed of Guarantee, the Deed Poll, the Deed of Covenant and the Distribution Agreement are valid and binding under the laws of the U.A.E. and applicable in Abu Dhabi.

Risks Relating to the Market Generally

A secondary market may not develop for any Notes

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. The liquidity of any market for the Notes that may develop will depend on a number of factors, including:

- the method of calculating the principal and interest in respect of the Notes;

- the time remaining to the maturity of the Notes;
- the outstanding amount of the Notes;
- the redemption features of the Notes; and
- the level, direction and volatility of market interest rates generally.

Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a material and adverse effect on the market value of Notes.

The Notes may be subject to exchange rate risks and exchange controls

Neither the Issuer nor the Company has any control over factors that generally affect exchange rate risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and such exchange rate volatility with a variety of currencies may continue in the future.

The Issuer or, as the case may be, the Company will pay principal and any interest due on any Notes in the Specified Currency. If an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency, it may therefore bear certain exchange rate risks. These include: (i) the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency); and (ii) the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. Any appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency-equivalent yield on the Notes; (ii) the Investor's Currency-equivalent value of the principal payment on the Notes; and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment of principal or interest on a Note. As a result, investors may receive less interest or principal than expected, or no interest or principal. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note would not be available at such Note's maturity.

Regulatory Risks

Neither the Issuer nor the Company has registered, and neither will register, as an Investment Company under the Investment Company Act

The Issuer and the Company will each seek to qualify for an exemption from the definition of "investment company" under the Investment Company Act and will not register as an investment company in the United States under the Investment Company Act. The Investment Company Act provides certain protections to investors and imposes certain restrictions on registered investment companies, none of which will be applicable to the Company, the Issuer or its investors.

APPLICABLE FINAL TERMS

[Date]

IPIC GMTN LIMITED

Issue of [●] [●]

under the Global Medium Term Note Programme

Guaranteed by

International Petroleum Investment Company P.J.S.C.

PART A—CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes set forth in the Base Prospectus dated 26 November 2012 [and the supplement(s) to it dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement(s) to it dated [●]] [is][are] available for viewing at the market news section of the London Stock Exchange website (http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html) and copies may be obtained during normal business hours from the registered office of the Fiscal Agent at One Canada Square, London, E14 5AL United Kingdom.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") contained in the Agency Agreement dated [●] and set forth in the Base Prospectus dated [●] [and the supplement(s) to it dated [●]] which are incorporated by reference into the Base Prospectus dated 26 November 2012. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated 26 November 2012 [and the supplement(s) to it dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 26 November 2012 [and the supplement(s) to it dated [●]]. Copies of the Base Prospectus[, the supplement(s) to it] and the Final Terms are available for viewing at the market news section of the London Stock Exchange website (http://www.londonstockexchange.com/exchange/news/market-news/ market-news-home.html) and copies may be obtained during normal business hours from the registered office of the Fiscal Agent at One Canada Square, London, E14 5AL United Kingdom.]

1.	(a)	Issuer:	IPIC GMTN Limited
	(b)	Guarantor:	International Petroleum Investment Company P.J.S.C.
2.	(a)	Series Number:	[●]
	[(b)	Tranche Number:	[●]]
	[(c)	Date on which the Notes become fungible:	[●]]
3.	Specified Currency or Currencies:		[●]
4.	Aggregate Nominal Amount of Notes:		
	(a)	Series:	[●]
	[(b)	Tranche:	[●]]
5.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]

6.	(a)	Specified Denominations:	[●]
	(b)	Calculation Amount:	[●]
7.	(a)	Issue Date:	[●]
	(b)	Interest Commencement Date:	[[●]/Issue Date/Not Applicable]
8.	Maturity Date:		[●]
9.	Interest Basis:		[[●] per cent. Fixed Rate] [[●] +/- [●] per cent. Floating Rate] [Zero Coupon]
10.	Redemption/Payment Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
11.	Change of Interest Basis or Redemption/Payment Basis:		[Applicable/Not Applicable]
12.	Put/Call Options:		[General Put Option] [Call Option] [Change of Control Put]
13.	Date Board approval for issuance of Notes and Guarantee obtained:		[Not Applicable] / [[●] and [●], respectively]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions:		[Applicable/Not Applicable]
	(a)	Rate(s) of Interest:	[●] per cent. per annum payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[●] in each year [up to and including the Maturity Date]
	(c)	Fixed Coupon Amount(s):	[●] per Calculation Amount
	(d)	Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment Date falling in/on [●]] / [Not Applicable]
	(e)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA) Actual/Actual (ICMA)]
	(f)	Determination Date(s):	[●] in each year
15.	Floating Rate Note Provisions:		[Applicable/Not Applicable]
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[[●] in each year, subject to adjustment in accordance with the Business Day Convention set out in (c) below]
	(b)	Interest Period Date:	[●]
	(c)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(d)	Business Centre(s):	[●]

	(e)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(f)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Fiscal Agent):	[●]
	(g)	Screen Rate Determination:	
		(i) Reference Rate:	[LIBOR/LIBID/LIMEAN/EURIBOR]
		(ii) Interest Determination Date(s):	[●]
		(iii) Relevant Screen Page:	[●]
	(h)	ISDA Determination:	
		(i) Floating Rate Option:	[●]
		(ii) Designated Maturity:	[●]
		(iii) Reset Date:	[●]
		[(iv) ISDA Definitions:	[2000/2006]]
	(i)	Margin(s):	[+/-][●] per cent. per annum
	(j)	Minimum Rate of Interest:	[●] per cent. per annum
	(k)	Maximum Rate of Interest:	[●] per cent. per annum
	(l)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA) Actual/Actual (ICMA)]
16.	Zero Coupon Note Provisions:		[Applicable/Not Applicable]
	(a)	Amortisation Yield:	[●] per cent. per annum
	(b)	Reference Price:	[●]
	(c)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[●]
17.	Details relating to Partly Paid Notes:		
	(a)	Instalment Amounts:	[[●],[●],[●]]
	(b)	Instalment Dates:	[[●],[●],[●]]

PROVISIONS RELATING TO REDEMPTION

18.	Call Option:		[Applicable/Not Applicable]
	(a)	Optional Redemption Date(s):	[●]
	(b)	Optional Redemption Amount:	[●] per Calculation Amount
	(c)	If redeemable in part:	
		(i) Minimum Redemption Amount:	[●] per Calculation Amount
		(ii) Maximum Redemption Amount:	[●] per Calculation Amount
19.	General Put Option:		[Applicable/Not Applicable]
	(a)	Optional Redemption Date(s):	[●]
	(b)	Optional Redemption Amount:	[●] per Calculation Amount

20. Change of Control Put Option:	[Applicable/Not Applicable]
(a) Change of Control Redemption Amount:	[●] per Calculation Amount
(b) Put Period:	[●]
21. Final Redemption Amount:	100 per cent. of nominal amount
22. Early Redemption Amount payable on redemption for taxation reasons or on event of default or other early redemption:	[Not Applicable/Final Redemption Amount/[●] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. Form of Notes:	[Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]] [Registered Notes: [Unrestricted Global Certificate (U.S.$[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]] [Restricted Global Certificate (U.S.$[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]]] [Reg. S Compliance Category [1/2/3]; TEFRA C/ TEFRA D/ TEFRA not applicable]]
24. Additional Financial Centre(s) or other special provisions relating to Payment Days:	[Not Applicable/[●]]
25. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No]

Signed on behalf of **IPIC GMTN Limited**:

By: ______________________________________

Duly authorised

Signed on behalf of **INTERNATIONAL PETROLEUM INVESTMENT COMPANY P.J.S.C.**:

By: ______________________________________

Duly authorised

PART B—OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(i)	Listing and Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [●] with effect from [●].]/[Not Applicable]
(ii)	Estimate of total expenses related to admission to trading:	[●]

2. **RATINGS**

Ratings:	[[The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]: [Fitch: [●]] [Moody's: [●]] [Standard & Poor's: [●]]

3. [**INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer or the Guarantor is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business for which they may receive fees.]

4. [**YIELD (Fixed Rate Notes only)**	[●] per cent. per annum on a [quarterly/[semi-] annual] basis

5. **OPERATIONAL INFORMATION**

(i)	ISIN:	[●]
(ii)	Common Code:	[●]
(iii)	CUSIP:	[●]
(iv)	CINS:	[●]
(v)	Names and addresses of additional Paying Agent(s) (if any):	[●]
(vi)	Name and address of Registrar:	[The Bank of New York Mellon (Luxembourg) S.A. of Vertigo Building, Polaris 2-4 rue Eugène Ruppert, 2453 Luxembourg, Luxembourg/ The Bank of New York Mellon, New York Branch of 101 Barclay Street, New York, NY 10286 United States]

6. **THIRD PARTY INFORMATION**

[[●] has been extracted from [●]. Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]/[Not applicable]

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion and as supplemented in accordance with the provisions of Part A of the applicable Final Terms (and save for the text in italics), shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either: (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms; or (ii) these terms and conditions as so completed or supplemented (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the applicable Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "**Notes**" are to the Notes of one Series only, not to all Notes that may be issued under the Programme. For so long as the Notes are represented by Global Notes and/or Global Certificates, these Conditions shall be as modified by the terms of the relevant Global Note or Global Certificate. Please see "Summary of Provisions relating to the Notes while in Global Form".*

The Notes are issued pursuant to an amended and restated Agency Agreement (as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 26 November 2012 between the Issuer, the Guarantor, The Bank of New York Mellon, London Branch as fiscal agent and the other agents named in it and with the benefit of a Deed of Guarantee (as amended and/or supplemented and/or restated from time to time, the "**Deed of Guarantee**") dated 26 November 2012 and entered into by the Guarantor, a Deed of Covenant (as amended and/or supplemented and/or restated from time to time, the "**Deed of Covenant**") dated 26 November 2012 and a deed poll dated 26 November 2012 (as amended and/or supplemented and/or restated from time to time, the "**Deed Poll**"), in each case, executed by the Issuer and the Guarantor in relation to the Notes. The fiscal agent, the paying agents, the registrar, the transfer agents, the exchange agent and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent), the "**Registrar**", the "**Transfer Agents**", the "**Exchange Agent**" and the "**Calculation Agent(s)**". The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these terms and conditions (the "**Conditions**"), "**Tranche**" means Notes which are identical in all respects.

Copies of the Agency Agreement, the Deed of Guarantee, the Deed of Covenant and the Deed Poll are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

1. Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon provided that the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes), save that: (i) in case of any Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA, the minimum specified denomination shall be £100,000 (or its equivalent in other currencies), unless otherwise permitted by then current law and regulations; (ii) in the case of any Notes to be sold in the United States to QIBs that are also QPs, the minimum specified denomination shall be U.S.$200,000 (or its equivalent in other currencies); and (iii) in the case of any Notes to be sold in the United States to Institutional Accredited Investors that are also QPs, the minimum specified denomination shall be U.S.$500,000 (or its equivalent in other currencies).

As used in these Conditions:

"**Institutional Accredited Investors**" means persons who are both "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) and institutions;

"**QIBs**" means qualified institutional buyers as defined in Rule 144A under the Securities Act;

"**QPs**" means qualified purchasers within the meaning of Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940, as amended, and the rules and regulations thereunder;

"**Rule 144A**" means Rule 144A under the Securities Act; and

"**Securities Act**" means the United States Securities Act of 1933, as amended.

All Registered Notes shall have the same Specified Denomination.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Instalment Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. **No Exchange of Notes and Transfers of Registered Notes**

(a) ***No Exchange of Notes***: Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) ***Transfer of Registered Notes***: One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) ***Exercise of Options or Partial Redemption in Respect of Registered Notes***: In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing

Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) ***Delivery of New Certificates***: Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)(iii)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) ***Transfer Free of Charge***: Transfers of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) ***Closed Periods***: No Noteholder may require the transfer of a Registered Note to be registered: (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note; (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d); (iii) after any such Note has been called for redemption; or (iv) during the period of seven days ending on (and including) any Record Date.

3. Guarantee and Status

(a) ***Guarantee***: The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Notes, the Receipts and the Coupons. Its obligations in that respect (the "**Guarantee**") are contained in the Deed of Guarantee.

(b) ***Status of Notes and Guarantee***: The Notes and the Receipts and Coupons relating to them constitute (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer and the Guarantor respectively, present and future.

4. Negative Pledge

So long as any Note or Coupon remains outstanding (as defined in the Agency Agreement), neither the Issuer nor the Guarantor will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**"), other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

In these Conditions:

(a) "**Non-recourse Project Financing**" means any financing of all or part of the costs of the acquisition, construction or development of any project, provided that:

(i) any Security Interest given by the Guarantor in connection therewith is limited solely to the assets of the project;

(ii) the persons providing such financing expressly agree to limit their recourse to the project financed and the revenues derived from such project as the sole source of repayment for the moneys advanced; and

(iii) there is no other recourse to the Guarantor in respect of any default by any person under the financing;

(b) "**Permitted Security Interest**" means:

(i) any Security Interest existing on the date on which agreement is reached to issue the first Tranche of the Notes;

(ii) any Security Interest securing Relevant Indebtedness of a person existing at the time that such person is merged into, or consolidated with, or acquired by the Guarantor, provided that such Security Interest was not created in contemplation of such merger, consolidation or acquisition;

(iii) any Security Interest existing on any property or assets prior to the acquisition thereof by the Guarantor and not created in contemplation of such acquisition;

(iv) any Security Interest granted to secure a Non-recourse Project Financing or to secure any indebtedness incurred in connection with a Securitisation;

(v) any renewal of or substitution for any Security Interest permitted by any of sub-paragraphs (i) to (iv) above (inclusive) so long as the Relevant Indebtedness secured by such Security Interest is for an amount not materially greater than the principal (and any capitalised interest and fees) of such Relevant Indebtedness and the Security Interest does not extend to any additional property or assets (other than the proceeds of such assets); and

(vi) any Security Interest created by, or outstanding in respect of, the Issuer or the Guarantor, provided that the amount of any Relevant Indebtedness secured by such Security Interest (when aggregated with the amount (if any) of Relevant Indebtedness secured by other Security Interests created by, or outstanding in respect of, the Issuer or the Guarantor (but ignoring for these purposes any Relevant Indebtedness secured by any Security Interest under sub-paragraphs (i) to (v) above (inclusive))) does not exceed 15.0 per cent. of the consolidated total assets of the Guarantor and its consolidated Subsidiaries, as shown in the most recent published audited consolidated financial statements of the Guarantor and its consolidated Subsidiaries;

(c) "**Relevant Indebtedness**" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities (including trust certificates) which for the time being are, or are intended to be, or are capable of being quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

(d) "**Securitisation**" means any securitisation of existing or future assets and/or revenues, provided that:

(i) any Security Interest given by the Guarantor in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation;

(ii) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the sole source of repayment for the money advanced or payment of any other liability; and

(iii) there is no other recourse to the Guarantor in respect of any default by any person under the securitisation; and

(e) "**Subsidiary**" means any entity:

(i) which is then directly or indirectly controlled by the Issuer or the Guarantor; or

(ii) more than 50.0 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned by the Issuer or the Guarantor; or

(iii) whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer or the Guarantor (as the case may be).

For an entity to be "**controlled**" by the Issuer or the Guarantor means that the Issuer or the Guarantor (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that entity or otherwise controls, or has the power to control, the affairs and policies of that entity.

Guarantor asset sale covenants: *The Guarantor has agreed in the Deed of Guarantee that, so long as any Note or Coupon remains outstanding (as defined in the Agency Agreement), the Guarantor will not enter into any Asset Sale, other than a Permitted Asset Sale, in respect of an asset with a book value (as determined by reference to the most recently available financial statements of the Guarantor, prepared in accordance with Relevant GAAP) that exceeds the higher of U.S.$400 million or 3.0 per cent. of the consolidated total assets of the Guarantor (as determined by reference to the Relevant Accounts), unless such Asset Sale shall have been approved by the Board of Directors of the Guarantor prior to such sale;*

"Asset Sale" *means any sale, lease, sale and lease-back, transfer or other disposition by the Guarantor of all or any of the legal or beneficial interest of it in any property, assets and/or business of any member of the Group (including, without limitation, all or any of the legal or beneficial interest in the Capital Stock of any Subsidiary), in one or more connected transactions, to any Person who is not a member of the Group at such time;*

"Capital Stock" *means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person's equity, including any preferred stock of such Person, whether outstanding on the date on which agreement is reached to issue the first Tranche of the Notes or issued after such date, including, without limitation, all series and classes of such Capital Stock;*

"Group" *means the Guarantor and its Subsidiaries;*

"Permitted Asset Sale" *means an Asset Sale which is entered into on the following terms:*

(i) *the sale is made for the purpose of raising unsecured finance in a manner which is intended to be Shari'a compliant;*

(ii) *the only recourse of the purchaser in respect of the asset is to require the seller to repurchase the asset at a price no greater than the price at which it was sold plus any accrued but unpaid rental payments and servicing payments, as the case may be; and*

(iii) *the seller of the asset is entitled to require the asset to be resold to it upon repayment of the financing raised;*

"Person" *includes any individual, company, unincorporated association, government, state agency, international organisation or other entity;*

"Relevant Accounts" *means, at any time, the most recently available consolidated audited or reviewed financial statements of the Guarantor, prepared in accordance with Relevant GAAP; and*

"Relevant GAAP" *means International Financial Reporting Standards or such other international financial reporting standards as may be adopted from time to time by the Guarantor or any other relevant Person.*

5. **Interest and other Calculations**

(a) ***Interest on Fixed Rate Notes***: Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) ***Interest on Floating Rate Notes***:

(i) *Interest Payment Dates*: Each Floating Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is: (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event: (x) such date shall be brought forward to the immediately preceding Business Day; and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment; (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day; (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day; or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the applicable Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified in the applicable Final Terms;

(y) the Designated Maturity is a period specified in the applicable Final Terms; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) *Screen Rate Determination for Floating Rate Notes*

(x) Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either: (1) the offered quotation; or (2) the arithmetic mean of the offered quotations, (expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations. If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(y) If the Relevant Screen Page is not available or, if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is

LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.

(z) If paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(c) ***Zero Coupon Notes***: Where a Note, the Interest Basis of which is specified to be Zero Coupon, is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) ***Partly Paid Notes***: In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes.

(e) ***Accrual of Interest***: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(f) ***Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding***:

(i) If any Margin is specified in the applicable Final Terms (either: (A) generally; or (B) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of

Interest, in the case of (A), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (B), calculated in accordance with paragraph (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to sub-paragraph (ii) below.

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the applicable Final Terms, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified: (A) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up); (B) all figures shall be rounded to seven significant figures (with halves being rounded up); and (C) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

(g) ***Calculations***: The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the applicable Final Terms, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply, save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(h) ***Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Change of Control Redemption Amounts and Instalment Amounts***: The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount, Change of Control Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount, Change of Control Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than: (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount; or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(i) *Definitions*: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET system is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual—ISDA**" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of: (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366; and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30;

(vii) if "**30E/360 (ISDA)**" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless: (i) that day is the last day of February; or (ii) such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless: (i) that day is the last day of February but not the Maturity Date; or (ii) such number would be 31, in which case D2 will be 30;

(viii) if "**Actual/Actual—ICMA**" is specified in the applicable Final Terms,

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of: (x) the number of days in such Determination Period; and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of: (1) the number of days in such Determination Period; and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of: (1) the number of days in such Determination Period; and (2) the number of Determination Periods normally ending in any year,

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s);

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended;

"**Interest Accrual Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date;

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the applicable Final Terms, shall mean the Fixed Coupon Amount or Broken Amount specified in the applicable Final Terms as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in the applicable Final Terms;

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified: (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling; or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro; or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro;

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date;

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified in the applicable Final Terms;

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the applicable Final Terms;

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon;

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent;

"**Reference Rate**" means the rate specified as such hereon;

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Final Terms;

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated; and

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(j) ***Calculation Agent***: The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Change of Control Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. **Redemption, Purchase and Options**

(a) ***Redemption by Instalments and Final Redemption***:

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the relevant Instalment Amount specified in the applicable Final Terms. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the applicable Final Terms at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within sub-paragraph (i) above, its final Instalment Amount.

(b) ***Early Redemption***:

(i) *Zero Coupon Notes*:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the applicable Final Terms.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Early Redemption Amount specified in the applicable Final Terms.

(c) ***Redemption for Taxation Reasons***: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or, at any time, (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) (together with interest accrued to the date fixed for redemption), if: (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of any jurisdiction in which the Issuer or, as applicable, the Guarantor is incorporated, organised or otherwise resident for tax purposes, or from or in which any of the foregoing makes any payment on the Notes, or by any political subdivision or any authority thereof or therein having power to tax (each, as applicable, a "**Relevant Taxing Jurisdiction**"), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer (or the Guarantor, as the case may be) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) ***Redemption at the Option of the Issuer***: If Call Option is specified in the applicable Final Terms, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the applicable Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the applicable Final Terms.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6.

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) ***Redemption at the Option of Noteholders***:

(i) If Put Option is specified in the applicable Final Terms, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

(ii) Except where expressly specified as not applicable in the applicable Final Terms, if a Change of Control occurs, the Issuer shall, at the option of the holder of any such Note (unless prior to the giving of the relevant Change of Control Notice (as defined below) the Issuer has given notice of redemption under Condition 6(c) or 6(d)), redeem such Note on the Put Date at its Change of Control Redemption Amount together (if applicable) with interest accrued to but excluding the Put Date.

Promptly upon the Issuer or the Guarantor becoming aware that a Change of Control has occurred, the Issuer shall give notice (a "**Change of Control Notice**") to the Noteholders in accordance with Condition 14 specifying the nature of the Change of Control.

For the purpose of these Conditions:

(A) a "**Change of Control**" shall occur each time the Government of the Emirate of Abu Dhabi (the "**Government**") or any other department, agency or authority wholly-owned by the Government:

(x) sells, transfers or otherwise disposes of any of the issued share capital of the Guarantor, other than to an entity, directly or indirectly, wholly-owned by the Government; or

(y) otherwise ceases to control (directly or indirectly) the Guarantor and "**control**" for these purposes shall be the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of the Guarantor or to control or have the power to control the affairs and policies of the Guarantor (in each case whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise);

(B) "**Put Date**" shall be the tenth Business Day after the expiry of the Put Period; and

(C) "**Put Period**" shall be the period of 30 days after a Change of Control Notice is given.

(iii) To exercise the option set out in either sub-paragraph (i) or (ii) above, the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) ***Partly Paid Notes***: Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 6 as supplemented by the applicable Final Terms.

(g) ***Purchases***: Each of the Issuer, the Guarantor and their Subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. Such Notes may be reissued, resold or, at the option of the Issuer or the Guarantor, surrendered for cancellation as set out in Condition 6(h).

(h) ***Cancellation***: All Notes purchased by or on behalf of the Issuer, the Guarantor or any of their Subsidiaries may, at the option of the Issuer or the Guarantor, be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

(i) ***Compulsory Sale***: If, at any time, the Issuer determines that any beneficial owner of Notes, or any account for which such owner purchased Notes, who is required to be a QP is not in fact such a QP, the Issuer may: (i) compel such beneficial owner to sell its Notes to: (A) a person who is not a U.S. person within the meaning of Regulation S under the Securities Act; or (B) a person who is a QIB that is also a QP; or (C) an Institutional Accredited Investor who is also a QP and who, in each case, is otherwise qualified to purchase such Notes in a transaction exempt from registration under the Securities Act; or (ii) compel such beneficial owner to sell such Notes to the Issuer or an affiliate thereof at a price equal to the least of: (x) the purchase price paid by the beneficial owner for such Notes; (y) 100 per cent. of the principal amount thereof; or (z) the fair market value thereof as determined in good faith by the board of directors of the Issuer. The Issuer has the right to refuse to register or otherwise honour the transfer of interests in such Notes to a person who is not: (i) a QIB that is also a QP; or (ii) an Institutional Accredited Investor that is also a QP.

7. Payments and Talons

(a) ***Bearer Notes***: Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) ***Registered Notes***:

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(c) ***Payments in the United States***: Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if: (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due; (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts; and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) ***Payments Subject to Laws***: All payments are subject in all cases to: (i) any applicable laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8; and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) ***Appointment of Agents***: The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents, the Exchange Agent and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Fiscal Agent, the Paying Agent, the Registrar, the Transfer Agents, the Exchange Agent and the Calculation Agent(s) act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Registrar, any Transfer Agent, the Exchange Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain: (i) a Fiscal Agent; (ii) a Registrar in relation to Registered Notes; (iii) a Transfer Agent in relation to Registered Notes and where such Registered Notes are held in global form and are registered in the name of a nominee for The Depository Trust Company, an Exchange Agent; (iv) one or more Calculation Agent(s) where the Conditions so require; (v) Paying Agents having specified offices in at least two major European cities; (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed; and (vii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) ***Unmatured Coupons and Receipts and unexchanged Talons***:

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, those Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Change of Control Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) ***Talons***: On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) ***Non-Business Days***: If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

8. Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts and the Coupons or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by, on behalf of, or within a Relevant Taxing Jurisdiction, unless such withholding or deduction is required by law or by the relevant taxing authority's interpretation or administration thereof. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) ***Other connection:*** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection (present or former) with a Relevant Taxing Jurisdiction other than the mere holding of the Note, Receipt or Coupon; or

(b) ***Presentation more than 30 days after the Relevant Date:*** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day; or

(c) ***Payment to individuals:*** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in the European Council Directive 2003/48/EC; or

(d) ***Payment by another Paying Agent:*** (except in the case of Registered Notes) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to: (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Change of Control Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it; (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it; and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition 8.

9. Prescription

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. Events of Default

If any of the following events ("**Events of Default**") occurs, the holder of any Note may give written notice to the Issuer and the Guarantor, effective as at the date of receipt thereof by the Guarantor, that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable:

(a) ***Non-Payment***: default is made for more than 14 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Notes; or

(b) ***Breach of Other Obligations***: the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in respect of the Notes, which default is incapable of remedy or, such default (if capable of remedy) is not remedied within 45 days after written notice of such default shall have been given to the Issuer or the Guarantor (as the case may be) by any Noteholder; or

(c) ***Cross-Acceleration***: (i) the holders of any indebtedness of the Issuer or the Guarantor accelerate such indebtedness or declare such indebtedness to be due and payable or required to be prepaid (other than by a regularly scheduled required prepayment or pursuant to an option granted to the holders by the terms of such indebtedness), prior to the stated maturity thereof; or (ii) the Issuer or the Guarantor fails to pay in full any principal of, or interest on, any of its indebtedness when due (after expiration of any originally applicable grace period) or any guarantee of any indebtedness of others given by the Issuer or the Guarantor shall not be honoured when due and called upon; provided that the aggregate amount of the relevant indebtedness or guarantee in respect of which one or more of the events mentioned above in this paragraph (c) shall have occurred equals or exceeds U.S.$50,000,000 (or its equivalent in any other currency or currencies (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates)); or

(d) ***Security Enforced***: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Guarantor and securing an amount which equals or exceeds U.S.$50,000,000 (or its equivalent in any other currency or currencies (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates)) becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person, but excluding the issue of any notification to the Issuer or the Guarantor, as the case may be, that such Security Interest has become enforceable) unless the full amount of the debt which is secured by the relevant Security Interest is discharged within 30 days of the first date on which a step is taken to enforce the relevant Security Interest; or

(e) ***Insolvency***: the Issuer or the Guarantor is adjudicated or found bankrupt or insolvent; or

(f) ***Winding-up***: an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or the Guarantor (and such proceedings are not being actively contested in good faith by the Issuer or the Guarantor, as the case may be), or the Issuer or the Guarantor shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations, which in each case (other than the appointment of an administrator) is not discharged within 30 days, and except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Noteholders; or

(g) ***Ownership***: the Issuer ceases to be directly or indirectly wholly-owned and controlled by the Guarantor; or

(h) ***Illegality***: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its respective obligations under any of the Notes; or

(i) ***Guarantee***: the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or

(j) ***Analogous Events***: any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (e) and (f) above.

References in paragraphs (c) and (d) above to "**indebtedness**" and "**debt**" respectively shall be deemed to include any debt or other financing arrangement issued (or intended to be issued) in compliance with the principles of *Shari'a*, whether entered into directly or indirectly by the Issuer or the Guarantor, as the case may be.

11. Meetings of Noteholders and Modifications

(a) ***Meetings of Noteholders***: The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10.0 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting, one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*: (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes; (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes; (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes; (iv) if a

Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum; (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount, the Optional Redemption Amount or the Change of Control Redemption Amount, including the method of calculating the Amortised Face Amount; (vi) to vary the currency or currencies of payment or denomination of the Notes; (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution; or (viii) to modify or cancel the Guarantee, in which case the necessary quorum shall be one or more persons holding or representing not less than two-thirds, or at any adjourned meeting, not less than one-third in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 90.0 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) ***Modification***: The Issuer or, as the case may be, the Guarantor may, without the consent of the Noteholders or Couponholders, make any modification to the Notes, the Receipts, the Coupons, the Deed of Guarantee, the Deed of Covenant, the Deed Poll or the Agency Agreement which is:

(i) not prejudicial to the interests of the Noteholders; or

(ii) of a formal, minor or technical nature or is made to correct a manifest or proven error.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

(c) ***Substitution***: The Issuer, or any previous substituted company, may at any time, without the consent of the Noteholders or the Couponholders, substitute for itself as principal debtor under the Notes, the Receipts, the Coupons and the Talons any company (the "**Substitute**") that is the Guarantor, or a Subsidiary of the Guarantor, provided that no payment in respect of the Notes, the Receipts or the Coupons is at the relevant time overdue. The substitution shall be made by a deed poll (the "**Substitution Deed Poll**"), to be substantially in the form scheduled to the Agency Agreement as Schedule 8, and may take place only if: (i) the Substitute shall, by means of the Substitution Deed Poll, agree to indemnify each Agent, Noteholder and Couponholder against any tax, duty, assessment or governmental charge that is imposed on it by (or by any authority in or of) the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation with respect to any Note, Receipt, Coupon, Talon or the Deed of Covenant and that would not have been so imposed had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution; (ii) where the Substitute is not the Guarantor, the obligations of the Substitute under the Substitution Deed Poll, the Notes, Receipts, Coupons, Talons and Deed of Covenant shall be unconditionally guaranteed by the Guarantor by means of the Substitution Deed Poll; (iii) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Substitution Deed Poll, the Notes, Receipts, Coupons, Talons and Deed of Covenant represent valid, legally binding and enforceable obligations of the Substitute and in the case of the Substitution Deed Poll of the Guarantor have been taken, fulfilled and done and are in full force and effect; (iv) the Substitute shall have become party to the Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it; (v) legal opinions addressed to the Noteholders shall have been delivered to them (care of the Fiscal Agent) from a lawyer or firm of lawyers with a leading securities practice in each jurisdiction referred to in (i) above and in England and in the country of incorporation of the Substitute as to the fulfilment of the preceding conditions of this sub-paragraph (c) and the other matters specified in the Substitution Deed Poll; and (vi) the Issuer shall have given at least 14 days' prior notice of such substitution to the Noteholders, stating that copies, or pending execution of the agreed text, of all documents in relation to the substitution that are referred to above, or that might otherwise reasonably be regarded as material to Noteholders, shall be available for inspection at the specified office of each of the Paying Agents. References in Condition 10 to obligations under the Notes shall be deemed to include obligations under the Substitution Deed Poll, and, where the Substitution Deed Poll contains a guarantee, references to the Guarantee shall be deemed to include the guarantee granted in respect of the Substitute.

12. **Replacement of Notes, Certificates, Receipts, Coupons and Talons**

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer, Fiscal Agent or Registrar may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. **Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as a particular series of Notes (so that, for the avoidance of doubt, references in these Conditions to "**Issue Date**" shall be to the first issue date of the series of Notes) and so that the same shall be consolidated and form a single series with such Notes even if further Notes have original issue discount ("**OID**") for U.S. federal income tax purposes and even if doing so may adversely affect the value of the original Notes. References in these Conditions to "**Notes**" shall be construed accordingly.

14. **Notices**

Notices to the holders of Registered Notes shall be mailed to them (or, in the case of joint holders, to the first named) at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above. The Issuer shall also ensure that notices are duly published in a manner that complies with any relevant rules of any stock exchange or other relevant authority on which Notes are for the time being, or by which they have for the time being been, admitted to trading.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 14.

15. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

16. **Governing Law and Jurisdiction**

(a) ***Governing Law***: The Agency Agreement, the Deed of Guarantee, the Deed of Covenant, the Deed Poll, the Notes, the Receipts, the Coupons, the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) ***Agreement to Arbitrate***: Subject to Condition 16(c), any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration (the "**LCIA**") (the "**Rules**") which Rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 16(b). For these purposes:

(i) the place of arbitration shall be London, England;

(ii) there shall be three arbitrators, each of whom shall be disinterested in the arbitration. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. In the event that one party or both fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA within 15 days of such failure. In the event that the party nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA within 15 days of such failure; and

(iii) the language of the arbitration shall be English.

On receipt by the Issuer of a Request for Arbitration as defined in the Rules initiated by a Noteholder, the Issuer shall send a copy of the Request for Arbitration to all Noteholders (the "**Notification**") within 30 days of receipt. The arbitral proceedings shall be suspended until the earlier of the completion of the Notification process or 30 days following the receipt by the Issuer of a Request for Arbitration.

Any Noteholder(s) may, on receipt of such Notification, request to be joined with any other Noteholder(s) to that arbitration, by filing a written notice (a "**Joinder Notice**") with the relevant Noteholder and the Issuer prior to disclosure of documents in that arbitration. Each Noteholder hereby agrees to accept the joinder of any other Noteholder(s) where the interests of the Noteholders are materially similar. Failure to file a Joinder Notice does not preclude any Noteholder(s) from bringing any action (whether arising from similar facts to those relevant to the arbitration in respect of which the Notification is provided or otherwise) in the future.

Any multi-party arbitration resulting from the joinder of any other Noteholder(s) will be formally settled in single arbitral proceedings.

In multi-party arbitration proceedings, the arbitral tribunal shall have all powers necessary to establish any supplementary procedural rules required or desirable in view of the multi-party nature of the proceedings.

In the event of arbitration proceedings where the interests of Noteholders are sufficiently similar to permit those parties to be represented by a single counsel without generally accepted principles regarding conflicts of interest being infringed, such parties are obliged to act together and through one counsel only. In the event that there is some question as to whether the interests of some or all of the Noteholders concerned are sufficiently similar to invoke the terms of this provision requiring joint representation, then that may be determined as a preliminary issue by the arbitral tribunal.

(c) ***Option to Litigate***: Notwithstanding Condition 16(b), any Noteholder may, in the alternative, and at its sole discretion, by notice in writing to the Issuer and the Guarantor:

(i) within 28 days of service of a Request for Arbitration (as defined in the Rules); or

(ii) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If any Noteholder gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 16(d) and, subject as provided below, any arbitration commenced under Condition 16(b) in respect of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation to the terminated arbitration.

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the relevant Noteholder must also within 28 days of service of a Request for Arbitration give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

(i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;

(ii) his entitlement to be paid his proper fees and disbursements; and

(iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

(d) ***Effect of Exercise of Option to Litigate***: In the event that a notice pursuant to Condition 16(c) is issued, the following provisions shall apply:

(i) the courts of England shall have jurisdiction to settle any Dispute and each of the Issuer and the Guarantor submits to the exclusive jurisdiction of such courts;

(ii) each of the Issuer and the Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(iii) this Condition 16(d) is for the benefit of Noteholders only. As a result, and notwithstanding sub-paragraph (i) above, any Noteholder may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) ***Appointment of Process Agent***: Each of the Issuer and the Guarantor irrevocably appoints Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent for service of process, and undertakes that, in the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings or Disputes and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer or the Guarantor). Nothing herein shall affect the right to serve Proceedings in any other manner permitted by law.

(f) ***Enforcement***: Each of the parties to the Proceedings or Dispute agrees that an arbitral award or judgment or order of an English or other court, in connection with a Dispute arising out of or in connection with these Conditions, shall be binding on it and may be enforced against it in the courts of any competent jurisdiction.

(g) ***Other documents and the Guarantor***: The Issuer and, where applicable, the Guarantor have in the Agency Agreement, the Deed of Guarantee, the Deed of Covenant and the Deed Poll made provision for arbitration and appointed an agent for service of process in terms substantially similar to those set out above. In respect of its obligations under the Notes, the Receipts, the Coupons and the Talons, each of the Issuer and the Guarantor hereby irrevocably and unconditionally waives any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings. The Agency Agreement, the Deed of Covenant, the Deed of Guarantee and the Deed Poll include waivers of immunity by the Issuer and/or the Guarantor (as the case may be) on substantially similar terms. Notwithstanding the foregoing, the Issuer and the Guarantor make no representation as to whether Article 247 of Federal Law No. 11 of 1992 regarding the Law of Civil Procedure will apply to its assets, revenues or property.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary (as defined below).

Upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or registration of Registered Notes in the name of any nominee of a Common Depositary for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Upon the initial deposit of a Global Certificate in respect of, and registration of, Registered Notes in the name of Cede & Co. as nominee for DTC and delivery of the relevant Global Certificate to the Fiscal Agent as Custodian for DTC, DTC will credit each participant with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system (the "**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg, DTC or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, DTC or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

Exchange

Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the applicable Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, please see *"Overview of the Programme—Selling Restrictions"*), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the applicable Final Terms, for Definitive Notes.

The option for Global Notes to be exchangeable for Definitive Notes by giving notice should not be expressed to be applicable under paragraph 23 (*Form of Notes*) in Part A of the applicable Final Terms if the relevant Notes have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount. Furthermore, Notes should not be issued which have such denominations if such Notes are to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under *"—Partial Exchange of Permanent Global Notes"* below, in part for Definitive Notes:

(i) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of fourteen (14) days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

(ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Global Certificates

Unrestricted Global Certificates

If the applicable Final Terms state that the Notes are to be represented by an Unrestricted Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) (*No Exchange of Notes and Transfers of Registered Notes—Transfer of Registered Notes*) may only be made in whole but not in part:

(i) if the relevant clearing system is closed for business for a continuous period of fourteen (14) days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so;

(ii) if principal in respect of any Notes is not paid when due; or

(iii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to sub-paragraphs (i) or (ii) above, the registered holder has given the Registrar not less than thirty (30) days' notice at its specified office of the registered holder's intention to effect such transfer.

Restricted Global Certificates

If the applicable Final Terms state that the Registered Notes are to be represented by a Restricted Global Certificate on issue, the following will apply in respect of transfers of Notes held in DTC. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of DTC, but will limit the circumstances in which the Notes may be withdrawn from DTC. Transfers of the holding of Notes represented by that Restricted Global Certificate pursuant to Condition 2(b) (*No Exchange of Notes and Transfers of Registered Notes—Transfer of Registered Notes*) may only be made:

(i) in whole but not in part, if such Notes are held on behalf of a Custodian for DTC and if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to that Restricted Global Certificate or DTC ceases to be a "clearing agency" registered under the Exchange Act or is at any time no longer eligible to act as such, and this Issuer is unable to locate a qualified successor within ninety (90) days of receiving notice of such ineligibility on the part of DTC; or

(ii) in whole or in part, with the Issuer's consent,

provided that, in the case of any transfer pursuant to sub-paragraph (i) above, the relevant Registered Noteholder has given the relevant Registrar not less than thirty (30) days' notice at its specified office of the Registered Noteholder's intention to effect such transfer. Individual Certificates issued in exchange for a beneficial interest in a Restricted Global Certificate shall bear the legend applicable to such Notes as set out in *"Subscription and Sale and Transfer and Selling Restrictions—Transfer Restrictions"*.

Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes: (i) if principal in respect of any Notes is not paid when due; or (ii) if so provided in, and in accordance with, the Conditions relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will: (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange; or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. Global Notes and Definitive Notes will be delivered outside the United States and its possessions.

In this Base Prospectus, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of forty (40) days after its issue date and, in relation to a permanent Global Note, a day falling not less than sixty (60) days, or in the case of failure to pay principal in respect of any Notes when due thirty (30) days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Base Prospectus. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 7(e)(vii) (*Payments and Talons—Appointment of Agents*) and Condition 8(d) (*Taxation—Payment by another Paying Agent*) will apply to the Definitive Notes only.

For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 7(h) (*Payments and Talons—Non-Business Days*).

Payment Record Date

Each payment in respect of the Global Certificates will be made to the person shown as the holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Certificates are being held is open for business.

Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of ten (10) years (in the case of principal) and five (5) years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8 (*Taxation*)).

Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.

Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note or its presentation to or to the order of the Fiscal Agent for endorsement in the relevant schedule of such permanent Global Note or in the case of a Global Certificate, by reduction in the aggregate principal amount of the Global Certificates in the register of the certificateholders, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer, the Company or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation.

Events of Default

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 10 (*Events of Default*) by stating in the notice to the Fiscal Agent the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the Issuer and the Company under the terms of a Deed of Covenant executed as a deed by the Issuer and the Company on 26 November 2012 to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be. However, no such election may be made in respect of Notes represented by a Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Certificate shall have been improperly withheld or refused.

Notices

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate. Any such notice shall be deemed to have been given to the Noteholders on the third day after the day on which such notice is delivered to the relevant clearing system as aforesaid. The Issuer shall also ensure that notices are duly published in a manner that complies with any relevant rules of any stock exchange or other relevant authority on which the Notes are for the time being, or by which they have for the time being been, admitted to trading.

Partly Paid Notes

The provisions relating to Partly Paid Notes are set out in the Conditions and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be lent by the Issuer to the Company through inter-company loans and will be used by the Company for general corporate purposes.

DESCRIPTION OF THE ISSUER

General

The Issuer was incorporated under Cayman Islands law as an exempted company with limited liability on 27 September 2010 for an unlimited period of time. The registered office of the Issuer is c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its telephone number is +1 345 949 8066. The Issuer is registered in the Cayman Islands Register of Companies under number 245969.

The authorised share capital of the Issuer is U.S.$50,000 divided into ordinary shares of a nominal or par value of U.S.$1 each. At incorporation and as at the date hereof, 100 ordinary shares with a par value of U.S.$1 each had been issued.

The Issuer is a direct wholly-owned subsidiary of the Company and does not have any subsidiaries of its own.

Business of the Issuer

The Issuer has a limited operating history and does not have any substantial liabilities other than in connection with the Outstanding Notes issued under the Programme.

The objects for which the Issuer is established are unrestricted and are set out in clause 3 of its Memorandum of Association (as registered or adopted on 27 September 2010) and include raising funds (including through the issuance of Notes), granting loans and granting security over its assets.

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to: (i) its registration as an exempted company; (ii) the authorisation of the establishment and updates of the Programme and the issue of the Outstanding Notes under the Programme; and (iii) the ownership of such interests and other assets referred to herein.

The Issuer's ongoing activities will principally comprise: (i) the issue of the Notes under the Programme; (ii) the entering into of any documents related to the Programme and an issue of Notes thereunder; (iii) the on-lending of the proceeds of any issue of Notes to the Company; and (iv) the exercise of related rights and powers and other activities referred to in this Base Prospectus or reasonably incidental to those activities.

Directors of the Issuer

The management of the Issuer is conducted by a board of directors that consists of the following Directors:

Name	Principal occupation outside of the Issuer
Murtadha M. Al Hashmi	Chief Financial Officer of the Company
Mohamed Ali Al Fahim	Manager–Finance Division of the Company

The business address of Mr. Al Hashmi and Mr. Al Fahim is P.O. Box 7528, Abu Dhabi, U.A.E.

There are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Issuer.

The Issuer has no employees and is not expected to have any employees in the future.

Financial Statements

Since the date of its incorporation, no financial statements of the Issuer have been prepared. The Issuer is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

OVERVIEW OF THE U.A.E. AND ABU DHABI

The U.A.E.

The U.A.E. is a federation of seven Emirates. Formerly known as the Trucial States, they were a British protectorate until they achieved independence in December 1971 and merged to form the United Arab Emirates. Each Emirate has a local government headed by the Ruler of the Emirate. There is a federal government which is headed by the President. The federal budget is principally funded by Abu Dhabi.

The federation is governed by the Supreme Council of the Rulers which consists of the Rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President (for renewable five-year terms). H.H. Sheikh Zayed bin Sultan Al Nahyan, the late Ruler of Abu Dhabi, held the position of President from 1971 until his death in November 2004. During his long presidency, H.H. Sheikh Zayed bin Sultan Al Nahyan oversaw massive investment in the infrastructure of the U.A.E., which transformed the country. Following his death, his son H.H. Sheikh Khalifa bin Zayed Al Nahyan took over as Ruler of Abu Dhabi and has been elected as President of the U.A.E.

According to data published by the IMF in April 2012, the U.A.E. is the third largest economy in the Gulf region after the Kingdom of Saudi Arabia and the Islamic Republic of Iran, based on nominal GDP. It has a more diversified economy than most of the other countries in the Gulf Co-operation Council (the "**GCC**"). According to OPEC data, at 31 December 2011, the U.A.E. had approximately 6.6 per cent. of the world's proven global oil reserves (giving it the sixth largest oil reserves in the world), generating, according to estimated data produced by the U.A.E. National Bureau of Statistics, 38.4 per cent. of the U.A.E.'s GDP in 2011. Based on IMF data (extracted from the World Economic Outlook (October 2012)) real GDP growth in the U.A.E. increased by 5.2 per cent. in 2011 and 1.3 per cent. in 2010 after having decreased by 4.8 per cent. in 2009 and increased by 5.3 per cent. in 2008 and 6.5 per cent. in 2007.

On 28 January 2012, Moody's reaffirmed the U.A.E.'s long-term credit rating of Aa2 with a stable outlook. The principal reason cited for this high investment grade rating is the assumption that the obligations of the federal government will be fully supported by Abu Dhabi. The U.A.E. is not rated by the other rating agencies.

Abu Dhabi

Abu Dhabi is the richest and largest of the seven Emirates and the city of Abu Dhabi is also the capital of the U.A.E.

According to ADNOC, Abu Dhabi produces over 2.0 million barrels of oil per day and has approximately 94.0 per cent. of the U.A.E.'s total oil reserves. At this rate of production, Abu Dhabi's oil reserves would last over 100 years. ADNOC produces approximately 90 per cent. of the U.A.E.'s oil output and the official selling prices of ADNOC's crude oil grades averaged U.S.$112.3 in the first seven months of 2012, which is 2.9 per cent. higher than the corresponding period in 2011.

In Abu Dhabi, the non-associated Khuff natural gas reservoirs beneath the Umm Shaif and Abu al-Bukhush oil fields rank among the world's largest. In total, the U.A.E. has approximately 6,091 billion standard cubic metres of natural gas reserves, representing approximately 3.1 per cent. of the world's natural gas reserves of 196,163 billion standard cubic metres (according to OPEC at 31 December 2011).

The table below shows Abu Dhabi's crude oil production, exports and average selling prices for each of the years indicated.

	2011	2010	2009	2005
Crude oil production (million b/d)	2.5	2.3	2.2	2.2
Crude oil exports (million b/d)	2.3*	2.0	2.0	2.1
Crude oil exports (U.S.$ billions)	91.5*	58.4	44.7	38.9
Average selling price (U.S.$ per barrel)	109.5	78.5	62.7	51.9

* Preliminary figures.
Source: Abu Dhabi Statistics Centre.

The population of the U.A.E., based on a census carried out in 2005, was approximately 4.1 million, of whom approximately 1.4 million resided in Abu Dhabi. In mid-2010, the U.A.E. National Bureau of Statistics estimated the population of the U.A.E. to be approximately 8.2 million in 2009 and 8.3 million in 2010. The compilation of results of the census for 2010 is underway but, as at the date of this Base Prospectus, census records have not been published.

The populations of both the U.A.E. and Abu Dhabi have grown significantly since 1975, reflecting an influx of foreign labour, principally from Asia, as the Emirates have developed.

The table below illustrates this growth using official census data since 1975.

	2005	2001	1995	1985	1980	1975
Abu Dhabi population	1,399,484	1,170,254	942,463	566,036	451,848	211,812
Total U.A.E. population	4,106,427	N/A	2,411,041	1,379,303	1,042,099	557,887

Source: Official census data published by the U.A.E. National Bureau of Statistics, except 2001 figure for Abu Dhabi which is sourced from data published by the Abu Dhabi Statistics Centre.

Since 2005, Abu Dhabi's population has grown by 40.6 per cent. to 1,967,659 in 2010, according to estimates from the Abu Dhabi Statistics Centre (the "**Statistics Centre**").

In 2010 and based on the Statistics Centre mid-year estimates, Abu Dhabi had a predominantly young population with 0.8 per cent. being 65 years and over and 21.1 per cent. being under the age of 15. According to the same data, between 2005 and 2010, Abu Dhabi's average annual population growth rate was 7.7 per cent. The population mix in 2010 is estimated by the Statistics Centre to have comprised 22.0 per cent. U.A.E. nationals and 78.0 per cent. non-nationals.

According to the Statistics Centre, Abu Dhabi's nominal GDP per capita was approximately U.S.$103,513 in 2011, which makes it one of the highest in the Gulf region. The oil and gas industry dominates Abu Dhabi's economy and contributed approximately U.S.$128.4 billion, or 58.5 per cent., of nominal GDP in 2011. Oil prices declined significantly in the second half of 2008 and this fact was the principal reason for the decline in Abu Dhabi's nominal GDP in 2009. Abu Dhabi's growing non-oil sector, which in 2010 accounted for over 50.0 per cent. of Abu Dhabi's GDP, in comparison to 2008, where it accounted for just over 41.4 per cent., contributed to Abu Dhabi's increase in GDP in 2010, despite the continuing economic financial crises and declining oil prices. In 2011, the non-oil sector accounted for approximately 41.5 per cent. of Abu Dhabi's GDP.

No meaningful real GDP information is currently available for Abu Dhabi as a result of historic uncertainties surrounding the calculation of inflation for the Emirate. It is anticipated that real GDP data may become available during the course of 2012.

The table below shows Abu Dhabi's nominal GDP, its percentage growth change, the U.A.E.'s nominal GDP and the percentage contribution of Abu Dhabi's nominal GDP to the U.A.E.'s nominal GDP for each of the years indicated.

	2011	2010	2000
	(AED billions, except for percentage)		
Abu Dhabi nominal GDP (current price)	806.0	620.3	535.3
Percentage change in Abu Dhabi nominal GDP	29.9	15.9	(24.1)
U.A.E. nominal GDP (current prices)	1,243.8	1,042.7*	953.9
Abu Dhabi as a percentage of U.A.E	64.8	59.5	56.1

* Preliminary figures.
Sources: Statistics Centre (for Abu Dhabi nominal GDP) and U.A.E. National Bureau of Statistics (for U.A.E. nominal GDP).

Abu Dhabi's GDP is dominated by the oil and gas sector, which contributed 44.6 per cent. of nominal GDP in 2009, 49.7 per cent. in 2010 and 58.5 per cent. in 2011. As per preliminary estimates published by the Statistics Centre, outside the oil and gas sector, the principal contributors to nominal GDP in Abu Dhabi in each of 2009, 2010 and 2011 have been: construction; manufacturing; financial corporations sector; wholesale, retail trade and repairing services; real estate and business services and transport, storage and communications, which together accounted for 48.2 per cent. of nominal GDP in 2009, 43.9 per cent. in 2010 and 32.7 per cent. in 2011.

In terms of growth, the fastest growing sectors between 2005 and 2011 were construction; real estate and business services; public administration and defence; crude oil and natural gas and financial corporations sector, with compound annual growth rates ("**CAGRs**") of 20.6 per cent., 18.2 per cent., 16.2 per cent., 14.0 per cent. and 13.9 per cent., respectively.

Public administration and defence accounted for 3.1 per cent. of GDP in 2011 (as per preliminary estimates published by the Statistics Centre).

The following table shows Abu Dhabi's nominal GDP by economic activity and by percentage contribution, as well as the year on year growth rate, for each of the years indicated.

	2011*†			2010*			2009		
	(AED millions)	(%)	(2011 compared to 2010, % change)	(AED millions)	(%)	(2010 compared to 2009, % change)	(AED millions)	(%)	(2009 compared to 2008, % change)
Sector									
Crude oil and natural gas	471,775	58.5	53.2	308,022	49.7	28.9	239,006	44.6	(42.1)
Manufacturing	40,499	5.0	19.6	33,860	5.5	10.8	30,560	5.7	(22.1)
Public administration and defence	25,385	3.1	9.3	23,231	3.7	13.0	20,559	3.8	10.2
Construction	81,067	10.1	0.2	80,925	13.0	2.0	79,310	14.8	20.8
Real estate and business services	28,188	3.5	(47.2)	53,414	8.6	6.4	50,223	9.4	7.4
Wholesale, retail trade and repairing services	30,893	3.8	3.0	29,999	4.8	5.3	28,484	5.3	(12.3)
Financial corporations sector	39,202	4.9	13.6	34,498	5.6	14.4	30,154	5.6	2.0
Transport, storage and telecommunications	43,547	5.4	9.8	39,661	6.4	1.3	39,134	7.3	(2.0)
Agriculture, livestock and fishing	4,837	0.6	(20.8)	6,111	1.0	2.1	5,988	1.1	3.5
Electricity, gas and water	16,139	2.0	12.3	14,366	2.3	(0.6)	14,458	2.7	3.2
Hotels and restaurants	6,799	0.8	3.5	6,572	1.1	4.6	6,283	1.2	(7.1)
Other	48,132	6.0	207.6	15,648	2.6	14.0	13,728	2.6	2.4
Less: Imputed Bank Service Charge	(30,431)	(3.8)	17.1	(25,990)	(4.2)	15.1	(22,575)	(4.2)	13.9
Total GDP	**806,031**	—	—	**620,316**	—	—	**535,311**	—	—

* Preliminary estimates.

† The Statistics Centre amended the line item descriptions reflected above in respect of industry types in the Abu Dhabi Statistical Yearbook for 2012 as follows: mining and quarrying (includes crude oil and natural gas); manufacturing; public administration and defence (compulsory social security); construction; real estate; wholesale and retail trade (repair of motor vehicles and motorcycles); financial and insurance; transportation and storage; information and communication; agriculture, forestry and fishing; electricity, gas and water supply (waste management); accommodation and food services and imputed bank services. "Other" comprises professional, scientific and technical; administrative and support services; education; human health and social work; arts, recreation and other services and activities of households as employers.

Source: Statistics Centre.

The Government's long-term ratings were affirmed at Aa2 (with a stable outlook) and its short-term ratings at Prime-1 (with a stable outlook) by Moody's on 8 August 2012. Reasons cited for these high investment grade ratings include a very strong government balance sheet, abundant hydrocarbon resources, very high GDP per capita and domestic political stability and strong international relations. On the other hand, Moody's also noted the troubled regional political environment, lower World Bank governance scores than other highly rated countries, volatile GDP caused by a concentration on hydrocarbons and the substantial amount of debt of its government-related issuers.

The Government's long-term sovereign credit ratings were affirmed at AA long-term (with a stable outlook) and A-1+ short-term (with a stable outlook) by S&P on 30 January 2012. S&P commented that the ratings on Abu Dhabi are anchored by the Emirate's strong fiscal and external positions. With its wealth and large resource endowment, S&P noted that Abu Dhabi has been able to respond to recent domestic and external economic challenges with strong counter-cyclical policies and pre-emptive support for the financial sector. S&P further commented that, in addition to providing fiscal flexibility, the exceptional strength of the Government's net asset position provides a buffer against the effect of oil price volatility on economic growth and Government revenues, as well as on the external account. On the other hand, S&P highlighted the fact that Abu Dhabi has underdeveloped political institutions, it is vulnerable to the cyclicality of the hydrocarbon economy and it has limited monetary policy flexibility.

The Government's long-term foreign and local currency issuer default ratings were affirmed at AA (with a stable outlook) and short-term foreign currency issuer default ratings at F1+ (with a stable outlook) by Fitch on 25 September 2012. Fitch commented that the affirmation reflected the strong sovereign balance sheet, foreign assets continuing to grow and the continuation of hydrocarbon surpluses and the bolstering of oil security. On the other hand, Fitch noted that contingent liabilities constrain the rating as well as some structural factors.

Government

Executive authority in Abu Dhabi is derived from the Ruler, H.H. Sheikh Khalifa bin Zayed Al Nahyan and the Crown Prince, H.H. Sheikh Mohamed bin Zayed Al Nahyan.

Departments, authorities and councils are established by Emiri Decree.

The Supreme Petroleum Council was established by law No. (1) of 1988, and the Chairman of the Supreme Petroleum Council is H.H. Sheikh Khalifa bin Zayed Al Nahyan, Ruler of Abu Dhabi and President of the U.A.E. In accordance with Law No. (1) of 1988, the Supreme Petroleum Council is the highest authority responsible for petroleum affairs in Abu Dhabi and formulates and oversees Abu Dhabi's policies and objectives in all sectors of the petroleum industry. The Supreme Petroleum Council has twelve board members and three of the Company's board members sit on the Supreme Petroleum Council.

The Executive Council is the principal executive authority below the Ruler and the Crown Prince and currently comprises 14 members, appointed by an Emiri Decree issued on 11 December 2010. Two of the Company's board members sit on the Executive Council.

Departments manage administration within the Emirate and manage specific portfolios, including, for example, the Department of Economy and Planning, the Department of Finance, the Department of Municipal Affairs, the Department of Transport and the Judicial Department. Authorities manage the Emirate's resources and strategies and include the Abu Dhabi Accountability Authority, the Abu Dhabi Tourism and Culture Authority, the Abu Dhabi Water and Electricity Authority, the Executive Affairs Authority and the Health Authority. Councils act as controlling bodies for certain Government initiatives, projects and industry sectors by setting and monitoring policies, regulations and standards, and include the Civil Service Council, the Council for Economic Development, the Education Council, the Supreme Petroleum Council and the Urban Planning Council.

The Government owns or has material shareholdings in a number of other significant companies and institutions in addition to the Company, including ADNOC, Abu Dhabi Investment Authority ("**ADIA**"), Abu Dhabi Investment Council (the "**Council**"), Mubadala Development Company ("**Mubadala**") and Tourism Development and Investment Company ("**TDIC**"). Each of these companies and institutions are wholly-owned by the Government and one or more board members of each of these companies and institutions are represented on the Executive Council.

ADNOC was established in 1971 to operate in all areas of Abu Dhabi's oil and gas industry. Since 1971, ADNOC has steadily broadened its activities establishing various companies and subsidiaries to create an integrated oil and gas industry in Abu Dhabi. ADNOC has oil production capacity of more than 2.0 million barrels a day, making it among the top ten oil producers in the world. Three of the Company's board members sit on the ADNOC board of directors.

ADIA was established in 1976. The Government provides funds to ADIA on a periodic basis that are surplus to its budgetary requirements and other funding requirements. ADIA carries out its investment strategy independent of and without reference to the Government or other entities that also invest funds on the Government's behalf. In addition, at certain times, in practice only during periods of extreme and/or prolonged weakness in commodity prices, ADIA is required to make available to the Government its financial resources to secure and maintain the future welfare of Abu Dhabi. ADIA currently has ten board members and two of the Company's board members sit on the ADIA board of directors.

IPIC was established in 1984. IPIC has a mandate to invest in energy and energy-related assets globally. IPIC has eight board members, including H.H. Sheikh Mansour bin Zayed Al Nahyan, the Chairman of the board of directors, a member of the ruling family of Abu Dhabi, the Deputy Prime Minister of the U.A.E. and the U.A.E. Minister of Presidential Affairs. Please see "*Relationship with the Government*" and "*Description of the Group*".

The Council started its operations in 2007. The Council is another investment arm of the Government and is also responsible for investing the Government's financial resources. The Council is empowered by the Government with a direct investment mandate to broaden Abu Dhabi's economic base and facilitate the international development of Abu Dhabi companies. The Council currently has seven board members and two of the Company's board members sit on the Council's board of directors.

Mubadala was established in 2002. Mubadala is a business development and investment company mandated by the Government to act as a primary catalyst in the implementation of Abu Dhabi's development strategy in a commercial and profitable manner. Mubadala currently has seven board members and two of the Company's board members sit on the Mubadala board of directors.

TDIC was established in 2005. TDIC is a wholly-owned subsidiary of the Abu Dhabi Tourism and Culture Authority. TDIC is mandated to implement the strategy of the Abu Dhabi Tourism and Culture Authority through tourism development and is charged with fulfilling Abu Dhabi's ambition to become a leading global tourist destination.

Abu Dhabi's Economic Strategy

The Government's development strategy is articulated in the Abu Dhabi Policy Agenda 2007-2008 (the "**Policy Agenda**") and the Abu Dhabi Economic Vision 2030, issued by the Government in January 2009 (the "**2030 Economic Vision**"). Drawing on the Policy Agenda, the 2030 Economic Vision sets forth a roadmap for developing the Government's strategy for economic development over the period to 2030.

The Policy Agenda establishes broad, long-term policy goals to drive economic, social and geopolitical/ governance change in Abu Dhabi. Under the Policy Agenda, diversifying the energy sector and the economy through investments by entities such as the Company is a key step in achieving economic development, including through the strengthening of downstream hydrocarbon capabilities (refining, transportation and distribution), the application of better processes, products and technologies and the expansion of the proportion of value-added exports, such as refined and semi-refined products in the petrochemicals sector, from Abu Dhabi. The Policy Agenda also calls for the pursuit of the geographic diversification of Abu Dhabi's assets through strategic investments in upstream, midstream and downstream hydrocarbon assets outside the U.A.E. by entities such as the Company and the leveraging of Abu Dhabi's strengths in the hydrocarbon sector to diversify into other industrial sectors, such as the development of Abu Dhabi as a world leader in the petrochemicals industry. The Company is specifically identified in the 2030 Economic Vision as playing a key role in executing certain of these initiatives.

International Relations

The foreign policy of the U.A.E. is based upon a set of guiding principles, laid down by the country's first President, H.H. Sheikh Zayed bin Sultan Al Nahyan.

The U.A.E. participates in a number of multi-lateral aid-giving institutions, including the International Bank for Reconstruction and Development, the International Development Agency, the IMF and regional bodies like the Arab Bank for Economic Development in Africa, the Arab Gulf Fund for the United Nations, the Abu Dhabi-based Arab Monetary Fund, the Islamic Development Bank and the OPEC Fund for International Development. In addition, the U.A.E. is a member of various other international organisations, including, among others, the Asia-Pacific Economic Co-operation, the GCC, the International Organisation for Industrial Development, the League of Arab States, OPEC, the Organisation of Arab Petroleum Exporting Countries, the Organisation of Islamic Countries, the United Nations, the World Health Organisation and the World Trade Organisation. In December 2009, the U.A.E. entered into a bilateral agreement with the United States for peaceful nuclear co-operation which establishes the legal framework for commerce in civilian nuclear energy between the two countries.

The U.A.E. enjoys good relations with the other states in the GCC. However, the U.A.E. has an ongoing dispute with the Islamic Republic of Iran and continuing discussions with the Kingdom of Saudi Arabia over border issues. Since 1971, the three Gulf islands of Abu Musa and Greater and Lesser Tunb have been occupied by the Islamic Republic of Iran. The U.A.E. believes that the islands should be returned to the Emirate of Sharjah and the Emirate of Ras al Khaimah (with the Emirate of Sharjah claiming sovereignty over Abu Musa and the Emirate of Ras al Khaimah claiming sovereignty over Greater and Lesser Tunb) and is seeking to resolve the dispute through negotiation.

The U.A.E. is also seeking, through negotiation, to resolve issues related to the 1974 provisional and, as yet, unratified, agreement with the Kingdom of Saudi Arabia on the border between the two countries, which the U.A.E. believes should be substantially amended. In addition, the U.A.E. is involved in discussions with the governments of the Kingdom of Saudi Arabia and the State of Qatar relating to a maritime corridor which the State of Qatar has purported to grant to the Kingdom of Saudi Arabia, from within the State of Qatar's own maritime waters, which crosses part of the route of the gas pipeline constructed by Dolphin Energy Limited. The U.A.E. believes that this grant is in breach of existing agreements between the U.A.E. and the State of Qatar and, in June 2009, the U.A.E.'s Ministry of Foreign Affairs stated this position in a letter to the UN Secretary General.

RELATIONSHIP WITH THE GOVERNMENT

Overview

The Company was established by the Government of Abu Dhabi pursuant to an Emiri Decree in 1984 with a mandate to invest globally in energy and energy-related industries. Ownership of the Company was initially divided equally between ADIA and ADNOC, each wholly-owned by the Government. Ownership was subsequently transferred directly to the Government in December 1986 pursuant to an Emiri Decree.

The Company is wholly-owned by the Government, which appoints all members of the Company's board of directors pursuant to Emiri Decree. Any change to the Government's 100 per cent. ownership in the Company, and any change to the board of directors, requires an Emiri Decree. The Company enjoys a strong relationship with the Government and other Government controlled entities.

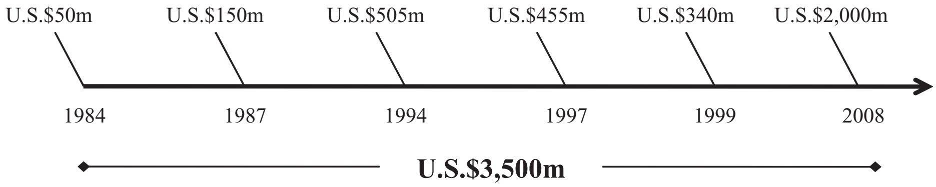
The Chairman of the Company's board of directors, H.H. Sheikh Mansour bin Zayed Al Nahyan, is a member of the ruling family of Abu Dhabi, the Deputy Prime Minister of the U.A.E. and the U.A.E. Minister of Presidential Affairs. Other members of the Company's board of directors include senior officials of the Government and the government of the U.A.E. and board members of other significant Government controlled companies and institutions, as illustrated below.

Board Member	Abu Dhabi Government	Abu Dhabi Government Councils	U.A.E. Government / Entities	Abu Dhabi Government Related Entities
H.H. Sheikh Mansour bin Zayed Al Nahyan		Member of the Supreme Petroleum Council	U.A.E. Minister of Presidential Affairs U.A.E. Deputy Prime Minister Chairman of EIA	Board Member of ADIA Board Member of the Council
H.E. Mohamed bin Dhaen Al Hamli			U.A.E. Minister of Energy	
H.E. Yousef Omair bin Yousef		Former Member and Secretary General of the Supreme Petroleum Council		Former CEO of ADNOC
H.E. Khalifa Mohamed Al Kindi		Member of the Supreme Petroleum Council	Chairman of the U.A.E. Central Bank	Board Member and Managing Director of the Council
H.E. Hamad Al Hurr Al Suwaidi	Chairman of the Department of Finance	Member of the Supreme Petroleum Council Member of the Executive Council		Board Member of ADIA Board Member of Mubadala Chairman of TAQA
H.E. Nasser Ahmed Khalifa Alsowaidi	Chairman of the Department of Economic Development	Member of the Executive Council		Board Member of Mubadala
H.E. Eissa Mohammed Ghanem Al Suwaidi			Board Member of EIA	
H.E. Khadem Abdulla Al Qubaisi			Board Member of EIA	

The Company's board of directors is specifically charged with approving all investments and projects undertaken by the Company, regardless of size. The board of directors is also updated regularly on the status of its investments and projects.

Funding, support and oversight from the Government

Since its establishment, the Government has made six equity contributions totalling U.S.$3.5 billion to the Company, of which U.S.$2.0 billion was received in 2008.



In addition to these amounts, in each of June 2010 and in the fourth quarter of 2011, the Government provided the Company with a U.S.$500 million perpetual shareholder loan to meet its obligations in respect of QADIC, which is a joint venture between the Government and the government of the State of Qatar. The aggregate amount of U.S.$1.0 billion is, by the nature of its terms, accounted for within equity in the Company's statement of financial position as at 30 June 2012. Please see *"—IPIC's role in Abu Dhabi's Economic Strategy—State-to-State Relationship*s".

Additionally, the Government granted the Company a plot of land of 22,060 square metres on the main island of the city of Abu Dhabi. The Company is currently constructing its new headquarters on this plot of land which it expects to occupy by the end of 2012. It is intended that all of the Group's regional offices will join the Company in its new headquarters as tenants.

There is no specific budget to determine the amount of funding the Company receives from the Government. The Company has received funding from the Government from time to time and expects to continue to do so in the future to undertake investments or specific projects.

The Company believes the Government considers its ownership of the Company as a long-term strategic holding. The Company has not paid any dividends to the Government to date, nor is the Company aware of any plans by the Government to make such a request for the foreseeable future.

In addition, the Company's financial statements are periodically audited by the Abu Dhabi Accountability Authority. The Abu Dhabi Accountability Authority has the ability to audit any company in which the Government owns more than a 50.0 per cent. stake.

Also, the Company co-ordinates with the Abu Dhabi Department of Finance and its Debt Management Office regarding the levels of its current indebtedness. As a result, the Government is aware of and updated regularly on the levels of the Company's indebtedness.

Government Statement of Support for IPIC

While the Government does not guarantee the obligations of the Company (including any Notes issued under this Programme), the Abu Dhabi Department of Finance, as authorised by H.E. Hamad Al Hurr Al Suwaidi, Chairman of the Department of Finance (and a member of the Company's board of directors) issued a statement on 5 March 2010 stating that:

- the Company (together with Mubadala and TDIC) plays a crucial role in the Government's strategy for diversifying the economy and is irreplaceable;
- in terms of credit risk, it is impossible to differentiate between the Government and the Company; and
- the Government backs the Company fully and unconditionally.

IPIC's Role in Abu Dhabi's Economic Strategy

The Company plays a fundamental role in implementing Abu Dhabi's economic strategy and continues to make investments using the framework provided in its then current investment criteria. Please see *"Description of the Group—Investment Policies—Investment Strategy and Criteria*" and *"Overview of the U.A.E. and Abu Dhabi—Abu Dhabi's Economic Strategy*".

Developing and maintaining Abu Dhabi's market share in the global hydrocarbon sector

The Company provides Abu Dhabi with exposure to the international hydrocarbon sector outside of Abu Dhabi (through entities such as CEPSA, OMV and Cosmo Oil) and also provides Abu Dhabi with a natural hedge for adverse geopolitical and macro-economic developments.

Helping Secure and Develop End Markets

The Company plays an integral role in the Government's strategy to secure and develop end markets for Abu Dhabi's crude oil production by investing in the midstream and downstream segments of the oil and gas sector. Investments across the hydrocarbon value chain provide the Company with exposure to the refining, marketing, power and petrochemicals sectors. Examples of such investments include:

- ADCOP, a 400 kilometre pipeline project which has a delivery capacity of 1.5 million barrels per day to ensure safe and cost-effective transport of Abu Dhabi's crude oil to its end markets;
- Borouge, a joint venture in which the Company's subsidiary Borealis has a 40.0 per cent. stake, and which is Abu Dhabi's largest and most technologically advanced petrochemicals complex to date;
- CEPSA, a leading Spanish integrated oil and petrochemicals company; Cosmo Oil, a leading Japanese refining and marketing company; and OMV, a leading Austrian integrated oil and gas company with a presence throughout Central and Eastern Europe;
- ChemaWEyaat, a company formed by Emiri Decree in 2008, in which the Company has a 40.0 per cent. stake, which is mandated with the development of the world's largest single-site petrochemicals facility to establish Abu Dhabi as a global player in petrochemicals;
- the multi-billion dollar Fujairah refinery project (the "**Fujairah Refinery Project**") in the Emirate of Fujairah, which will process U.A.E. crude oil, such as Murban and Upper Zakum;
- the Emirates Liquefied Natural Gas project (the "**ELNG Project**"), a 50/50 joint venture with Mubadala Oil and Gas, a business unit of Mubadala, involving the development of a new liquefied natural gas ("**LNG**") regasification facility on the U.A.E.'s east coast in the Emirate of Fujairah; and
- the Duqm refinery and petrochemicals project (the "**Duqm Refinery Project**"), a 50/50 joint venture with Oman Oil Company S.A.O.C. ("**OOC**"), a wholly-owned company of the Sultanate of Oman, involving the development of a new oil refinery situated on the Sultanate of Oman's east coast in Duqm.

Diversification of Abu Dhabi's Economy

The Company's investments in CEPSA, OMV, Cosmo Oil and PARCO provide access to geographically diverse refining capacity and marketing and retail outlets. In addition, its investments in Borealis and Nova Chemicals provide exposure to, and the opportunity to benefit from, different elements of the petrochemicals value chain.

Furthermore, through the Company's ownership of Aabar, a diversified investment company, it has been able to provide further diversification through investments in sectors such as aerospace (through its investment in Virgin Galactic), financial services (through its investments in Al Izz Islamic Bank, Falcon Bank, RHB and UniCredit), food security (through its investments in Glencore and Banvit), construction (through its investment in Arabtec) and real estate.

The Company has also supported geographic diversification of Abu Dhabi's economy, through investments in:

- North America, such as its investment in Nova Chemicals, a plastics and chemicals company with operations in Canada and the United States;
- Europe, such as its investments in CEPSA, a leading Spanish integrated oil and petrochemicals company, and in OMV, a leading Austrian integrated oil and gas company with a presence throughout Central and Eastern Europe; and
- Asia, such as its investment in Cosmo Oil, a leading Japanese refining and marketing company.

Knowledge and Technology Transfer and Skills Development

The Company's investment activities and the integration of its portfolio companies support the development of Abu Dhabi's economy in a manner that advances the Government's objective of bringing the latest technology and expertise to Abu Dhabi. Examples of such activities include the establishment and expansion of Borouge, Abu Dhabi's largest and most technologically advanced petrochemicals plant to date; the planned development of a "petrochemicals city" by ChemaWEyaat; and Aabar's diversified investments in the aerospace, automotive, commodities and food security, financial services, construction and real estate industries.

In addition, through its investments, the Company adds to Abu Dhabi's strategy for job creation and local Emirati-skills development. An example of this is Borouge which, as of 30 June 2012, employed approximately 1,760 people in Abu Dhabi. In addition, the Borouge innovation centre (which is expected to be operational by the end of 2012) is designed to enhance education and competencies in plastics material development through, amongst other things, co-operation with end-users and universities.

Execution of Strategic Projects

The Company invests in and develops infrastructure projects that are strategically important to the Government including:

- the ADCOP pipeline which connects Abu Dhabi's key onshore oil fields to an export terminal located in the Emirate of Fujairah on the Indian Ocean (outside the Arabian Gulf). The pipeline is intended to help mitigate the risk of a suspension of Abu Dhabi's crude oil exports in the event of a closure of, or disruption to, the Strait of Hormuz and is expected to provide increased capacity in the export of Abu Dhabi's crude oil;
- the multi-billion dollar ChemaWEyaat project at Madeenat ChemaWEyaat Al Gharbia, which is expected to comprise a series of world-class petrochemicals complexes with access to Abu Dhabi's gas and liquid petroleum feedstocks. The first phase of this project is targeted for completion in 2017 and it is currently expected to be the world's largest single-site petrochemicals facility;
- the Borouge joint venture with ADNOC which has brought advanced technology and expertise into Abu Dhabi to strengthen and develop Abu Dhabi's industrial base and hydrocarbon and petrochemicals industries;
- the multi-billion dollar development and construction of the Fujairah Refinery Project in the Emirate of Fujairah, designed to process the U.A.E.'s crude oil, such as Murban and Upper Zakum; and
- the ELNG Project, a 50/50 joint venture with Mubadala Oil and Gas, a business unit of Mubadala, involving the development of a new LNG regasification facility on the U.A.E.'s east coast in the Emirate of Fujairah.

State-to-State Relationships

Due to the Company's position and relationship with the Government, the Company is able to benefit from unique and attractive investment opportunities, which are also instrumental in building and solidifying state-to-state relationships.

Examples of such investments include SUMED, a joint venture with Egyptian General Petroleum, Saudi Arabian Oil Company, three Kuwaiti companies and Qatar Petroleum, which operates two 320 kilometre oil pipelines running from the Gulf of Suez to the Mediterranean Sea; QADIC, a joint venture with the Qatar Investment Authority which targets global acquisitions in all sectors; the Al Falah Growth Fund, established with the Government of Kazakhstan to invest in the energy and natural resource industry in the Commonwealth of Independent States, with a focus on Kazakhstan; and PARCO, a joint venture with the Government of Pakistan, which operates a refinery and storage facility in Multan, Pakistan, a network of crude oil and related product pipelines extending for 2,000 kilometres across the country and a network of marketing and retail outlets.

Further countries with which the Company has partnered or made joint investments include the Arab Republic of Egypt, Austria, the Independent State of Papua New Guinea, the Kingdom of Saudi Arabia, Malaysia, the State of Kuwait and the Sultanate of Oman.

Focus on Returns

The Company seeks attractive returns by making investments which leverage its relationship with the Government and the synergies of its portfolio companies. In addition to opportunities identified independently by the Company, the Government also introduces investment opportunities to the Company in certain sectors, regions or countries and has occasionally facilitated such investments.

The Company believes that the Government gives it such opportunities due to its long history, track record and experience in executing and/or managing diversified investments and investments strategies. Recent examples include the Company's construction of the ADCOP pipeline, the Company's decreed shareholding in ChemaWEyaat and the investment in Aabar, a diversified investment company.

CAPITALISATION OF THE GROUP

The following table shows the Group's cash and short-term deposits, debt and consolidated capitalisation as of 30 June 2012. This table should be read in conjunction with *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* and the Financial Statements set out elsewhere in this Base Prospectus.

	As of 30 June 2012
	(U.S.$'000)
Cash and short-term deposits[(1)]	**4,709,279**
Debt:	
Short-term debt[(2)]	12,787,047
Long-term debt	24,972,193
Total debt	**37,759,240**
Equity:	
Share capital	3,500,000
Retained earnings	8,130,797
Shareholder loan	1,000,000
Other reserves[(3)]	241,954
Non-controlling interest	1,656,376
Total equity	**14,529,127**
Total capitalisation[(4)]	**52,288,367**

(1) Comprises cash and bank balances, call deposits and short-term deposits with banks that are readily convertible into cash.

(2) Includes current portion of long-term debt.

(3) Other reserves comprise cumulative changes in fair value of available-for-sale investments, foreign currency translation reserve, reserves for cash flow hedges, reserves for actuarial gains and losses, reserves for disposal groups held for sale, share of reserves of associates and other reserves.

(4) Total equity plus total debt.

There have been no significant changes in the cash and short-term deposits, debt or consolidated capitalisation of the Group since 30 June 2012.

SELECTED FINANCIAL INFORMATION OF THE GROUP

The selected financial information set forth below has been extracted from the Financial Statements set out elsewhere in this Base Prospectus and should be read in conjunction with *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* and the Financial Statements set out elsewhere in this Base Prospectus. The consolidated financial statements of the Group as of 31 December 2011 and 31 December 2010 and for the years then ended, have been prepared in accordance with IFRS issued by the IASB and have been audited by Ernst & Young as stated in their reports included elsewhere in this Base Prospectus. The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2012 have been prepared in accordance with IAS 34 and have been reviewed by Ernst & Young in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as stated in their report included elsewhere in this Base Prospectus.

The selected financial information set out in the tables below shows certain consolidated statement of financial position data of the Group as of 30 June 2012, 31 December 2011, 31 December 2010 and 31 December 2009 and certain consolidated income statement and statement of cash flows data of the Group for the six months ended 30 June 2012 and 30 June 2011 and for the years ended 31 December 2011, 31 December 2010 and 31 December 2009.

The financial statements of the Company's subsidiaries are prepared for the same financial year as the Company, using consistent accounting policies. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All significant intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Unless otherwise indicated, the statement of financial position, income statement and statements of cash flows included in this Base Prospectus relating to the Group have been extracted from the Financial Statements.

Pursuant to the settlement agreement between the Company and MAN in November 2011 and the subsequent disposal of Ferrostaal by the Company in March 2012, the 2010 financial information (as presented in the 2011 Financial Statements) of Ferrostaal for the consolidated income statement was reclassified as discontinued operations in the 2011 Financial Statements, as required by IFRS. As a result, the 2010 financial information (as presented within the 2011 Financial Statements) is not comparable to the 2010 financial information within the 2010 Financial Statements. However, the reclassification in the 2011 Financial Statements had no effect on the reported equity or profit of the Group for the year. Please see Note 44 (*"Comparative Figures"*) to the 2011 Financial Statements. For the avoidance of doubt, all 2010 financial information provided in this Base Prospectus is the reclassified financial information as presented within the 2011 Financial Statements. Please see *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Composition of the Financial Statements and Comparability of Financial Information"*.

During the year ended 31 December 2010 the Group changed the presentation of certain line items in its consolidated income statement and consolidated statement of financial position to more accurately reflect the Group's business. As a result, the 2009 financial information (as presented within the 2010 Financial Statements) was reclassified to conform to the revised presentation of the 2010 Financial Statements. Accordingly, on an individual line item basis, the 2009 financial information (as presented within the 2010 Financial Statements) is not comparable to the 2009 financial information within the audited consolidated financial statements of the Group as of and for the year ended 31 December 2009. However, such reclassification in the 2010 Financial Statements had no effect on the reported profits or the equity of the Group and was not deemed to be material to the 2010 Financial Statements. Please see Note 41 (*"Corresponding Figures"*) to the 2010 Financial Statements. For the avoidance of doubt, all 2009 financial information as provided in this Base Prospectus is the reclassified financial information as presented within the 2010 Financial Statements. Please see *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Composition of the Financial Statements and Comparability of Financial Information"*.

Statement of Financial Position Data

	As of 30 June	As of 31 December		
	2012	2011	2010	2009
	(U.S.$'000)			
Total assets	**65,433,523**	**65,263,864**	**47,878,577**	**46,271,401**
of which:				
Property, plant and equipment	17,137,257	17,282,471	9,842,760	9,271,973
Intangible assets	2,524,012	2,461,065	1,330,902	1,548,546
Investment properties	2,008,334	1,937,370	1,292,574	18,547
Investments in associates and jointly controlled entities	9,619,937	8,906,994	10,922,636	10,300,463
Investments in financial instruments	11,080,460	9,704,475	11,245,501	7,973,272
Other non-current assets	4,572,968	4,231,247	3,981,649	3,992,192
Inventories	5,324,982	5,125,543	2,052,522	2,346,665
Current trade and other receivables	6,908,719	6,435,999	2,847,167	2,219,727
Cash and short-term deposits	4,709,279	4,992,819	3,150,931	2,533,118
Assets included in disposal groups held for sale	21,022	2,770,103	59,179	4,838,944
Total liabilities	**50,904,396**	**51,040,706**	**31,872,699**	**30,953,020**
of which, borrowings	37,759,240	35,779,811	21,041,241	17,434,916
Total equity	**14,529,127**	**14,223,158**	**16,005,878**	**15,318,381**

Income Statement Data

	Six months ended 30 June		Year ended 31 December		
	2012	2011	2011	2010	2009
			(U.S.$'000)		
CONTINUING OPERATIONS					
Revenues	26,341,245	8,019,155	34,318,409	12,989,531	9,917,370
Cost of sales	(23,441,657)	(6,298,044)	(30,183,416)	(10,516,667)	(8,392,547)
Gross profit	**2,899,588**	**1,721,111**	**4,134,993**	**2,472,864**	**1,524,823**
Share of post tax profits of associates and jointly controlled entities	538,305	678,537	1,045,514	658,599	140,965
Selling and distribution costs	(1,115,153)	(399,204)	(1,591,167)	(753,492)	(810,508)
General and administrative expenses	(474,793)	(339,253)	(842,130)	(707,012)	(613,260)
Research and development expenses	(147,947)	(78,025)	(238,319)	(149,737)	(128,276)
Net gain/(loss) on foreign exchange	326,662	(272,547)	838,983	340,968	(108,971)
Finance income	517,381	403,578	765,109	221,154	613,984
Finance costs	(891,613)	(711,250)	(1,452,249)	(807,542)	(715,610)
Other income	37,852	6,742	76,745	49,313	185,007
Other expense	(40,850)	(11,430)	(344,395)	(612,640)	(32,272)
Gains on acquisitions and disposals	178,608	—	50,139	132,514	3,119,182
Other (losses) gains on financial instruments	(792,040)	414,226	(1,490,426)	(317,765)	727,503
Profit before tax from continuing operations	**1,036,000**	**1,412,485**	**952,797**	**527,224**	**3,902,567**
Tax (expense)/credit	(361,903)	(234,553)	(412,232)	(408,799)	(37,893)
Profit for the period from continuing operations	**674,097**	**1,177,932**	**540,565**	**118,425**	**3,864,674**
DISCONTINUED OPERATIONS					
Profit/(loss) for the period from discontinued operations	**143,936**	**(16,352)**	**(495,873)**	**1,229,748**	**284,592**
Profit for the period	**818,033**	**1,161,580**	**44,692**	**1,348,173**	**4,149,266**

Statement of Cash Flows Data

	Six months ended 30 June		Year ended 31 December		
	2012	2011	2011	2010	2009
			(U.S.$'000)		
Net cash from (used in) operating activities	1,172,585	390,025	1,600,539	517,089	475,780
Net cash used in investing activities	(2,462,142)	(8,459,462)	(10,292,202)	(3,617,656)	(4,653,601)
Net cash from financing activities	1,259,093	9,172,849	11,019,886	3,463,938	5,040,204

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the information set out in "Presentation of Financial and Other Information", "Capitalisation of the Group", "Selected Financial Information of the Group" and the Financial Statements.

The following discussion of the Group's financial condition and results of operations is based upon the Financial Statements, which have been prepared in accordance with IFRS. This discussion contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Base Prospectus, particularly under the headings "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors".

Overview

The Company was established by the Government pursuant to an Emiri Decree in 1984 with a mandate to invest globally in energy and energy-related industries. The Company is an investment holding company with strategic projects and currently has no significant revenue generating assets at the Company level. All of its consolidated revenues for the years ended 31 December 2011, 2010 and 2009 and for the six months ended 30 June 2012 and 2011 were earned by its subsidiaries. Income at the Company level is mostly comprised of interest income and dividends from investments. As of 30 June 2012, the Company had four significant operating subsidiaries: CEPSA, Borealis, Aabar and Nova Chemicals.

The Company prepares audited consolidated financial statements on an annual basis and unaudited interim condensed consolidated financial statements semi-annually. The Company makes these statements available on its website.

Composition of the Financial Statements and Comparability of Financial Information

The Financial Statements present the results of operations and financial position of the Company and its subsidiaries.

During the year ended 31 December 2011, the Group classified Ferrostaal as a disposal group held for sale. In accordance with IFRS 5, the 2010 financial information (as presented within the 2011 Financial Statements) of Ferrostaal for the consolidated income statement have been reclassified as discontinued operations. Accordingly, the comparative figures for the related disclosure notes in the 2011 Financial Statements have also been reclassified. Certain figures will therefore not agree with the 2010 Financial Statements. The reclassification did not have any impact on the equity or the profit for the year. Please see Note 44 ("*Comparative Figures*") to the 2011 Financial Statements. For the avoidance of doubt, all 2010 financial information provided in this Base Prospectus is the audited reclassified financial information as presented within the 2011 Financial Statements.

During the year ended 31 December 2010, the Group changed the presentation of certain line items in its consolidated income statement and consolidated statement of financial position to more accurately reflect the Group's business. As a result, the 2009 financial information (as presented within the 2010 Financial Statements) was reclassified to conform to the revised presentation of the 2010 Financial Statements. Accordingly, on an individual line item basis, the 2009 financial information (as presented within the 2010 Financial Statements) is not comparable to the 2009 financial information within the audited consolidated financial statements of the Group as of and for the year ended 31 December 2009. However, such reclassification in the 2010 Financial Statements had no effect on the reported profits or the equity of the Group and was not deemed to be material to the 2010 Financial Statements. Please see Note 41 ("*Corresponding Figures*") to the 2010 Financial Statements. For the avoidance of doubt, all 2009 financial information provided in this Base Prospectus is the audited reclassified financial information as presented within the 2010 Financial Statements.

In addition, the Group has a number of other significant derivative and non-derivative investments on its statement of financial position, and changes in the fair value of these investments are recognised during each accounting period in the consolidated income statement, except for changes in available-for-sale investments and the effective portion of cash flow hedges, which are recognised in the consolidated statement of comprehensive income.

The following table shows the accounting treatment of each of the Company's significant operating subsidiaries and certain of its associates and other investments in its consolidated financial statements for each of the six months ended 30 June 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009.

	Six months ended 30 June		Year ended 31 December		
	2012	2011	2011	2010	2009
Consolidated Subsidiaries					
Aabar	Full Consolidation	Full Consolidation	Full Consolidation	Full Consolidation	From 23 March: Full Consolidation
Borealis	Full Consolidation	Full Consolidation	Full Consolidation	Full Consolidation	Full Consolidation
CEPSA[(1)]	Full Consolidation	Equity Method	Through 4 July: Equity method / From 5 July: Full Consolidation	Equity Method	Through 29 July: Available-for-Sale / From 30 July: Equity Method
Ferrostaal[(2)]	Through 7 March: Shown as disposal group held for sale	Shown as disposal group held for sale	Shown as disposal group held for sale	Shown as disposal group held for sale	From 25 March: Full Consolidation
Hyundai Oilbank	—	—	—	Through 12 August: Shown as disposal group held for sale	Shown as disposal group held for sale
Nova Chemicals	Full Consolidation	Full Consolidation	Full Consolidation	Full Consolidation	From 6 July: Full Consolidation
Other Investments					
Cosmo Oil	Available-for-Sale	Available-for-Sale	Available-for-Sale	Available-for-Sale	Available-for-Sale
EDP	Available-for-Sale	Available-for-Sale	Available-for-Sale	Available-for-Sale	Available-for-Sale
GEM	Equity Method	Equity Method	Equity Method	Equity Method	Equity Method
OMV	Equity Method	Equity Method	Equity Method	Equity Method	Through 30 December: Available-for- Sale / From 31 December: Equity Method
PARCO	Equity Method	Equity Method	Equity Method	Equity Method	Equity Method
SUMED	Available-for-Sale	Available-for-Sale	Available-for-Sale	Available-for-Sale	Available-for-Sale
Joint Ventures[(3)]					
Duqm Refinery Project	From 1 January 2012: Equity Method	—	—	—	—
ELNG Project	From 20 May 2012: Equity Method	—	—	—	—
Convertible Instruments					
IPBC Bond	Amortised Cost	Amortised Cost	Amortised Cost	Amortised Cost	From 5 March: Amortised Cost

(1) The Company finalised its acquisition of the entire share capital of CEPSA not already owned by the Company in July and August 2011, which resulted in CEPSA being accounted for on a consolidated basis from 5 July 2011.

(2) During the year ended 31 December 2011, the Group classified Ferrostaal as a disposal group held for sale. The 2010 financial information of Ferrostaal has been reclassified as discontinued operations in the 2011 Financial Statements (though such reclassification was not made in the 2010 Financial Statements).

(3) Each of these is accounted for using the equity method from their date of incorporation.

Recent Developments

- As a result of unwinding its collar and derivative positions and entering into new collar and derivative positions, Aabar no longer retains any voting rights in Daimler's shares or economic rights in Daimler's shares as at the date of this Base Prospectus.
- On 6 November 2012, Aabar entered into a U.S.$300 million bridge loan facility with an interest rate at a margin over LIBOR, all of which was outstanding as at the date of this Base Prospectus.
- In respect of the second of two financings by the Company, completed in October 2012, in the energy and power sector amounting to U.S.$1.75 billion in total, please see "*– Borrowings – Unlisted Borrowings*".

- In November 2012, Borealis reached an agreement with Royal DSM B.V. to purchase DEXPlastomers V.o.F, a joint venture of Royal DSM B.V. and Exxon Chemical Holland Ventures B.V., which produces C8 plastomers and linear low density polyethylene. Subject to regulatory approvals and notifications, the transaction is expected to close in the first quarter of 2013.

- On 14 November 2012, Aabar entered into a share purchase agreement with Daimler U.K. Limited, a subsidiary of Daimler, pursuant to which Daimler U.K. Limited has agreed to acquire all of Aabar's 40.0 per cent. stake in Mercedes-Benz Grand Prix. The sale is conditional on certain regulatory clearances.

For a description of key acquisitions, disposals and borrowings made by the Company since 30 June 2012, please also see Note 25 ("*Events after the Reporting Period*") to the Unaudited Financial Statements.

Factors that Affect the Group's Results of Continuing Operations

Acquisitions and Disposals

Consistent with its mandate from the Government and as part of its strategy, the Company has engaged in significant investment activities since 2009. As a result, year-on-year comparisons of the Group's financial statements may be difficult and may not be representative of the Group's underlying financial performance. Key acquisitions and disposals made by the Company since 1 January 2009 are described below. Each of these transactions has been reflected in the Financial Statements from its date of completion. For discontinued operations, comparative information is reclassified for the immediately preceding period.

Year Ended 31 December 2009

- In February and March 2009, the Company acquired mandatory exchangeable bonds issued by Aabar for AED 6.7 billion (U.S.$1.8 billion) that it immediately converted, resulting in the Company acquiring an aggregate 71.2 per cent. stake in Aabar, which has been reflected in the Group's results of operations from 23 March 2009.
- In March 2009, the Company acquired a 70.0 per cent. stake in Ferrostaal for consideration of €513 million (U.S.$698 million). As part of the acquisition, the Company and the previous shareholders of Ferrostaal also entered into a put and call arrangement in respect of the outstanding 30.0 per cent. minority interest.
- In March 2009, the Company acquired mandatory exchangeable bonds for A$1.7 billion (U.S.$1.1 billion), which, upon exchange, on or before 2014, will result in the Company acquiring shares in Oil Search, subject to certain circumstances under which the Independent Public Business Corporation may elect to repay the IPBC Bond in cash. The exchangeable bonds are treated as embedded derivatives in the consolidated financial statements.
- In March 2009, Aabar under an investments agreement acquired a 9.1 per cent. stake in Daimler, a producer of premium motor vehicles, vans, buses and trucks, at an aggregate purchase price of €1.9 billion (U.S.$2.7 billion).
- In April 2009, Aabar acquired 100 per cent. of the net assets and the related business of Falcon Bank (renamed from AIG Private Bank) for an aggregate purchase price of U.S.$310 million. Falcon Bank is registered in Switzerland and primarily provides investments advisory and asset management services.
- In July 2009, the Company increased its stake in CEPSA to 47.1 per cent. for €3.3 billion (U.S.$4.7 billion).
- In July 2009, the Company completed the acquisition of 100 per cent. of Nova Chemicals for a total consideration of U.S.$503 million. The Company also provided a U.S.$250 million backstop facility, out of which Nova Chemicals utilised U.S.$150 million that was later converted into equity. The Company also provided a shareholder loan of U.S.$200 million which was subsequently converted into equity.
- In October 2009, Aabar invested in American depositary shares of Banco Santander Brasil for an aggregate consideration of U.S.$329 million.
- In December 2009, the Company increased its stake in OMV to 20.0 per cent. through the purchase of OMV shares for €37 million (U.S.$53 million), which has been reflected in the Group's results of operations from 31 December 2009.
- In December 2009, Aabar acquired a 30.04 per cent. stake in Brawn GP Limited (now Mercedes-Benz Grand Prix) for an aggregate consideration of U.S.$68 million.
- During 2009, the Company disposed of its investments in the Barclays financial instruments for total net proceeds of approximately £4.7 billion (U.S.$7.1 billion) and realised a net gain of U.S.$2.2 billion.

Year Ended 31 December 2010

- In January 2010, the Company sold its 20.0 per cent. stake in OPP for U.S.$20 million.
- In June 2010, a shareholder loan provided to Aabar by the Company in 2009 was converted into non-interest bearing convertible bonds of Aabar, which, effective 13 June 2010, were converted into 600 million shares of Aabar at AED 2.50 per share, increasing the Company's shareholding in Aabar from 71.2 per cent. to 75.5 per cent.
- In June 2010, Aabar acquired a minority stake of 4.99 per cent. in UniCredit, an Italian bank, for an aggregate consideration of €1.8 billion (U.S.$2.6 billion).
- In August 2010, the Group sold its entire interest in Hyundai Oilbank for net proceeds of approximately KRW 2,314 billion (U.S.$1,950 million) to Hyundai Heavy Industries pursuant to an arbitration award issued in November 2009, according to which the Group was directed to sell its entire interest in Hyundai Oilbank.
- In August 2010, the Company purchased 430,941,605 shares of Aabar at AED 1.95 per share from Aabar's non-controlling shareholders, increasing the Company's interest in Aabar from 75.5 per cent. to 86.2 per cent. as part of the Company's plan to acquire full control of Aabar.
- In October 2010, Aabar completed its acquisition of a 31.8 per cent. stake in Virgin Galactic for a consideration of U.S.$280 million.
- In November 2010, Aabar completed the sale of its entire 0.8 per cent. stake in Banco Santander Brasil for an aggregate purchase price of U.S.$363 million.
- In November 2010, Aabar completed the sale of its entire 3.3 per cent. stake in Atlantia for an aggregate purchase price of €321 million (U.S.$455 million).

Year Ended 31 December 2011

- In January 2011, Aabar completed the acquisition of a 28.0 per cent. stake in Xojet Inc. for a consideration of U.S.$75 million.
- In March 2011, Aabar completed the acquisition of an additional 9.96 per cent. stake in Mercedes-Benz Grand Prix for a consideration of £13.3 million (U.S.$22 million), increasing its stake to 40.0 per cent.
- In April 2011, a shareholder loan provided by the Company to Aabar in 2010 was converted into non-interest bearing convertible bonds of Aabar, which were then converted into 887 million shares of Aabar at AED 1.45 per share, increasing the Company's shareholding in Aabar from 86.2 per cent. to 93.1 per cent.
- In May 2011, Aabar completed the acquisition of shares in Glencore amounting to U.S.$850 million, which were purchased as part of Glencore's initial public offering. The acquisition of the shares has resulted in Aabar holding a 1.4 per cent. equity stake in Glencore.
- In June 2011, the Company participated in the rights issue by OMV, resulting in the Company retaining its 20.0 per cent. equity stake in OMV.
- In June 2011, the Company purchased shares of OMV on the open market, which increased its stake to 24.9 per cent.
- In July 2011, CEPSA bought 100 per cent. of the shares of Petrocrudo S.A.S. for a consideration of €208.7 million (U.S.$270 million). The only asset of this company was a stake of 5 per cent. in a Colombian company, Oleoducto Central S.A., which owns a pipeline.
- In July 2011, Aabar invested a further U.S.$110 million in Virgin Galactic. As a result Aabar's stake in Virgin Galactic increased from 31.8 per cent. to 37.8 per cent.
- In July and August 2011, the Company finalised its acquisition of the remaining issued share capital of CEPSA for €4.0 billion (U.S.$5.7 billion).
- In August 2011, Aabar finalised its acquisition of a 16.32 per cent. stake in Banvit for consideration of TL78.3 million (U.S.$46 million).
- In September 2011, Aabar finalised its acquisition of a 24.9 per cent. stake in RHB for a consideration of MYR 5.9 billion (U.S.$1.9 billion).
- In November 2011, Aabar formed Aabar SRC Strategic Resources Limited, a joint venture with SRC International (Malaysia) Limited, with each entity holding a 50.0 per cent. stake. Aabar has invested an initial capital of U.S.$60 million into this joint venture.
- On 28 November 2011 the Company, IPIC Ferrostaal Holdings GmbH & Co KG (a German limited liability partnership indirectly owned and controlled by the Company) ("**IPIC KG**"), MAN SE and MAN Ferrostaal Betieligungs GmbH (together with MAN SE, "**MAN**") signed a settlement agreement whereby the parties agreed that IPIC KG would retransfer to MAN, and MAN would repurchase from IPIC KG, all of IPIC KG's shares in Ferrostaal, comprising 70 per cent. of Ferrostaal's total issued share capital. In consideration for the retransfer, MAN agreed to pay €350 million to IPIC KG.

- During the second half of 2011, Aabar purchased shares of Arabtec on the open market for a consideration of AED 46 million (U.S.$13 million), which resulted in Aabar's holding of 1.98 per cent. in Arabtec as of 31 December 2011.
- During 2011, the Company purchased additional shares of Aabar from Aabar's non-controlling shareholders, which increased its stake from 93.1 per cent. to 95.35 per cent.

Six months ended 30 June 2012

- In January 2012, Borealis purchased 100 per cent. of PEC-Rhin SA, Ottmarsheim for €108 million (U.S.$142 million).
- In February 2012, Aabar purchased additional shares of UniCredit by subscribing in a rights issue and purchasing shares on the open market for €1.0 billion (U.S.$1.3 billion), which increased its stake to 6.75 per cent.
- In March 2012, CEPSA purchased 100 per cent. of CEPSA Carburantes y Lubricantes for €167 million (U.S.$222 million).
- In March 2012, Aabar purchased additional shares of Xojet Inc. for U.S.$17 million, increasing its stake to 42 per cent.
- In June 2012, Aabar completed the sale of its entire 3.1 per cent. stake in Tesla Motors, Inc. for aggregate sale proceeds of U.S.$104 million.
- During the first half of 2012, Aabar purchased additional shares of Arabtec on the open market for a consideration of AED 827.6 million (of which, AED 781 million (U.S.$213 million) had been paid as at 30 June 2012), which increased its stake to 21.57 per cent. as at 30 June 2012.
- During 2012, the Company purchased additional shares of Aabar from Aabar's non-controlling shareholders, which increased its stake from 95.35 per cent. to 95.52 per cent. as at 30 June 2012. As at the date of this Base Prospectus, the Company has a 95.57 per cent. stake in Aabar.

Post six months ended 30 June 2012

For a description of key acquisitions and disposals made by the Company since 30 June 2012, please see Note 25 (*"Events after the Reporting Period*") to the Unaudited Financial Statements.

Portfolio Companies

The Company's results and operations are dependent on the results and contributions of its principal portfolio companies. The following table sets forth summary information regarding the Company's principal portfolio companies as of 30 June 2012.

Investment	Reporting Segment	Date of Initial Investment	Percentage Ownership	Accounting Treatment
Consolidated Subsidiaries				
Aabar	Diversified investments	2009	95.52	Consolidated
Borealis[(1)]	Plastic Solutions—Europe	1998	64.0	Consolidated
CEPSA[(2)]	Integrated oil and gas businesses	1988	100.0	Consolidated
Ferrostaal[(3)]	Corporate and others	2009	—	Consolidated
Nova Chemicals	Plastic Solutions—North America	2009	100.0	Consolidated
Other Investments				
ChemaWEyaat	Others	2010	40.0	Equity Method
Cosmo Oil	Others	2007	20.8	Available-for-Sale
EDP	Others	2008	4.1	Available-for-Sale
Al Falah Growth Fund	Others	2008	50.0	Equity Method
GEM	Others	2004	30.0	Equity Method
OMV	Others	1994	24.9	Equity Method
PARCO[(4)]	Others	1995	30.0	Equity Method
SUMED	Others	1995	15.0	Available-for-Sale
QADIC	Others	2008	50.0	Equity Method
Joint Ventures				
Duqm Refinery Project	Others	2012	50.0	Equity Method
ELNG Project	Others	2012	50.0	Equity Method
Convertible Instruments				
IPBC Bond	Others	2009	—	Amortised Cost

(1) OMV holds the remaining 36.0 per cent. of Borealis.

(2) The Company finalised its acquisition of the entire share capital of CEPSA in July and August 2011, and accordingly CEPSA has been consolidated from 5 July 2011.

(3) During the year ended 31 December 2011, the Group classified Ferrostaal as a disposal group held for sale.

(4) The Company's investment in PARCO is indirectly held through Abu Dhabi Petroleum Investment Company L.L.C. ("**ADPIC**"), a special purpose vehicle. ADPIC holds a 40.0 per cent. stake in PARCO and the Company has a 75.0 per cent. stake in ADPIC with the remaining 25.0 per cent. held by OMV.

In addition to the investments listed in the table above, the Company is involved in a number of projects, including ADCOP and the Fujairah Refinery Project. Please see *"Description of the Group—Projects Under Implementation*".

The Group has six reporting segments:

- *Plastic solutions—Europe.* The plastic solutions—Europe segment, through Borealis, provides plastic solutions based on polyolefin and chemical solutions, including phenol, acetone, melamine and agrochemicals. This segment also includes associates and jointly controlled entities of Borealis such as Borouge.
- *Plastic solutions—North America.* The plastic solutions—North America segment, through Nova Chemicals, provides plastic solutions based on ethylene and polyethylene and performance styrenic polymers. This segment produces plastics and chemicals and develops value-added products and technology for customers worldwide that produce consumer, industrial and packaging products.
- *Industrial engineering services.* The industrial engineering services segment, through Ferrostaal, developed and managed large-scale plant projects and provided industrial solutions worldwide during the periods prior to March 2012. For periods subsequent to March 2012, the Group will not report industrial engineering services as a separate segment unless it acquires or develops business in this segment.
- *Integrated oil and gas businesses.* The integrated oil and gas businesses segment, through CEPSA, engages in oil and gas exploration and production from July 2011. This segment also engages in oil supply, refining and distributions, cogeneration of electricity and in the distribution and retailing of electricity and natural gas.
- *Diversified investments.* The diversified investments segment, through Aabar, provides investment advisory and asset management services, through Aabar's wholly-owned subsidiary, Falcon Bank, and also includes Aabar's other diversified investments.
- *Others.* The others segment relates primarily to the Company as the parent holding company of the Group and its financing activities and investments in the Group's operating companies. This segment also includes the Company's investments in CEPSA (up to July 2011), ChemaWeyaat, Cosmo Oil, EDP, GEM, OMV, PARCO, SUMED, ELNG Project, Duqm Refinery Project and the IPBC Bond, as well as ADCOP and the Fujairah Refinery Project.

Foreign Currency Translation

The Financial Statements are presented in U.S. dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are presented in that functional currency.

Transactions and Balances

Transactions in foreign currencies are initially recorded by Group entities using their respective functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange prevailing at the statement of financial position date.

All differences are recorded in the consolidated income statement with the exception of all monetary items that provide an effective hedge of a net investment in a foreign operation and translation of long-term receivables that are considered part of investments in subsidiaries or associated companies. These are recognised in the consolidated statement of other comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated income statement. Tax charges and credits attributable to exchange differences on those borrowings are accounted for in equity.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group Companies

The assets and liabilities of foreign operations are translated into U.S. dollars at the rate of exchange prevailing at the statement of financial position date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in the consolidated statement of other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity related to that particular foreign operation is recognised in the consolidated income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Factors Affecting Operations

Plastic Solutions

Revenue from plastic solutions consists of revenue from sales by Borealis and Nova Chemicals of olefins and polyolefins, including ethylene, polyethylene, melamine and a variety of chemical and energy products and from sales of styrenic-based products, primarily expandable polystyrene and higher value styrenic polymers. Revenue from plastic solutions is a function of the volume of products sold and the sales price of each product. Sales volumes are influenced primarily by economic growth, a key driver of demand. Sales volumes may also be influenced by short-term changes in customer buying patterns, which are primarily driven by expectations of price volatility. Pricing for plastic solutions is based on the amount customers are willing to pay for those products compared to similar available or competing products. Prices can rapidly change as a result of feedstock costs and fluctuations in the balance between supply and demand. Demand growth is driven by economic growth. In contrast, new product supply grows in large increments through the construction of large, complex new plants, which generally require significant capital expenditure and lead-time to complete. As a result, prices in the plastic solutions industry are cyclical based on the state of the economy rather than seasonal.

Cost of sales of plastic solutions consists principally of raw materials and supplies used in production, including feedstock (ethane, other natural gas liquids such as propane and butane, crude oil and crude oil derivatives, ethylene and styrene, among others), catalyst additives and utilities; depreciation and amortisation of equipment and facilities related to the production of plastic solutions; and staff costs related to the production of plastic solutions. Feedstock costs are the largest component of cost of sales of plastic solutions. Feedstock prices are driven by the prices of crude oil and natural gas. Significant components of the cost of sales of plastic solutions, including depreciation, staff costs and equipment maintenance costs, are fixed. An increase in production efficiency through higher utilisation rates and higher yields enables the Group to increase revenues without significantly increasing fixed cost components. During periods of lower market demand, significant declines in capacity utilisation rates result in significant adverse effects to the profitability of the Group's plastic solutions businesses.

Plastic Solutions—Europe

During the first half of 2011, the polyolefins industry continued its economic recovery as a result of the improvement of the global economy. Pricing improved across all segments compared to the previous financial year. This recovery was however affected in the second half of 2011 due in part to the uncertainty related to the sovereign debt crisis.

Feedstock prices increased in 2011, largely driven by the political turmoil in the Middle East, where the situation in Libya caused disruptions to the oil supply and led to an oil price peak of U.S.$127 per barrel in April and an average price of U.S.$111 per barrel in 2011, compared to U.S.$80 per barrel in 2010. The price of naphtha, the main raw material used for production of olefins, also increased in 2011 compared to the previous year, averaging U.S.$931 per tonne in 2011 compared to U.S.$713 per tonne in 2010. The unresolved European sovereign debt crisis during the first half of 2012 led to feedstock prices peaking in the first quarter of the year but then levelling, resulting in average monthly prices of Brent crude oil and naphtha settling around 10 to 15 per cent. lower in June 2012 compared to December 2011. Ethylene and propylene contract prices also increased substantially in 2011 and in the first quarter of 2012, before levelling in the second quarter of 2012.

The European polyolefins industry recorded slightly lower sales volumes in 2011 compared to 2010, with polyethylene and polypropylene sales volumes decreasing 1 per cent. and 2 per cent., respectively. Average polyolefins market prices increased by roughly 10 per cent., which was insufficient to fully offset the higher feedstock prices and led to lower margins in the polyolefins industry. The melamine and fertiliser markets were however largely unaffected by the above factors due to high demand and a balanced supply in 2011. In phenol, over supply of by-product acetone was offset by European capacity outages and therefore industry margins in 2011 largely remained at the same level as in 2010. The European polyolefins industry recorded 6 per cent. lower sales volumes in the first six months of 2012 compared to the same period in 2011 while market prices increased strongly in the first quarter of 2012 but decreased in the second quarter. In contrast to the industry development, Borealis' total polyolefin sales volume increased during this period compared to the same period in 2011, reaching approximately 1.7 million tonnes in the first six months of 2012.

Plastic Solutions—North America

In 2011, the cost of Nova Chemicals' main source of feedstock for ethylene production, natural gas, decreased due to the emergence of cost-effective shale based natural gas as a result of which, the prices of natural gas liquids, primarily ethane, extracted from the natural gas were lower than in 2010. Simultaneous increase in global crude oil prices resulted in high crude oil to natural gas ratios.

The market price for ethylene, which is generally based on the highest cost producer, and for co-products such as propylene and butadiene increased in 2011 as compared to 2010 in circumstances where demand continued to increase while supply remained relatively constant. This resulted in increased profitability for Nova Chemicals' olefins business during 2011. Further, in 2011, Nova Chemicals was able to react to higher co-product prices for propylene and butadiene and increase the consumption of feedstocks that would produce more of the co-products. Ethylene prices remained fairly stable during the first quarter of 2012 but began to fall along with crude oil prices owing to an increase in supply, leading to a reset of the ethylene price. The ethylene net transaction price fell more than 16 cents per pound in May and June 2012 before recovering 3 cents per pound in July 2012.

Average polyethylene pricing followed a similar reset, falling 14 cents per pound in May and June 2012, followed by a recovery in July 2012 (although underlying polyethylene demand remained consistent throughout this time). The decrease in ethylene and polyethylene pricing in 2012 negatively impacted Nova Chemicals' olefins and polyethylene segments' operating income, as costs remained relatively stable. In 2012, Nova Chemicals offset reduced margins with increased product sales that were possible due to reduced maintenance turnaround activities in the first half of 2012.

Integrated Oil and Gas Businesses

Revenue from the integrated oil and gas businesses consists primarily of revenue from CEPSA. Revenue from this segment is particularly sensitive to volatility in oil and gas prices. For instance, as at 31 December 2011, an increase in the price of a barrel of crude oil by U.S.$10 would have resulted in an increase in CEPSA's net income excluding non-recurring items by €39 million, while an increase in the refining margin per barrel by 10 cents would have resulted in an increase in CEPSA's net income excluding non-recurring items by €9 million.

In 2012, while worldwide oil demand weakened, OPEC's output climbed to its highest level since the third quarter of 2008. In the first half of 2012, the median price of Brent crude was U.S.$113.3 per barrel, having increased by 1.8 per cent. since 2011. However, the median price of Brent crude in June 2012 was U.S.$94.8 per barrel which was 13.9 per cent. lower than the previous month, the sharpest drop since the summer of 2008.

CEPSA maintains and operates a comprehensive hedging system that insures it against the impact of price volatility and crude and product inventory variations as compared to a previously defined level of inventory which is reviewed on a yearly basis covering the minimum strategic stock and operating requirements. These variations are hedged on the International Petroleum Exchange's Brent Crude futures market, with forward sales offsetting surplus volumes of targeted inventories, and forward purchases offsetting volumes that stand below the targeted inventories.

Further, CEPSA reports its financial results in euros. The U.S. dollar averaged U.S.$1.253 against the euro in June 2012, reaching its highest levels since June 2010 and representing an increase of 2.1 per cent. compared to the average exchange rate of U.S.$1.279/€ in May 2012. The six month average during the first half of 2012 was U.S.$1.296/€, an appreciation of 7.6 per cent. of the U.S. dollar against the euro compared to the average of U.S.$1.403/€ in 2011.

Other Key Income Statement Items

Share of post-tax profit of associates and jointly controlled entities. Share of post-tax profit of associates and jointly controlled entities comprises the Group's proportionate share of the profit of its associates and jointly controlled entities. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture, while a jointly controlled entity is one where there is a contractual arrangement between the Group and the other parties for joint control over the economic activity of the entity. Please see Note 7 (*"Investments in Associates and Jointly Controlled Entities*") to the 2011 Financial Statements for a list of significant associates and jointly controlled entities as of 31 December 2011.

Finance income. Finance income includes dividend income from investments other than subsidiaries and associates and interest income from bank deposits and the IPBC Bond.

Finance costs. Finance costs include interest expense relating to interest-bearing loans, borrowings and debentures and amortisation of arrangement fees on borrowings.

Gains on acquisitions and disposals. Gains on acquisitions and disposals includes gain on disposal of available-for-sale financial instruments, gain on disposal of financial instruments at fair value through profit or loss and excess of fair value over cost of business combinations.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not otherwise classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity instruments. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the consolidated income statement, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the consolidated income statement.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by International Accounting Standard No. 39 *Financial Instruments: Recognition and Measurement (Revised)*. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the consolidated statement of financial position at fair value with gains or losses recognised in the consolidated income statement.

Other gains (losses) on financial instruments. Other gains (losses) on financial instruments includes fair value gain on non-derivative financial instruments at fair value through profit or loss, fair value loss on non-derivative financial instruments at fair value through profit or loss, fair value gain on derivative financial instruments and fair value loss on derivative financial instruments.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value on each statement of financial position date. The fair value of a derivative financial instrument is determined by reference to market values for similar instruments or, in the absence of reference market prices, using valuation techniques. Any gains or losses arising from changes in fair value on derivatives are recognised in the consolidated income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

The Group has significant exposure to derivative financial instruments, primarily due to the use of funded collar arrangements and put options in the financing of certain investments including, in particular, the purchase of its 9.1 per cent. stake in Daimler (reduced to 3.1 per cent. as at the date of this Base Prospectus) and its 4.99 per cent. stake in UniCredit (as at the date of this Base Prospectus, Aabar has exposure to a 6.75 per cent. stake in UniCredit). Funded collar arrangements enable the Group to raise the financing required for an acquisition while mitigating the risks associated with the investment's volatility. They consist of the acquisition of several puts and the sale of several calls on the investment, each in small tranches with different strike prices and different maturity dates. The puts mitigate the downside risk for the Group by providing a minimum price at which the Group can sell its investment. Sale of the calls funds the Group's acquisition of the puts. The strike prices of the calls limit the potential gain for the Group by providing a maximum price beyond which the Group will forego any gain. The derivative financial instruments associated with the funded collar arrangement will be "in the money" if the share price is below the put strike price and will be recognised as an asset in the statement of financial position. The derivative financial instruments will have no value if the share price is within the range of the puts and the calls. The derivative financial instruments will be "out of the money" if the share price is above the call strike price and will be recognised as a liability in the statement of financial position.

During the six months ended 30 June 2012, the Group's fair value loss on non-derivative financial instruments at fair value through profit or loss was U.S.$606 million, primarily relating to the decrease in the fair value of its investment in UniCredit, and the Group's fair value gain on derivative financial instruments was U.S.$206 million, primarily relating to its investment call and put options on UniCredit. During the year ended 31 December 2011, the Group's fair value loss on non-derivative financial instruments at fair value through profit or loss was U.S.$3,441 million, primarily relating to the decrease in the value of its investment in Daimler and UniCredit; the Group's fair value gain on derivative financial instruments was U.S.$1,951 million, primarily relating to its investment in call and put options on Daimler and UniCredit. Please see Note 9 (*"Other (losses) gains on financial instruments*") to the Unaudited Financial Statements and Note 11 (*"Other losses on financial instruments*") to the 2011 Financial Statements for further detail.

Segmental Analysis

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments: plastic solutions—Europe, plastic solutions—North America; industrial engineering services; integrated oil and gas businesses; diversified investments; and others.

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

The following table sets forth revenue, profit for the period and certain asset and liability information for the Group's business segments for the six months ended and as of 30 June 2012 and 2011 and for the years ended and as of 31 December 2011, 2010 and 2009.

	Plastic solutions Europe(2)	Plastic solutions North America(3)	Petroleum Refinery Products(4)	Industrial engineering services(5)	Diversified investments(6)	Integrated oil and gas businesses(7)	Others(8)	Total
				(U.S.$'000)				
Six months ended 30 June 2012								
Segment revenue	4,867,196	2,761,585	—	—	48,827	18,663,637	—	26,341,245
Segment profit for the period	326,447	379,891	—	154,420	(398,538)	316,877	38,936	818,033
Six months ended 30 June 2011								
Segment revenue	5,270,680	2,690,722	—	—	57,753	—	—	8,019,155
Segment profit for the period	478,831	388,095	—	(24,456)	(236,119)	—	555,229	1,161,580
Year ended 31 December 2011								
Segment revenue	9,881,120	5,241,163	—	—	93,156	19,102,970	—	34,318,409
Segment profit for the year	705,272	615,183	—	(503,074)	(1,647,499)	90,683	784,127	44,692
Year ended 31 December 2010								
Segment revenue	8,324,538	4,590,003	—	—	74,990	—	—	12,989,531
Segment profit for the year	442,792	262,182	1,160,282	30,710	(904,385)	—	356,592	1,348,173
Year ended 31 December 2009								
Segment revenue	6,574,067	1,639,059	—	1,650,415	53,829	—	—	9,917,370
Segment profit for the year	52,481	923,040	284,592	20,758	717,433	—	2,150,962	4,149,266
As of 30 June 2012								
Segment assets(1)	8,585,088	6,048,564	—	—	19,931,802	18,684,636	12,183,433	65,433,523
Segment liabilities	4,131,889	3,312,787	—	—	15,541,011	9,007,909	18,910,800	50,904,396
As at 31 December 2011								
Segment assets(1)	7,976,466	6,207,962	—	2,747,936	17,598,294	18,526,622	12,206,584	65,263,864
Segment liabilities	3,681,392	3,828,219	—	2,276,786	13,010,986	8,720,228	19,523,095	51,040,706
As at 31 December 2010								
Segment assets(1)	7,560,957	5,576,924	—	3,083,716	15,325,339	—	16,331,641	47,878,577
Segment liabilities	3,651,601	3,604,074	—	2,113,903	12,167,323	—	10,335,798	31,872,699
As at 31 December 2009								
Segment assets(1)	6,982,745	5,353,903	4,735,206	4,183,388	10,475,524	—	14,540,635	46,271,401
Segment liabilities	3,492,205	3,560,557	3,431,482	3,188,633	6,701,961	—	10,578,182	30,953,020

(1) Consists of 'investments in associates and jointly controlled entities', 'assets included in disposal groups held for sale' and 'other segment assets' (as such terms are used in the segmental reporting tables relating to the Group's business segments as of 30 June 2012 and 31 December 2011, 2010 and 2009).

(2) Consists solely of Borealis and its consolidated subsidiaries.

(3) Consists solely of Nova Chemicals and its consolidated subsidiaries.

(4) Consists solely of Hyundai Oilbank and its consolidated subsidiaries. Hyundai Oilbank was sold in August 2010.

(5) Consists solely of Ferrostaal and its consolidated subsidiaries. The Company re-transferred its 70.0 per cent. share in Ferrostaal to MAN in March 2012.

(6) Consists solely of Aabar and its consolidated subsidiaries.

(7) Consists solely of CEPSA and its consolidated subsidiaries.

(8) Includes investments in Cosmo Oil, EDP, GEM, OMV, PARCO, SUMED and the IPBC Bond, as well as ADCOP, ChemaWEyaat and the Fujairah Refinery Project.

The total assets of the Company on an unconsolidated basis were U.S.$37,121 million, U.S.$37,924 million, U.S.$24,848 million and U.S.S.$21,766 million as of 30 June 2012, 31 December 2011, 31 December 2010 and 31 December 2009, respectively. Total equity of the Company on an unconsolidated basis was U.S.$18,210 million, U.S.$18,338 million, U.S.$14,602 million and U.S.$11,373 million as of 30 June 2012, 31 December 2011, 31 December 2010 and 31 December 2009, respectively.

The following table sets forth revenue and certain asset information for the Group's geographical segments for the years ended and as of 31 December 2011, 2010 and 2009.

	U.A.E.	Europe	North America	Rest of the world	Total
			(U.S.$'000)		
Segment revenue					
Year ended 31 December 2011	201,865	24,306,076	6,175,102	3,635,366	**34,318,409**
Year ended 31 December 2010	271,806	7,009,674	4,577,752	1,130,299	**12,989,531**
Year ended 31 December 2009	53,579	6,013,736	1,604,815	2,245,240	**9,917,370**
Segment non-current assets[(1)]					
As at 31 December 2011	5,502,486	9,935,381	3,863,499	2,379,540	**21,680,906**
As at 31 December 2010	4,119,886	4,363,901	3,901,489	80,960	**12,466,236**
As at 31 December 2009	1,852,609	4,934,522	4,051,935	—	**10,839,066**

(1) Consists of property, plant and equipment, intangible assets and investment properties.

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of the Group's customers. For the year ended 31 December 2011, 70.8 per cent. of the Group's revenue was derived from customers in Europe, 18.0 per cent. was derived from customers in North America, with the remaining 11.2 per cent. spread between the other geographical segments, compared with 54.0 per cent., 35.2 per cent. and 10.8 per cent., respectively, for the year ended 31 December 2010 and 60.6 per cent., 16.2 per cent. and 23.2 per cent., respectively, for the year ended 31 December 2009. The Group does not disclose geographical segment information in its interim financial statements, as permitted by IFRS.

Results of Continuing Operations

Comparison of Six Months Ended 30 June 2012 and 2011

Revenue. The Group's revenue was U.S.$26,341 million in the six months ended 30 June 2012, compared to U.S.$8,019 million in the six months ended 30 June 2011, an increase of U.S.$18,322 million, or 228.5 per cent. The increase in revenue is primarily attributable to the consolidation of CEPSA from July 2011.

Revenue from the plastic solutions—Europe segment was U.S.$4,867 million in the six months ended 30 June 2012, compared to U.S.$5,271 million in the six months ended 30 June 2011, a decrease of U.S.$404 million, or 7.7 per cent. The decrease is mainly related to the drop in the euro/U.S.$ exchange rate during the six months ended 30 June 2012 which averaged U.S.$1.296 compared to U.S.$1.403 for the six months ended 30 June 2011.

Revenue from the plastic solutions—North America segment was U.S.$2,762 million in the six months ended 30 June 2012, compared to U.S.$2,691 million in the six months ended 30 June 2011, an increase of U.S.$71 million, or 2.6 per cent. The increase in revenue is primarily attributable to increased sales volumes in the olefins/polyolefin business unit.

Revenue from the diversified investments segment was U.S.$49 million in the six months ended 30 June 2012, compared to U.S.$58 million in the six months ended 30 June 2011, a decrease of U.S.$9 million, or 15.5 per cent. The decrease in revenue is primarily attributable to lower fee revenue from the private banking business.

Revenue from the integrated oil and gas segment was U.S.$18,664 million in the six months ended 30 June 2012, compared to nil in the six months ended 30 June 2011, an increase of U.S.$18,664 million. The increase is due to the consolidation of CEPSA as a subsidiary from July 2011.

Cost of sales. Cost of sales was U.S.$23,442 million in the six months ended 30 June 2012, compared to U.S.$6,298 million in the six months ended 30 June 2011, an increase of U.S.$17,144 million, or 272.2 per cent. The increase in cost of sales was primarily due to the consolidation of CEPSA as from July 2011.

Cost of sales in the plastic solutions—Europe segment was U.S.$4,214 million in the six months ended 30 June 2012, compared to U.S.$4,293 million in the six months ended 30 June 2011, a decrease of U.S.$79 million, or 1.8 per cent.

Cost of sales in the plastic solutions—North America segment was U.S.$2,059 million in the six months ended 30 June 2012, compared to U.S.$1,980 million in the six months ended 30 June 2011, an increase of U.S.$79 million, or 4.0 per cent. The increase was primarily due to an increase in depreciation expense, a decline in the mark-to-market values of open feedstock derivatives and higher costs associated with increased sales volumes in the olefins/polyolefin business unit.

Cost of sales in the diversified investments segment was U.S.$11 million in the six months ended 30 June 2012, compared to U.S.$25 million in the six months ended 30 June 2011, a decrease of U.S.$14 million, or 56 per cent.

Cost of sales in the integrated oil and gas segment was U.S.$17,159 million in the six months ended 30 June 2012, compared to nil in the six months ended 30 June 2011, an increase of U.S.$17,159 million. The increase is due to the consolidation of CEPSA as a subsidiary from July 2011.

Gross profit. Gross profit was U.S.$2,900 million in the six months ended 30 June 2012, compared to U.S.$1,721 million in the six months ended 30 June 2011, an increase of U.S.$1,179 million, or 68.5 per cent., which is largely in line with changes in revenue and cost of sales and is primarily due to the reasons set forth above.

Gross profit in the plastic solutions—Europe segment was U.S.$654 million in the six months ended 30 June 2012, compared to U.S.$978 million in the six months ended 30 June 2011, a decrease of U.S.$324 million, or 33.1 per cent.

Gross profit in the plastic solutions—North America segment was U.S.$703 million in the six months ended 30 June 2012, compared to U.S.$711 million in the six months ended 30 June 2011, a decrease of U.S.$8 million, or 1.1 per cent.

Gross profit in the diversified investments segment was U.S.$38 million in the six months ended 30 June 2012, compared to U.S.$33 million in the six months ended 30 June 2011, an increase of U.S.$5 million, or 15.2 per cent.

Gross profit in the integrated oil and gas segment was U.S.$1,505 million in the six months ended 30 June 2012, compared to nil in the six months ended 30 June 2011, an increase of U.S.$1,505 million.

Share of post-tax profits of associates and jointly controlled entities. Share of post-tax profits of associates and jointly controlled entities was U.S.$538 million in the six months ended 30 June 2012, compared to U.S.$679 million in the six months ended 30 June 2011, a decrease of U.S.$141 million, or 20.8 per cent. This decrease was mainly due to the consolidation of CEPSA as a subsidiary during the six months ended 30 June 2012 while in the six months ended 30 June 2011, CEPSA was accounted as an associate using the equity method. The decrease was offset by the higher contribution of post-tax profits from Borealis' investment in Borouge primarily due to the full ramp-up of the Borouge 2 plant production capacity.

Foreign exchange (loss) gain, net. Foreign exchange gain, net was U.S.$327 million in the six months ended 30 June 2012, compared to a foreign exchange loss of U.S.$273 million in the six months ended 30 June 2011, an increase of U.S.$600 million, or 219.8 per cent. This increase was primarily due to exchange gain recognised on translation of euro borrowings into U.S.$ at a lower exchange rate due to a weaker euro during the six months ended 30 June 2012.

Finance income. Finance income was U.S.$517 million in the six months ended 30 June 2012, compared to U.S.$404 million in the six months ended 30 June 2011, an increase of U.S.$113 million, or 28.0 per cent. The increase resulted primarily from the interest that Aabar earned on the project financing that was done in the second half of the 2011; Aabar lent U.S.$371 million to a New York real estate project which is engaged in a high-end mixed-use tower development.

Finance costs. Finance costs were U.S.$892 million in the six months ended 30 June 2012, compared to U.S.$711 million in the six months ended 30 June 2011, an increase of U.S.$181 million, or 25.5 per cent. This increase was primarily due to an increase in interest expense relating to a higher level of borrowings in the one-year period from 30 June 2011 to 30 June 2012.

Other expense. Other expense was U.S.$41 million in the six months ended 30 June 2012, compared to U.S.$11 million in the six months ended 30 June 2011, an increase of U.S.$30 million, or 272.7 per cent. This increase was primarily due to the consolidation of CEPSA from July 2011.

Gains on acquisitions and disposals. Gains on acquisitions and disposals were U.S.$179 million in the six months ended 30 June 2012, compared to nil in the six months ended 30 June 2011, an increase of U.S.$179 million. This increase was primarily due to the recycling from consolidated other comprehensive income to the consolidated income statement of cumulative fair value gain on Arabtec held by Aabar, on the change in accounting from available-for-sale investment to investment in an associate; and gain on disposal of Tesla Motors, Inc. amounting to U.S.$73 million.

Other gains (losses) on financial instruments. Other losses on financial instruments were U.S.$792 million in the six months ended 30 June 2012, compared to other gains on financial instruments of U.S.$414 million in the six months ended 30 June 2011, a decrease of U.S.$1,206 million, or 291.3 per cent. This decrease was primarily due to a revaluation loss on Aabar's investment in UniCredit and impairment losses recognised on Glencore.

Profit before tax from continuing operations. Profit before tax from continuing operations was U.S.$1,036 million in the six months ended 30 June 2012, compared to U.S.$1,412 million in the six months ended 30 June 2011, a decrease of U.S.$376 million, or 26.6 per cent.

Tax expense. Tax expense was U.S.$362 million in the six months ended 30 June 2012, compared to U.S.$235 million in the six months ended 30 June 2011, an increase of U.S.$127 million, or 54.0 per cent. The Company is based in a jurisdiction which has no corporate tax, therefore the tax expenses represent tax expenses charged on international operations in their respective jurisdictions.

Profit for the period from discontinued operations. Profit for the period from discontinued operations was U.S.$144 million in the six months ended 30 June 2012, compared to loss for the period from discontinued operations of U.S.$16 million in the six months ended 30 June 2011, a increase of U.S.$160 million, or 1,000 per cent. The increase is due to a gain on disposal of Ferrostaal arising from previously accumulated losses which reduced the net assets value of the company.

Profit for the period. As a result of the foregoing, profit for the period was U.S.$818 million in the six months ended 30 June 2012, compared to U.S.$1,162 million in the six months ended 30 June 2011, a decrease of U.S.$344 million, or 29.6 per cent.

Comparison of Years Ended 31 December 2011 and 2010

Revenue. Revenue was U.S.$34,318 million in 2011, compared to U.S.$12,990 million in 2010, an increase of U.S.$21,328 million, or 164.2 per cent., reflecting the fact that CEPSA was consolidated from July 2011.

Revenue from the plastic solutions—Europe segment was U.S.$9,881 million in 2011, compared to U.S.$8,325 million in 2010, an increase of U.S.$1,556 million, or 18.7 per cent. The increase in revenue in Borealis was primarily attributable to an increase of the revenue of the polyolefin division, which at a stable volume was benefiting from improved pricing. The revenue of the base chemicals division improved in relative terms similarly to polyolefin, also driven by an increase in product pricings compared to the year ended 31 December 2010.

Revenue from the plastic solutions—North America segment was U.S.$5,241 million in 2011, compared to U.S.$4,590 million in 2010, an increase of U.S.$651 million, or 14.2 per cent., reflecting higher sales prices in all segments together with higher polyethylene sales volumes.

Revenue from the diversified investments segment was U.S.$93 million in 2011, compared to U.S.$75 million in 2010, an increase of U.S.$18 million, or 24.0 per cent.

Revenue from the integrated oil and gas segment was U.S.$19,103 million in 2011, compared to nil in 2010, reflecting an increase of U.S.$19,103 million, resulting from the consolidation of CEPSA as a subsidiary as from July 2011.

Cost of sales. Cost of sales was U.S.$30,183 million in 2011, compared to U.S.$10,517 million in 2010, an increase of U.S.$19,666 million, or 187.0 per cent., reflecting the consolidation of CEPSA as a subsidiary as from July 2011. Cost of sales as a percentage of the Group's revenue was 88.0 per cent. in 2011 and 81.0 per cent. in 2010.

Cost of sales in the plastic solutions—Europe and plastic solutions—North America segments was U.S.$8,343 million and U.S.$4,026 million, respectively, in 2011, compared to U.S.$6,777 million and U.S.$3,722 million, respectively, in 2010, an increase of U.S.$1,566 million, or 23.1 per cent. and U.S.$304 million, or 8.2 per cent., respectively, primarily due to increase of the feedstock costs in line with the oil price development, and higher sales volumes.

Cost of sales in the diversified investments segment was U.S.$21 million in 2011, compared to U.S.$17 million in 2010, an increase of U.S.$4 million or 23.5 per cent.

Cost of sales in the integrated oil and gas segment was U.S.$17,794 million in 2011, compared to nil in 2010, an increase of U.S.$17,794 million, resulting from the consolidation of CEPSA as a subsidiary as from July 2011.

Gross profit. Gross profit was U.S.$4,135 million in 2011, compared to U.S.$ 2,473 million in 2010, an increase of U.S.$1,662 million, or 67.2 per cent., which is primarily due to the consolidation of CEPSA as a subsidiary as from July 2011 and in line with changes in revenue and cost of sales set forth above.

Gross profit in the plastic solutions—Europe segment was U.S.$1,538 million in 2011, compared to U.S.$1,547 million in 2010, a decrease of U.S.$9 million, or 0.6 per cent. which follows the developments in the revenue and cost of sales and reflect difficult market conditions which prevented passing the raw material costs increases fully through the product pricing.

Gross profit in the plastic solutions—North America segment was U.S.$1,215 million in 2011, compared to U.S.$868 million in 2010, an increase of U.S.$347 million, or 40.0 per cent., which is largely in line with changes in revenue and cost of sales and is primarily due to the reasons set forth above.

Gross profit in the diversified investments segment was U.S.$72 million in 2011, compared to U.S.$58 million in 2010, an increase of U.S.$14 million, or 24.1 per cent., which is largely in line with changes in revenue and cost of sales and is primarily due to the reasons set forth above.

Gross profit in the integrated oil and gas segment was U.S.$1,309 million in 2011, compared to nil in 2010, an increase of U.S.$1,309 million, resulting from the consolidation of CEPSA as a subsidiary as from July 2011.

Share of post tax profits of associates and jointly controlled entities. Share of post tax profits of associates and jointly controlled entities was U.S.$1,046 million in 2011, compared to U.S.$659 million in 2010, an increase of U.S.$387 million, or 58.7 per cent. The increase was primarily due to a higher share of profit from Borealis' investments in Borouge as a result of a full year of operations of the Borouge 2 production facilities.

Foreign exchange (loss) gain, net. Foreign exchange gain, net was U.S.$839 million in 2011, compared to a foreign exchange gain of U.S.$341 million in 2010, an increase of U.S.$498 million, or 146.0 per cent. The increase was primarily due to gains on translation of the Group's euro borrowings at year end as a result of a weakening euro to the U.S.$ in 2011.

Finance income. Finance income was U.S.$765 million in 2011, compared to U.S.$221 million in 2010, an increase of U.S.$544 million, or 246.2 per cent. This increase was primarily due to dividends that Aabar received from its investments in Daimler and UniCredit; Daimler did not declare dividends in 2010.

Finance costs. Finance costs were U.S.$1,452 million in 2011, compared to U.S.$808 million in 2010, an increase of U.S.$644 million, or 79.7 per cent. This increase was primarily due to an increase in interest expense relating to a higher level of borrowings in the previous year.

Other expense. Other expense was U.S.$344 million in 2011, compared to U.S.$613 million in 2010, a decrease of U.S.$269 million, or 43.9 per cent. The decrease was primarily due to an impairment loss of U.S.$515 million recognised by Aabar during 2010 on certain of its real estate, while in 2011 impairment losses were U.S.$259 million.

Gains on acquisitions and disposals. Gains on acquisitions and disposals were U.S.$50 million in 2011, compared to U.S.$133 million in 2010, a decrease of U.S.$83 million, or 62.4 per cent. In 2010, the Group recognised a gain on disposal of financial instruments of Atlantia by Aabar amounting to U.S.$94 million and a gain on disposal of financial instruments of Banco Santander Brasil by Aabar amounting to U.S.$21 million. In 2011, the Group recognised a fair value gain on acquisition of CEPSA amounting to U.S.$35 million.

Other gains (losses) on financial instruments. Other losses on financial instruments were U.S.$1,490 million in 2011, compared to U.S.$318 million in 2010, an increase of U.S.$1,172 million, or 368.6 per cent. This increase was mark-to-market losses on Aabar's investment in Daimler and UniCredit which was partially offset by opposite mark-to-market changes on related derivatives and additional mark-to-market losses on additional call spreads on Daimler shares.

Profit before tax from continuing operations. Profit before tax from continuing operations was U.S.$953 million in 2011, compared to U.S.$527 million in 2010, an increase of U.S.$426 million, or 80.8 per cent.

Tax expense. Tax expense was U.S.$412 million in 2011, compared to U.S.$409 million in 2010, an increase of U.S.$3 million, or 0.7 per cent. The Company is based in a jurisdiction which has no corporate tax, therefore the tax expenses represent tax expenses charged on international operations in their respective jurisdictions.

(Loss) Profit for the year from discontinued operations. Loss for the year from discontinued operations was U.S.$496 million in 2011, compared to a profit of U.S.$1,230 million in 2010, a decrease of U.S.$1,726 million, or 140.3 per cent. In 2010, the Group recorded profit from operations of Hyundai Oilbank and gains on disposal of Hyundai Oilbank, while in 2011 the Group recorded loss from operations of Ferrostaal.

Profit for the year. As a result of the foregoing, profit for the year was U.S.$45 million in 2011, compared to U.S.$1,348 million in 2010, a decrease of U.S.$1,303 million, or 96.7 per cent.

Comparison of Years Ended 31 December 2010 and 2009

Revenue. Revenue was U.S.$12,990 million in 2010, compared to U.S.$9,917 million in 2009, an increase of U.S.$3,073 million, or 31.0 per cent., primarily reflecting increases in revenue from each of Nova Chemicals and Borealis, partially offset by a decrease of U.S.$1,650 million reflecting the impact of the 2010 financial information of Ferrostaal being reclassified as discontinued operations in the 2011 Financial Statements.

Revenue from the plastic solutions—Europe segment was U.S.$8,325 million in 2010, compared to U.S.$6,574 million in 2009, an increase of U.S.$1,751 million, or 26.6 per cent. The increase in revenue in Borealis was a result of higher sales prices and volumes as a result of improved economic and business conditions.

Revenue from the plastic solutions—North America segment was U.S.$4,590 million in 2010, compared to U.S.$1,639 million in 2009 an increase of U.S.$2,951 million, or 180.0 per cent., reflecting a full year of consolidation of Nova Chemicals.

Revenue from the industrial engineering services segment was nil in 2010, compared to U.S.$1,650 million in 2009, a decrease of U.S.$1,650 million, or 100 per cent., due to Ferrostaal being classified as a discontinued operation during 2011, which was reflected in the 2011 Financial Statements (including the 2010 comparatives).

Revenue from the diversified investments segment was U.S.$75 million in 2010, compared to U.S.$54 million in 2009, an increase of U.S.$21 million, or 38.9 per cent., reflecting a full year of consolidation of Aabar's investment in Falcon Bank.

Cost of sales. Cost of sales was U.S.$10,517 million in 2010, compared to U.S.$8,393 million in 2009, an increase of U.S.$2,124 million, or 25.3 per cent., in line with the increase in revenue. Cost of sales as a percentage of the Group's revenue was 81.0 per cent. in 2010 and 84.6 per cent. in 2009.

Cost of sales in the plastic solutions—Europe segment was U.S.$6,777 million in 2010, compared to U.S.$5,548 million in 2009, an increase of U.S.$1,229 million, or 22.2 per cent., resulting from higher feedstock costs and therefore higher production costs. The increase in the cost of sales was also in line with the increase in revenue.

Cost of sales in the plastic solutions—North America segment and the diversified investments segment were U.S.$3,722 million and U.S.$17 million, respectively, in 2010, compared to U.S.$1,375 million and U.S.$11 million, respectively, in 2009. The increase in the cost of sales for these segments is primarily due to the fact that Nova Chemicals was only consolidated for a portion of 2009, reflecting its date of acquisition, compared to a full year of consolidation in 2010.

Cost of sales in the industrial engineering services segment was nil in 2010, compared to U.S.$1,459 million in 2009, a decrease of U.S.$1,459 million, or 100.0 per cent., due to Ferrostaal being classified as a discontinued operation during 2011, which was reflected in the 2011 Financial Statements (including the 2010 comparatives).

Gross profit. Gross profit was U.S.$2,473 million in 2010, compared to U.S.$1,525 million in 2009, an increase of U.S.$948 million, or 62.2 per cent., which is largely in line with changes in revenue and cost of sales and is primarily due to the reasons set forth above.

Gross profit in the plastic solutions—Europe segment was U.S.$1,548 million in 2010, compared to U.S.$1,026 million in 2009, an increase of U.S.$522 million, or 50.9 per cent. The increased profitability was driven by improved industry margins across all businesses combined with further efficiency gains by the Company.

Gross profit in the plastic solutions—North America segment and the diversified investments segment were U.S.$868 million and U.S.$58 million, respectively, in 2010, compared to U.S.$264 million and U.S.$43 million, respectively, in 2009, which is largely in line with changes in revenue and cost of sales and is primarily due to the reasons set forth above.

Gross profit in the industrial engineering services segment was nil in 2010, compared to U.S.$191 million in 2009, a decrease of U.S.$191 million, or 100.0 per cent., due to Ferrostaal being classified as a discontinued operation during 2011, which was reflected in the 2011 Financial Statements (including the 2010 comparatives).

Share of post tax profits of associates and jointly controlled entities. Share of post tax profits of associates and jointly controlled entities was U.S.$659 million in 2010, compared to U.S.$141 million in 2009, an increase of U.S.$518 million, or 367.4 per cent. The increase was mainly due to the treatment of CEPSA and OMV as associates of the Group for the full year ended 31 December 2010, as well as a higher share of profit from Borealis' investments in Borouge, partially offset by additional depreciation and amortisation charges in relation to the allocation of the purchase price for additional shares of CEPSA and OMV to fixed assets.

Foreign exchange (loss) gain, net. Foreign exchange gain, net was U.S.$341 million in 2010, compared to a foreign exchange loss of U.S.$109 million in 2009, an increase of U.S.$232 million, or 212.8 per cent. The increase was primarily due to gains on translation of the Group's euro borrowings at year end as a result of a weakening euro to the U.S.$ in 2010.

Finance income. Finance income was U.S.$221 million in 2010, compared to U.S.$614 million in 2009, a decrease of U.S.$393 million, or 64.0 per cent. This decrease resulted from: (i) dividends received from CEPSA and OMV, amounting to U.S.$137 million and U.S.$74 million, respectively, being credited against the carrying value of the investments in 2010 as a result of the change in the recognition of these investments from available-for-sale investments to investments in associates; in 2009, dividends from these investments were fully credited to finance income in the consolidated income statements; and (ii) interest income received in 2009 amounting to U.S.$281 million, relating to the Company's investments in the Barclays financial instruments, which the Company disposed of in 2009.

Finance costs. Finance costs were U.S.$808 million in 2010, compared to U.S.$716 million in 2009, an increase of U.S.$92 million, or 12.8 per cent. This increase was primarily due to an increase of interest expense resulting from an increase in the level of borrowings during 2010.

Other expense. Other expense was U.S.$613 million in the year ended 31 December 2010, compared to U.S.$32 million in the year ended 31 December 2009, an increase of U.S.$581 million, or 1,815.6 per cent. The increase was primarily due to an impairment loss of U.S.$515 million recognised by Aabar during 2010 on certain of its real estate investments.

Gains on acquisitions and disposals. Gains on acquisitions and disposals were U.S.$133 million in 2010, compared to U.S.$3,119 million in 2009, a decrease of U.S.$2,986 million, or 95.7 per cent. In 2010, the Group recognised a gain on disposal of financial instruments of Atlantia by Aabar amounting to U.S.$94 million and a gain on disposal of financial instruments of Banco Santander Brasil by Aabar amounting to U.S.$21 million. In 2009, the Group recognised a gain on disposal of the Company's investment in the Barclays financial instruments amounting to U.S.$2,192 million, and also recorded negative goodwill on the acquisition of Nova Chemicals amounting to U.S.$926 million.

Other gains (losses) on financial instruments. Other losses on financial instruments were U.S.$318 million in 2010, compared to a gain of U.S.$728 million in 2009, a decrease of U.S.$410 million, or 56.3 per cent. This decrease was primarily due to a smaller revaluation gain on the Group's investment in Daimler as compared to 2009.

Profit before tax from continuing operations. Profit before tax from continuing operations was U.S.$527 million in 2010, compared to U.S.$3,903 million in 2009, a decrease of U.S.$3,376 million, or 86.5 per cent.

Tax expense. Tax expense was U.S.$409 million in 2010, compared to U.S.$38 million in 2009, an increase of U.S.$371 million, or 976.3 per cent. The increase was primarily due to higher taxable profits from operations of Borealis and Nova Chemicals, as well as deferred tax charges of U.S.$164 million recognised by Aabar on its investments in accordance with the requirements of IAS 12 Income Taxes (which requires that a company recognises deferred tax on the possibility of the company being charged with capital gains tax on future disposal or withholding taxes on future dividends). The Company is based in a jurisdiction which has no corporate tax, therefore the tax expenses represent tax expenses charged on international operations in their respective jurisdictions

Profit for the year from discontinued operations. Profit for the year from discontinued operations was U.S.$1,230 million in 2010, compared to U.S.$285 million in 2009, an increase of U.S.$945 million, or 331.6 per cent. The increase related to an increase in profit for the year from Hyundai Oilbank in 2010, as well as a gain recognised by the Group on the disposal of Hyundai Oilbank during that year together with Ferrostaal being classified as a discontinued operation during 2011 and, accordingly, the 2010 financial information of Ferrostaal being reclassified in the 2011 Financial Statements.

Profit for the year. As a result of the foregoing, profit for the year was U.S.$1,348 million in 2010, compared to U.S.$4,149 million in 2009, a decrease of U.S.$2,801 million, or 67.5 per cent.

Liquidity and Capital Resources

Capital Resources and Requirements

The Group's primary capital requirements are for the funding of its future capital and investment expenditures and the refinancing of its maturing debt. The Group expects to fund these requirements principally through borrowings from third parties, cash flow from the Group's operations and, in certain circumstances with respect to the Company, capital contributions from the Government.

Cash Flow

The table below summarises the Group's cash flow from operating activities, investing activities and financing activities for the six months ended 30 June 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009.

	Six months ended 30 June		Year ended 31 December		
	2012	2011	2011	2010	2009
			(U.S.$'000)		
Net cash from/(used in) operating activities	1,172,585	390,025	1,600,539	517,089	475,780
Net cash used in investing activities	(2,462,142)	(8,459,462)	(10,292,202)	(3,617,656)	(4,653,601)
Net cash from financing activities	1,259,093	9,172,849	11,019,886	3,463,938	5,040,204
Net foreign exchange difference	(31,937)	30,257	(189,363)	(102,269)	68,666
Cash and cash equivalents at period end	5,228,961	4,283,688	5,288,879	3,150,019	2,888,917

Bank balances and cash of the Company on an unconsolidated basis were U.S.$1,306 million, U.S.$1,533 million, U.S.$1,686 million and U.S.$956 million as of 30 June 2012, 31 December 2011, 31 December 2010 and 31 December 2009, respectively.

Comparison of Six Months Ended 30 June 2012 and 2011

Net cash from (used in) operating activities. Net cash from operating activities was U.S.$1,173 million in the six months ended 30 June 2012, compared to net cash from operating activities of U.S.$390 million in the six months ended 30 June 2011, an increase of U.S.$783 million, or 200.8 per cent., primarily due to an increase in profit before tax after non-cash adjustments of U.S.$640 million and changes in working capital of U.S.$349 million, offset by an increase in income tax paid of U.S.$206 million.

Net cash used in investing activities. Net cash used in investing activities was U.S.$2,462 million in the six months ended 30 June 2012, compared to U.S.$8,459 million in the six months ended 30 June 2011, a decrease of U.S.$5,997 million, or 70.9 per cent., primarily due to cash maintained in escrow for the acquisition of the additional interest in CEPSA of U.S.$5,776 million rather than available for continuing use during the six months ended 30 June 2011.

In the six months ended 30 June 2012, the Group made:

- payments to acquire 100 per cent. of Chevron España, S.A., for U.S.$178 million (net of cash received) (by CEPSA) and PEC-Rhin for U.S.$122 million (net of cash acquired) (by Borealis);
- payments to acquire derivative financial instruments of U.S.$149 million, primarily relating to Aabar's investment in UniCredit;
- payments to acquire financial instruments of U.S.$1,706 million, primarily relating to the acquisition of an additional stake in UniCredit and Arabtec by Aabar; and
- payments to acquire property, plant and equipment of U.S.$830 million, primarily relating to ADCOP and the purchase of fixed assets by CEPSA.

These payments were offset by dividends and interest received by the Group (after consolidation adjustments) of U.S.$457 million and U.S.$148 million, respectively, and proceeds on disposal of Ferrostaal of U.S.$193 million, net of cash already in subsidiary.

In the six months ended 30 June 2011, the Group made:

- advances on investment properties of U.S.$380 million, primarily relating to real estate investments by Aabar;
- payments to acquire investments in associates of U.S.$323 million, primarily relating to the increase of the stake in OMV by the Company;
- payments to acquire derivative financial instruments of U.S.$864 million, primarily relating to Aabar's investment in Daimler;
- payments to acquire financial investments of U.S.$1,212 million, primarily relating to the acquisition of a minority stake in Glencore by Aabar; and
- payments to acquire property, plant and equipment of U.S.$519 million, primarily relating to ADCOP.

These payments were offset by dividends and interest received by the Group (after consolidation adjustments) of U.S.$492 million and U.S.$96 million, respectively.

Net cash from financing activities. Net cash from financing activities was U.S.$1,259 million in the six months ended 30 June 2012, compared to U.S.$9,173 million in the six months ended 30 June 2011. In the six months ended 30 June 2012, the Group received proceeds from borrowings of U.S.$5,826 million, offset by repayments on borrowings of U.S.$3,439 million. In the six months ended 30 June 2011, the Group received proceeds from borrowings of U.S.$11,592 million, offset by repayments on borrowings of U.S.$1,854 million.

Comparison of Years Ended 31 December 2011, 2010 and 2009

Net cash from (used) in operating activities. Net cash from operating activities was U.S.$1,601 million in the year ended 31 December 2011, U.S.$517 million in the year ended 31 December 2010 and U.S.$476 million in the year ended 31 December 2009. The U.S.$1,084 million increase in net cash from operating activities in 2011, compared to 2010 was primarily due to an increase in profit before tax after non-cash adjustments of U.S.$747 million and a decrease in changes in working capital of U.S.$912 million and offset by an increase in income tax payments of U.S.$575 million. The U.S.$41 million increase in net cash from operating activities in 2010, compared to 2009 was primarily due to an increase in profit before tax after non-cash adjustment of U.S.$777 million, offset by an increase in changes in working capital of U.S.$575 million and an increase in income tax payments made of U.S.$161 million.

Net cash used in investing activities. Net cash used in investing activities was U.S.$10,292 million in the year ended 31 December 2011, U.S.$3,618 million in the year ended 31 December 2010 and U.S.$4,654 million in the year ended 31 December 2009.

In the year ended 31 December 2011, the Group made:

- payments of U.S.$4,205 million (net of cash acquired) to acquire the remaining interest in CEPSA not already owned by the Company;
- payments of U.S.$1,103 million to acquire financial instruments, primarily relating to the acquisition of a minority stake in Glencore by Aabar;

- payments of U.S.$2,882 million to acquire investments in associates, primarily relating to the acquisition of a 24.75 per cent. stake in RHB by Aabar;
- payments of U.S.$1,479 million to acquire property, plant and equipment, primarily relating to ADCOP and the purchase of fixed assets by CEPSA, Borealis and Nova Chemicals;
- payments of U.S.$346 million to acquire intangible assets, primarily relating to CEPSA;
- payments of U.S.$671 million to acquire derivative financial instruments, primarily relating to Aabar's purchase of call spreads on its investment in Daimler;
- payments to acquire and advances on investment properties of U.S.$669 million, primarily relating to real estate investments by Aabar; and
- payments of U.S.$141 million to acquire an additional interest in Aabar from the minority shareholders.

These payments were offset by proceeds from the sale of certain held-to-maturity financial assets for an amount of U.S.$86 million and dividends and interest received by the Group (after consolidation adjustments) of U.S.$661 million and U.S.$230 million, respectively.

In the year ended 31 December 2010, the Group made:

- payments to acquire financial investments of U.S.$2,416 million, primarily relating to the acquisition of a minority stake in UniCredit by Aabar;
- payments to acquire investments in associates of U.S.$392 million, primarily relating to the acquisition of a minority stake in Galactic Ventures by Aabar;
- payments to acquire property, plant and equipment of U.S.$1,988 million, primarily relating to ADCOP and the purchase of fixed assets by Hyundai Oilbank;
- payments to acquire derivative financial instruments of U.S.$550 million, primarily relating to the purchase of collars and puts to hedge the investment in UniCredit;
- advances on investment properties of U.S.$672 million, primarily relating to real estate investments by Aabar; and
- payments to acquire an additional interest in Aabar from the minority shareholders of U.S.$230 million.

These payments were offset by proceeds from the sale of Hyundai Oilbank for an amount of U.S.$1,782 million, net of cash already in subsidiary, and proceeds from the sale of Atlantia and Banco Santander Brasil by Aabar for an amount of U.S.$910 million.

In the year ended 31 December 2009, the Group made:

- payments to acquire subsidiaries of U.S.$1,772 million (net of cash acquired from such subsidiaries), primarily relating to the acquisition of stakes in Aabar, Ferrostaal, Falcon Bank and Nova Chemicals;
- payments to acquire associates of U.S.$4,865 million, primarily relating to the acquisition of additional stakes in CEPSA and OMV;
- payments to acquire financial instruments of U.S.$2,101 million, primarily relating to the acquisition of the IPBC Bond;
- payments to acquire property, plant and equipment of U.S.$2,368 million, primarily relating to ADCOP; and
- advances on investment properties of U.S.$1,378 million, primarily relating to real estate investments by Aabar.

These payments were offset by proceeds from the sale of financial instruments of U.S.$7,149 million, including U.S.$7,086 million relating to the Barclays financial instruments.

Net cash from financing activities. Net cash from financing activities was U.S.$11,020 million in the year ended 31 December 2011, compared to U.S.$3,464 million in the year ended 31 December 2010 and U.S.$5,040 million in the year ended 31 December 2009. In the year ended 31 December 2011, the Group received proceeds from borrowings of U.S.$18,365 million, offset by repayments on borrowings of U.S.$6,807 million and paid interest of U.S.$944 million. The Company also received an additional U.S.$500 million shareholder loan. In the year ended 31 December 2010, the Group received proceeds from borrowings of U.S.$15,638 million, offset by repayments on borrowings of U.S.$11,976 million and paid interest of U.S.$676 million. In the year ended 31 December 2009, the Group received proceeds from borrowings of U.S.$15,361 million, offset by repayments on borrowings of U.S.$9,776 million.

Borrowings

The table below shows the breakdown of the Group's outstanding borrowings by individual Group company as of 30 June 2012 and 31 December 2011, 2010 and 2009:

	As of 30 June	As of 31 December		
	2012	2011	2010	2009
	(U.S.$'000)			
The Company	18,567,255	19,198,777	10,040,024	10,040,544
Aabar	11,465,897	9,733,156	7,772,109	4,110,630
Nova Chemicals	1,369,257	1,741,109	1,695,277	1,823,991
Borealis	2,039,535	1,604,564	1,497,186	1,435,716
Ferrostaal[1]	—	—	36,645	24,035
CEPSA	4,317,296	3,502,205	—	—
Total	**37,759,240**	**35,779,811**	**21,041,241**	**17,434,916**

(1) Borrowings of Ferrostaal have been included in 'Liabilities of disposal group held-for-sale' in the 2011 Financial Statements.

As of 30 June 2012, the Company had U.S.$18,567 million of borrowings, comprising U.S.$3,842 million of short-term debt and U.S.$14,725 million of long-term debt.

The following table sets forth the breakdown of the Group's outstanding borrowings by currency as of 30 June 2012 and 31 December 2011, 2010 and 2009:

	As of 30 June	As of 31 December		
	2012	2011	2010	2009
	(U.S.$'000)			
Dirham denominated borrowings	2,721,685	5,884,478	1,249,098	1,373,855
Euro denominated borrowings	17,524,811	14,762,393	8,395,560	7,329,888
Sterling denominated borrowings	854,181	1,071,766	233,871	242,295
U.S. Dollar denominated borrowings	15,718,918	13,103,214	9,749,037	7,493,788
Yen denominated borrowings	844,435	874,600	831,383	730,678
Canadian dollar denominated borrowings	29,480	29,625	184,466	264,412
Others	65,730	53,735	397,826	—
Total loans	**37,759,240**	**35,779,811**	**21,041,241**	**17,434,916**

The Group does not present the maturity profile of its borrowings in its interim financial statements, as permitted by IFRS. The following table summarises the maturity profile of the Group's borrowings as of 31 December 2011 on a contractual, undiscounted basis. In the table below, interest rates on variable rate loans have been based on rates prevailing on 31 December 2011.

	On demand	0-3 months	3-12 months	1-3 years	3-5 years	More than 5 years	Total	Carrying value
	(U.S.$'000)							
Interest bearing loans and borrowings	1,415,229	1,728,367	7,372,687	12,377,525	7,173,556	12,602,154	42,669,518	35,779,811

The Group's material borrowings as at 30 June 2012 comprise the following:

Listed notes and other borrowing instruments

	Maturity (Year)	Currency	Interest rate	30 June 2012[(1)] U.S.$'000	31 December 2011[(1)] U.S.$'000	Face Amount ('000)
IPIC—Bond 1	2020	U.S.$	5.000%	1,483,490	1,482,717	U.S.$1,500,000
IPIC—Bond 2	2015	U.S.$	3.125%	994,818	994,084	U.S.$1,000,000
IPIC—Bond 3	2021	Euro	5.875%	1,552,062	1,587,890	Euro1,250,000
IPIC—Bond 4	2016	Euro	4.875%	1,566,164	1,600,849	Euro1,250,000
IPIC—Bond 5	2026	GBP	6.875%	854,181	844,285	GBP550,000
IPIC—Bond 6	2022	U.S.$	5.500%	1,490,803	1,489,948	U.S.$1,500,000
IPIC—Bond 7	2017	U.S.$	3.750%	1,491,248	1,490,935	U.S.$1,500,000
IPIC—Bond 8	2041	U.S.$	6.875%	740,468	740,471	U.S.$750,000
Aabar—Exchangeable bond (see below)	2016	Euro	4.000%	1,492,837	1,527,110	Euro1,250,000
Borealis—Bond 1	2017	Euro	5.375%	253,020	259,200	Euro200,000
Nova Chemicals—Bond 1	2012	U.S.$	6.50%	—	399,532	—
Nova Chemicals—Bond 2	2013	U.S.$	6m LIBOR + 3.13%	377,025	369,345	U.S.$400,000
Nova Chemicals—Bond 3	2016	U.S.$	8.38%	343,201	342,156	U.S.$350,000
Nova Chemicals—Bond 4	2019	U.S.$	8.63%	341,665	341,433	U.S.$350,000
Nova Chemicals—Bond 5	2025	U.S.$	7.88%	77,387	77,021	U.S.$100,000
				13,058,369	**13,546,976**	

IPIC—Bond 1 to IPIC—Bond 8 (inclusive) comprise the "**Outstanding Notes**".

(1) Interest bearing loans and borrowings after initial recognition are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees.

Aabar—Exchangeable bond

On 27 May 2011, Aabar issued €1.25 billion 4 per cent. five year senior unsecured exchangeable bonds, which are exchangeable into Daimler shares (the "**exchangeable bonds**"). The exchangeable bonds are hybrid securities consisting of a straight bond and an embedded call option with a fixed strike price to exchange the bond for either shares in Daimler or cash of an equivalent value at the option of Aabar.

All bonds of the Group are unsecured, and repayable as bullet payment on maturity.

Unlisted borrowings

	Maturity (Year)	Currency	Interest rate	30 June 2012[(1)] U.S.$'000	31 December 2011[(1)] U.S.$'000	Face Amount ('000)
IPIC—Loan 1	2013	Euro	EURIBOR + Margin	186,502	191,160	Euro590,000
IPIC—Loan 2[(2)]	2013	GBP	LIBOR + Margin	—	227,481	—
IPIC—Loan 3	2013	JPY	LIBOR + Margin	844,435	874,600	JPY67,500,000
IPIC—Loan 4[(2)]	2012	U.S.$+AED	LIBOR/EIBOR + Margin	—	849,232	—
IPIC—Loan 6[(2)]	2013	AED	EIBOR + Margin	—	268,784	—
IPIC—Loan 8	2026	AED	EIBOR + Margin	272,294	272,294	AED1,000,000
IPIC—Loan 9	2012	U.S.$	LIBOR + Margin	1,498,921	1,497,805	U.S.$1,500,000
IPIC—Loan 10	2014	U.S.$	LIBOR + Margin	1,392,573	1,390,527	U.S.$1,400,000
IPIC—Loan 11	2013	AED	EIBOR + Margin	1,996,326	1,994,661	AED7,345,000
IPIC—Loan 12[(3)]	On demand	U.S.$	LIBOR + Margin	1,395,277	1,401,054	U.S.$1,395,277
IPIC—Loan 13	2014	U.S.$	LIBOR + Margin	169,716	—	U.S.$170,000
IPIC—Loan 14	2014	Euro	EURIBOR + Margin	637,977	—	Euro505,000
Aabar—Loan 1	2012	AED	EIBOR + Margin	204,221	204,221	AED750,000
Aabar—Loan 2	2015	Euro	Fixed rate	1,567,068	1,608,697	Euro1,258,000
Aabar—Loan 3	2013	U.S.$	LIBOR + Margin	1,441,345	1,321,971	U.S.$1,450,000
Aabar—Loan 4	2013	Euro	EURIBOR + Margin	291,017	208,096	Euro233,000
Aabar—Loan 5	2013	AED	EIBOR + Margin	248,844	103,162	AED918,000
Aabar—Loan 6	2012	Euro	Fixed rate	1,466,481	1,498,512	Euro1,171,000
Aabar—Loan 7	2013	Euro	Fixed rate	2,212,023	2,256,290	Euro1,785,000
Aabar—Loan 9	2014	Euro	EURIBOR + Margin	248,468	254,873	Euro200,000
Aabar—Loan 10	2012	U.S.$	LIBOR + Margin	750,225	750,225	U.S.$750,200
Aabar—Loan 11	2014	Euro	Fixed rate	1,543,367	—	Euro1,244,000
Others—Fixed	2019 – 2030	Various	Fixed rate	1,124,220	915,768	—
Others—Floating	2012 – 2022	Various	Base rate + Margin	4,229,205	3,701,131	—
				23,720,505	**21,790,544**	

(1) Interest bearing loans and borrowings after initial recognition are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees.

(2) Term loan (4) has been refinanced in March 2012 with term loans (13) and (14), with a new maturity date of March 2014 and term loans (2) and (6) have been repaid in full in April 2012.

(3) Overdraft facility.

"Others—Fixed" include approximately 15 individual loans and "Others—Floating" include approximately 50 individual loans.

IPIC loans and Aabar loans are unsecured, except for Aabar loans 1, 2, 6, 7 and 11 which are secured through pledges on land, Daimler shares and UniCredit shares, respectively. All loans within "Others—Fixed" are unsecured, except for an amount of U.S.$19,638 thousand (31 December 2011: U.S.$19,789 thousand) which is secured on certain property, plant and equipment. All loans within "Others—Floating" are unsecured.

The Company does not guarantee the debt of any Group companies, including those described above.

As part of its state-to-state relationship with Malaysia, the Company agreed in 2012 to guarantee the obligations of 1Malaysia Development Berhad, a strategic development company wholly-owned by the Government of Malaysia, in respect of two financings in the energy and power sector amounting to U.S.$3.5 billion in total. In respect of these financings, the Company benefits from back-to-back guarantees and support from 1Malaysia Development Berhad and has secured for its Group the right to acquire up to a 49 per cent. stake in 1MDB Energy Sdn Bhd, a company which holds a 100 per cent. stake in Tanjong Energy Holdings Sdn Bhd, and the right to acquire up to a 49 per cent. stake in the shares of 1MDB Energy (Langat) Sdn Bhd which are owned by 1MDB Energy (Langat) Limited, in connection therewith. Please see Notes 15.3 ("*Investments in Financial Instruments*"), 21 ("*Commitments and Contingencies*") and 25(vii) ("*Events after the Reporting* Period") to the Unaudited Financial Statements.

Finance Income and Expenses of the Company

The following table sets forth certain information regarding the Company's dividend and interest income recognised during the six months ended 30 June 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009:

	Six months ended 30 June		Year ended 31 December		
	2012	2011	2011	2010	2009
			(U.S.$'000)		
SUMED	20,618	19,650	28,950	21,450	25,800
PARCO	13,650	3,600	3,600	10,800	38,625
OMV	114,121	86,484	84,605	73,604	84,200
CEPSA(1)	210,314	69,870	298,719	137,480	97,195
Borealis	93,407	90,970	90,816	—	—
Nova Chemicals	—	—	75,000	—	—
Hyundai Oilbank(2)	—	—	—	41,457	—
Cosmo Oil	16,408	16,291	16,049	14,782	8,527
EDP	25,268	25,347	24,825	22,500	23,475
GEM	—	1,935	1,935	1,935	1,935
Total dividend income(3)	**493,786**	**314,147**	**624,499**	**324,008**	**279,757**
Barclays(4)	—	—	—	—	281,081
IPBC Bond(5)	42,026	33,898	89,974	89,234	65,280
Interest on bank balances and deposits	38,909	25,227	102,666	8,340	21,332
Total interest income	**80,935**	**59,125**	**192,640**	**97,574**	**367,693**
Total dividend and interest income	**574,721**	**373,272**	**817,139**	**421,582**	**647,450**
Total interest expense (excluding amortisation of upfront fees)	**359,137**	**218,515**	**569,398**	**287,785**	**358,637**

(1) In July and August 2011, the Company increased its stake in CEPSA to 100 per cent.

(2) In August 2010, the Group sold its entire interest in Hyundai Oilbank. In connection with such sale, the Group received a dividend declared by Hyundai Oilbank in August 2010 for KRW 49.2 billion (U.S.$41.5 million based on the prevailing exchange rate on the date of payment).

(3) Transactions in foreign currencies are initially recorded by Group entities using their respective functional currency rate prevailing at the date of the transaction.

(4) Represents interest income from the Barclays financial instruments. The Company disposed of its investments in Barclays in 2009.

(5) Represents interest income on mandatory exchangeable bond issued by IPBC.

Shareholder Loan

In each of June 2010 and in the fourth quarter of 2011, the Abu Dhabi Department of Finance on behalf of the Government, as part of the Government's U.S.$1.0 billion investment commitment in QADIC, provided IPIC with a U.S.$500 million perpetual interest-free shareholder loan. The loan was provided to meet the Company's obligations in respect of the investment in QADIC and has no repayment terms. Accordingly, the Company's management classified the loans as shareholder loans within equity in the statement of financial position. Of the U.S.$1.0 billion, U.S.$50 million has been invested during July 2010.

Capital Requirements

The Group does not present segmental information for capital requirements in its interim financial statements, as permitted by IAS 34. The Group's capital and investment expenditures for the years ended 31 December 2011, 2010 and 2009 by business segments were as follows:

	Plastic solutions—Europe	Plastic solutions —North America	Petrochemicals	Industrial engineering services	Integrated oil and gas businesses	Diversified investments	Others	Total
	(U.S.$'000)				(U.S.$'000)			
Year ended 31 December 2011								
Property, plant and equipment	334,625	237,606	—	12,693	423,238	1,773	574,399	1,584,334
Investment properties	—	—	—	—	—	157,930	—	157,930
Intangible assets	102,703	1,988	—	689	290,753	929	—	397,062
Year ended 31 December 2010								
Property, plant and equipment	162,110	148,474	—	23,346	—	2,157	980,812	1,316,899
Investment properties	—	—	—	—	—	—	—	—
Intangible assets	117,730	5,072	—	1,405	—	8,071	—	132,278
Year ended 31 December 2009(1)								
Property, plant and equipment	448,485	3,669,380	546,974	276,790	—	44,616	1,374,165	6,360,410
Investment properties	—	—	—	9,251	—	9,549	—	18,800
Intangible assets	99,546	509,378	758	269,840	—	104,022	425,702	1,409,246

(1) Capital expenditure for the year ended 31 December 2009 consists of additions to fixed assets, including assets from the acquisition of subsidiaries amounting to U.S.$3.9 billion and U.S.$1.3 billion relating to property, plant and equipment and intangible assets respectively.

As of 30 June 2012, the Company's contracted capital expenditures relating to ADCOP, and the construction of the Company's new headquarters were approximately U.S.$423 million and U.S.$10 million, respectively.

Contractual Commitments

The following table sets forth the Group's contractual commitments as of 30 June 2012:

		Payments Due By Period		
	Total	Less than 1 Year	1-5 Years	More than 5 Years
		(U.S.$ million)		
Feedstock purchase commitments	20,311	2,069	6,943	11,299
Operating lease commitments	1,299	243	518	538
Capital commitments:				
Property, plant and equipment	1,339	N/A	N/A	N/A
Investments in equity instruments	1,566	N/A	N/A	N/A
Investment properties	709	N/A	N/A	N/A
Total	**25,225**			

Please see Note 21 (*"Commitments and Contingencies"*) to the Unaudited Financial Statements.

Comprehensive Income/(Loss)

In addition to the consolidated income statement, statement of financial position, statement of changes in equity and consolidated statement of cash flows, the Group also prepares a statement of other comprehensive income, which reflects changes in certain line items included in the equity portion of the consolidated statement of financial position.

In the six months ended 30 June 2012, total comprehensive income for the period was U.S.$568 million compared to a total comprehensive income of U.S.$1,944 million in the six months ended 30 June 2011, a decrease of U.S.$1,376 million or 70.8 per cent. The decrease was primarily attributable to: (i) a decrease in profit for the period of U.S.$344 million; (ii) a decrease in exchange difference on translation of foreign subsidiaries of U.S.$503 million as a result of the weakening of the euro/U.S.$ exchange rate; and (iii) a lower share of other comprehensive income of associates and jointly controlled entities as a result of the consolidation of CEPSA as a subsidiary and also the exchange loss on translation of the Company's investment in OMV.

In 2011, total comprehensive loss for the year was U.S.$2,541 million, compared to a total comprehensive income for the year of U.S.$796 million in 2010, a decrease of U.S.$3,337 million or 419.2 per cent. The decrease is primarily attributable to: (i) a decrease in profit for the year of U.S.$1,303 million; (ii) an increase in exchange loss on translation of foreign subsidiaries of U.S.$973 million as a result of a deteriorating euro/U.S.$ exchange rate; and (iii) an increase in losses arising on available-for-sale financial assets of U.S.$1,358 million.

In 2010, total comprehensive income for the year was U.S.$796 million, compared to a total comprehensive income for the year of U.S.$4,473 million in 2009, a decrease of U.S.$3,677 million or 82.2 per cent. The decrease is primarily attributable to: (i) profit for the year (of U.S.$1,348 million in 2010, compared to U.S.$4,149 million in 2009, a decrease of U.S.$2,801 million); and (ii) other comprehensive (loss) income for the year (loss of U.S.$552 million in 2010, compared to income of U.S.$324 million in 2009, a decrease of U.S.$876 million).

Quantitative and Qualitative Disclosures about Risk Management

The principal risks to which the Group is exposed are commodity price risk, foreign currency risk, interest rate risk, liquidity risk, equity price risk and credit risk. The board of directors of each Group company reviews and agrees policies for managing each of these risks. Hedging transactions are primarily used for the purposes of efficient portfolio management.

The Group uses derivative financial instruments such as forward currency contracts, commodity swaps, interest rate swaps and collar and put options to hedge its foreign exchange risks, commodity risk, interest rate risks and fair value risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value on the statement of financial position date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the consolidated income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk);
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

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 risk comprises: interest rate risk, foreign currency risk, commodity price risk, equity price risk, liquidity risk and credit risk. Financial instruments affected by market risk include financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments, short-term deposits, borrowings and certain other financial instruments.

The sensitivity analyses in the following sections relate to the positions as at 31 December 2011 and 2010.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2011.

The analysis exclude the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and non-financial assets and liabilities of foreign operations.

Commodity Price Risk

The Group is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase and manufacturing of mainly petrochemical feedstock. Due to the significant volatility of the price of the underlying, the Group's management has developed and enacted a risk management strategy regarding commodity price risk and its mitigation.

The following table shows the effect of price changes after the impact of hedge accounting:

	2011			2010		
	Change	Effect on profit before tax	Effect on equity	Change	Effect on profit before tax	Effect on equity
	(%)	(U.S.$'000)		(%)	(U.S.$'000)	
Crude oil	+10	(5,155)	—	+10	(59,824)	—
Natural gas	+10	(16,237)	(2,360)	+10	(22,190)	(1,334)
Electricity	+10	(2,095)	(27,490)	+10	(2,330)	(15,103)
Propylene	+10	(24,748)	—	+10	(119,038)	—
Polyethelene	+10	806,040	—	+10	687,289	—
Other petrochemical feedstock*	+10	(211,383)	—	+10	(294,240)	—

* Other petrochemical feedstock includes products such as ethane, naphtha, ethylene, propane, butane and others.

The effect of decreases in commodity prices is expected to be equal and opposite to the effect of the increases shown.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries. The following table demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, on the Group's profit and equity. The impact of translating the net assets of foreign operations into U.S.$ is excluded from the sensitivity analysis.

	Change	Net effect on profit	Net effect on equity
	(%)	(U.S.$'000)	
2011			
CHF	+10	7,723	7,302
EUR	+10	(268,230)	1,504,156
JPY	+10	(80,814)	49,207
CAD	+10	(64,269)	(27,947)
GBP	+10	(107,165)	60,151
Others	+10	(47,879)	(6,055)
		(560,634)	**1,586,814**
2010			
CHF	+10	(5,890)	—
EUR	+10	112,866	49,420
JPY	+10	(83,367)	(52,420)
CAD	+10	(53,111)	(16,125)
Others	+10	119,205	(7)
		89,703	**(19,132)**

The effect of decreases in foreign currency rates is expected to be equal and opposite to the effect of the increases shown.

Interest Rate Risk

The Group's exposure to interest rate risk relates primarily to the cost of the Group's floating rate borrowings. Changes in the level of interest rates can also affect, among other things: (i) the cost and availability of debt financing and the Group's ability to achieve attractive rates of return on its investment; (ii) the debt financing capability of the investments and businesses in which the Group has invested; and (iii) the rate of return on the Group's uninvested cash balances. Please see *"Risk Factors—Risks Relating to Abu Dhabi, the U.A.E. and the Middle East—The Company's business may be materially and adversely affected if the U.A.E. dirham/U.S. dollar peg were to be removed or adjusted*".

To manage this, the Group sometimes enters into interest rate swaps, 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. These swaps are designated to hedge underlying debt obligations.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit (through the impact on all floating rate borrowings). The sensitivity analysis excludes all fixed rate financial instruments carried at amortised cost. Currency and commodity based derivatives have not been included in the sensitivity analysis below as they are not considered to be exposed to interest rate risk.

	Decrease in basis points	Effect on profit before tax	Effect on equity
		(U.S.$'000)	(U.S.$'000)
2011			
U.S.$	50 bps	35,774	143
AED	50 bps	15,368	—
EUR	50 bps	12,763	(422)
JPY	50 bps	4,384	—
Others	50 bps	3,416	—
		71,705	**(279)**
2010			
U.S.$	50 bps	28,863	340
AED	50 bps	8,663	—
EUR	50 bps	123	2,214
JPY	50 bps	4,157	—
Others	50 bps	2,774	—
		44,580	**2,554**

The effect of increases in interest rates is expected to be equal and opposite to the effect of the decreases shown.

Liquidity Risk

The Group is subject to liquidity risk to the extent that its current assets and available sources of funds may not be sufficient to meet its current liabilities. Liquidity risk may be heightened in an organisation, such as the Group, which is experiencing substantial growth and has corresponding financing needs. The risk has been intensified by the more stringent lending requirements imposed by banks in response to the deterioration of the global financial markets since 2008.

The Group's main source of liquidity has been borrowings from third parties, cash flow from the Group's operations and, in certain circumstances with respect to the Company, capital contributions from the Government.

Whilst the Group holds a number of long-term assets, it also has short-term liabilities which may, from time to time, result in the Group's current liabilities exceeding its current assets. This was the case as of 30 June 2012 and 31 December 2011. Notwithstanding the foregoing, the Group believes that, given the liquid nature of certain of the assets that it holds (among other factors) it is able to meet all of its short-term liabilities as and when they fall due.

Equity Price Risk

Equity price risk is the risk that changes in equity prices will affect future cash flows or the fair values of financial instruments. The Group's exposure to the risk of changes in equity prices relates primarily to the Group's listed and unlisted equity securities. The Group's board of directors reviews and approves all significant investment decisions and the Group's management monitors positions on a regular basis. Economic hedging strategies are sometimes used to ensure positions are maintained within acceptable limits.

The following table demonstrates the sensitivity to reasonably possible changes in equity prices, with all other variables held constant, on the Group's income statement and equity:

	2011			**2010**		
	Change	**Effect on profit before tax**	**Effect on equity**	**Change**	**Effect on profit before tax**	**Effect on equity**
	(%)	**(U.S.$'000)**		**(%)**	**(U.S.$'000)**	
Europe	+10	507,749	106,157	+10	162,058	49,435
Middle East (excluding U.A.E.)	+10	—	33,600	+10	—	30,000
North America	+10	—	9,271	+10	—	7,964
Asia and Pacific	+10	17,875	51,580	+10	17,726	57,662
Africa	+10	—	3,670	+10	—	—

The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown, except for certain investments in Europe where there are economic hedges in place. In this case a decrease of 10 per cent. in equity price will result in an increase of U.S.$65,584 thousand on profit before tax (2010: decrease by U.S.$7,030 thousand).

The Group may realise losses on its equity securities should it decide to sell them at a price below their cost price. Please see *"Risk Factors—Risks Relating to the Group's Investment Activities and Businesses—The value of certain of the Group's assets is subject to factors beyond the Group's control and may be volatile*".

Credit Risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group's exposure to credit risk relates primarily to its operating and investing activities.

The Group companies trade only with recognised, creditworthy third parties. There are no significant concentrations of credit risk within the Group unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represented by their carrying values as at the statement of financial position date.

The Group has established procedures to minimise the risk of default by trade debtors including credit verification in order to be able to trade within the Group companies on credit terms and setting mandatory credit limits for each customer. Furthermore, receivable balances are monitored on an aged basis which keeps the exposure to bad debts at insignificant levels.

Credit risk from other financial assets of the Group comprises loans and other amounts due from banking customers, loans to associates and jointly controlled entities, held-to-maturity financial assets, financial assets at fair value through profit and loss, available-for-sale financial assets, derivative financial instruments, trade receivables, due from banks, cash and short-term deposits and other. The Group's exposure to credit risk arises from defaults of counterparties, with maximum exposure equal to carrying amounts of these instruments. The Group seeks to limit its counterparty credit risk by dealing with only reputable banks and financial institutions.

Significant Accounting Judgments, Estimates and Assumptions

The Group's consolidated financial statements have been prepared in accordance with IFRS. The preparation of the Group's 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 significant judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Investments and other financial assets

Financial assets within the scope of International Accounting Standard No. 39 *Financial Instruments: Recognition and Measurement (Revised)* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, or available-for-sale investments, as appropriate. The Group determines the classification of its financial assets at initial recognition.

The Group treats available-for-sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment and includes factors such as normal volatility in share price for quoted equities and the future cash flows and discount factors for unquoted equities.

Classification of property

The Group determines whether a property is classified as investment property or property, plant and equipment:

- Investment property comprises land and buildings (principally offices) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Property, plant and equipment comprises property that is kept for own use.

Where a property may be used partly to derive rental income and partly as owner-occupied property, provided the parts of the property could be sold or leased under a finance lease separately, they are accounted for separately. The Group accounts for the separated asset based on the ratio of the gross floor area.

Deferred tax assets

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 level of future taxable profits together with future tax planning strategies.

New feedstock, transportation and storage agreements

Throughout 2011, the Group entered into a number of key agreements, including agreements for additional sources of ethane supply and related pipeline transportation services.

These agreements have been evaluated in relation to various IFRS principles, the most significant of which was International Financial Reporting Interpretations Committee ("**IFRIC**") 4, *Determining Whether an Arrangement Contains a Lease*. IFRIC 4 requires that determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether:

- fulfillment of the arrangement is dependent on the use of a specified asset or assets; and
- the arrangement conveys a right to use the asset

Management has determined that based on evaluation of the terms and conditions of the arrangements that the feedstock and pipeline arrangements do not meet both criteria under IFRIC 4 and therefore do not contain leases, but that a material storage cavern arrangement contains a lease. Currently, there is only one material storage agreement that has been signed and management has determined this to be an operating lease.

Discontinued operations

- *INEOS Nova Joint Venture.* On 31 October 2010, Nova Chemicals entered into an agreement with an affiliate of INEOS providing for the sale of a 50 per cent. interest in the INEOS Nova Joint Venture. The sale closed on 28 February 2011. Associated results of operations and cash flows are separately reported as discontinued operations for all periods presented and the associated financial position is separately reported as assets and liabilities held for sale as of 31 December 2010.

- *Syntheon*. During 2010, the Board of Directors of Nova Chemicals approved the sale, subject to certain conditions, of Nova Chemicals' building and construction businesses, collectively known as Syntheon. The sale was initially expected to complete in 2010; however, negotiations with the intended acquirer ended without a sale being completed. Management has since developed a formal plan for the sale of Syntheon assets. Associated results of operations, financial position and cash flows are separately reported as discontinued operations and assets and liabilities held for sale as of and for the year ended 31 December 2011.
- *Ferrostaal*. On 28 November 2011, the Company, IPIC KG and MAN signed a settlement agreement whereby the parties agreed that IPIC KG would retransfer to MAN, and MAN would repurchase from IPIC KG, all of IPIC KG's shares in Ferrostaal, comprising 70 per cent. of Ferrostaal's total issued share capital. In consideration for the retransfer, MAN agreed to pay €350 million to IPIC KG. On 7 March 2012, the parties completed the transfer and jointly instructed the arbitral tribunal to terminate the arbitration proceedings between them. Associated results of operations and cash flows are separately reported as discontinued operations for all periods presented and the associated financial position is separately reported as assets and liabilities held for sale as of 31 December 2011.

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.

Business combinations

Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and liabilities, the purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires estimation by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, the useful lives of licenses and other assets and market multiples. The Group's management uses all available information to make these fair value determinations. The Group has, if necessary, up to one year after acquisition closing date to complete these fair value determinations and finalise the purchase price allocation.

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.

Carrying value of oil and gas assets

Oil and gas properties are depreciated using the units-of-production ("**UOP**") method over proved developed and undeveloped reserves.

The calculation of the UOP rate of amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on proved reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

These factors could include:

- changes in proved reserves;
- the effect on proved reserves of differences between actual commodity prices and commodity price assumptions; or

- unforeseen operational issues.

Useful life of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on projected product lifecycles. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of property, plant and equipment and intangible assets subject to amortisation

Management determines whether there are any indications of impairment to the carrying values of property, plant and equipment and intangible assets with definite lives, on an annual basis. If any such indication exists, the Group estimates the recoverable amount of the asset. This assessment requires an estimation of the value in use of the cash generating units. 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.

Impairment of goodwill

Goodwill is tested for impairment on an annual basis, at the reporting date, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit, or group of cash-generating units, to which the goodwill is allocated. Where the recoverable amount of the cash-generating units or group of cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Where applicable, for the purposes of testing goodwill for impairment, any of the related deferred tax liabilities recognised on acquisition that led to the creation of goodwill, and remain at the reporting date as estimated by the management are treated as part of the relevant cash-generating units or group of cash-generating units.

The Group's impairment test for goodwill is based on fair value less costs to sell and/or value in use calculations that use valuation techniques including discounted cash flows models. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Impairment of loans and other banking receivables due from banking customers

An estimate of the collectible amount of loans and other banking receivables due from banking customers is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the consolidated income statement.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the Group's policy for inventory provisioning.

Impairment of trade and other receivables

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the consolidated income statement.

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 arise between the actual results and 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.

Impairment of non-financial assets—impairment testing

The Group's impairment testing for non-financial assets is based on calculating the recoverable amount of each cash-generating unit or group of cash-generating units being tested. Recoverable amount is the higher of value in use and fair value less costs to sell. Value in use for relevant cash-generating units is derived from projected cash flows as approved by management and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested. Fair value less cost to sell for relevant cash-generating units is generally derived from discounted cash flow models using market based inputs and assumptions. Recoverable amount is most sensitive to the price assumptions, foreign exchange rate assumptions and discount rates used in the cash flow models.

Impairment of advances on investment properties and investment properties

Investment properties and advances paid against the purchase of properties are assessed for impairment based on an assessment of cash flows on individual cash-generating units, when there is indication that those assets have suffered an impairment loss. Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements and estimations over the useful lives of the assets, and are discounted using a range of discounting rates that reflects current market assessments of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any probable impairment.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. The estimates include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Percentage of completion

The Group uses the percentage-of-completion method in accounting for its construction contracts to deliver design services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed.

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 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. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

Fair value measurement of contingent consideration

Contingent consideration, resulting from business combinations is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a derivative and, thus, a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Development costs

Development costs are capitalised in accordance with the accounting policy of the Group. Initial capitalisation of costs is based on management's estimate that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Provision for environmental and legal expenses

The Group recognises a provision for liabilities associated with environmental and legal exposures in accordance with the Group accounting policy. The Group has made certain assumptions based on historical events and their understanding of the current legal and environmental regulations.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of probability of occurrence of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Decommissioning costs

Abandon and decommissioning costs will be incurred by the Group at the end of the operating life of wells and some of the Group's facilities and properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

DESCRIPTION OF THE GROUP

Overview

The Company was established by the Government of Abu Dhabi pursuant to an Emiri Decree in 1984 with a mandate to invest globally in energy and energy-related industries. The Government owns 100 per cent. of the Company and appoints all the members of its board of directors. Over its history, the Company has been supported by significant equity contributions from the Government. To date, the Government has made six equity contributions to the Company totalling U.S.$3.5 billion, the last of which was made in 2008. In addition to these amounts, in each of June 2010 and in the fourth quarter of 2011, the Government also provided IPIC with a U.S.$500 million perpetual shareholder loan to meet its obligations in respect of QADIC, which is a joint venture between the Government and the government of the State of Qatar. The aggregate amount of U.S.$1.0 billion is, by the nature of its terms, accounted for within equity in IPIC's statement of financial position as at 30 June 2012.

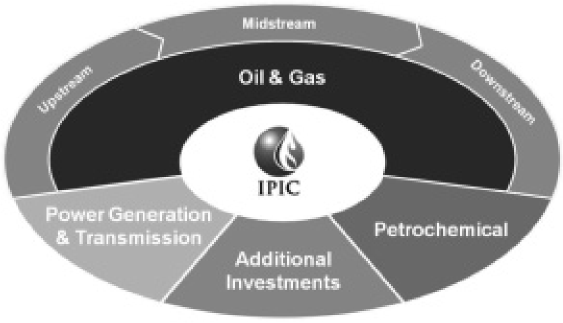
The Company is a long-term strategic investor and it currently holds more than 15 investments in over 10 countries and on five different continents. As of 30 June 2012, the Company's consolidated total assets were U.S.$65.4 billion. Its investment portfolio currently includes:

- two wholly-owned operating companies, being Nova Chemicals, a leading North American plastics and chemicals company, and CEPSA, a leading Spanish integrated oil and petrochemicals company;
- two majority-owned operating companies, being Borealis, one of the world's largest polyolefin producers and Aabar, a diversified investment company; and
- minority stakes in Cosmo Oil, a leading Japanese refining and marketing company and OMV, a leading Austrian integrated oil and gas company with a presence throughout Central and Eastern Europe.

In addition, the Company is currently undertaking the following strategic projects:

- ADCOP, a 400 kilometre pipeline project which connects Abu Dhabi's key onshore oil fields to an export terminal located in the Emirate of Fujairah on the Indian Ocean (outside the Arabian Gulf). The pipeline is intended to help mitigate the risk of a suspension of Abu Dhabi's crude oil exports in the event of a closure of, or a disruption to, the Strait of Hormuz and is expected to provide increased capacity in the export of Abu Dhabi's crude oil. The pipeline became partially operational in July 2012 with a capacity of 1.5 million barrels per day. The Company intends to gradually raise the pipeline's capacity to 1.8 million barrels per day;
- the multi-billion dollar ChemaWEyaat project at Madeenat ChemaWEyaat Al Gharbia, which is expected to comprise a series of world-class petrochemicals complexes with access to Abu Dhabi's gas and liquid petroleum feedstocks. The first phase of this project is targeted for completion in 2017 and it is currently expected to be the world's largest single-site petrochemicals facility, comprising an aromatics complex, including a naptha reformer, paraxylene and benzene units;
- the continuing expansion of the Borouge project (a joint venture in which the Company's subsidiary Borealis has a 40.0 per cent. stake) to bring advanced technology and expertise into Abu Dhabi to strengthen and develop Abu Dhabi's industrial base and hydrocarbon and petrochemicals industries;
- the multi-billion dollar Fujairah Refinery Project in the Emirate of Fujairah, which will process U.A.E. crude oil, such as Murban and Upper Zakum;
- the ELNG Project, a 50/50 joint venture with Mubadala Oil and Gas, a business unit of Mubadala, involving the development of a new LNG regasification facility on the U.A.E.'s east coast in the Emirate of Fujairah; and
- the Duqm Refinery Project, a 50/50 joint venture with OOC, a wholly-owned company of the government of the Sultanate of Oman, involving the development of a new oil refinery situated on the Sultanate of Oman's east coast in Duqm.

During the Company's 28 years of investing, it has acquired extensive insight and understanding of the hydrocarbon industry and the fundamentals of investing and portfolio management. The Company leverages its experience to invest across the entire hydrocarbon value chain while seeking synergies across its investment portfolio. An overview of the Company's investment activities is provided below.



Oil and Gas

Upstream Sector

The upstream sector consists of the exploration for and production of crude oil and natural gas. The Company's upstream investments consist of holdings in the following:

- CEPSA, OMV and Cosmo Oil.

Midstream Sector

The midstream sector consists of the processing, storage and transportation of crude oil, natural gas, natural gas liquids and sulphur. The Company's midstream investments consist of holdings in the following:

- ADCOP, PARCO, SUMED, GEM and ELNG.

Downstream Sector

The downstream sector consists of refining crude oil and the sale and distribution of natural gas and products derived from crude oil. The Company's downstream investments consist of holdings in the following:

- CEPSA, OMV, Cosmo Oil, PARCO, the Fujairah Refinery Project and the Duqm Refinery Project.

Petrochemicals

Petrochemicals are chemical products derived from petroleum. Petrochemicals include olefins such as ethylene and propylene, and aromatics such as benzene, toulene and xylene. Oil refineries produce olefins and aromatics by fluid catalytic cracking of petroleum fractions. Chemical plants produce olefins by steam cracking of natural gas liquids like ethane and propane and by steam cracking of naphtha produced in refineries. Aromatics are produced by catalytic reforming of naphtha. Olefins and aromatics are used in materials such as solvents, detergents and adhesives. Olefins are the base material for polymers in plastics products, resins, fibres, elastomers, lubricants and gels.

The Company's petrochemicals investments consist of holdings in the following:

- Borealis, Nova Chemicals, CEPSA and ChemaWEyaat.

Power Generation and Transmission

The power industry provides the generation and transmission of electrical power. The power industry is commonly split up into four processes, including: generation, transmission, distribution and retailing.

The Company's power investments consist of holdings in the following:

- EDP, OIP, CEPSA and OMV.

Additional Investments

The Company's additional investments consist of holdings in Aabar.

The Company seeks to apply the expertise, knowledge and technology of its portfolio companies for the benefit of the broader Group by fostering a culture of knowledge sharing and cooperation among its portfolio companies. In doing so, the Company assists in bringing the latest technology and expertise to Abu Dhabi. Please see "*Relationship with the Government—IPIC's Role in Abu Dhabi's Economic Strategy*".

Company History

Principal events during the Company's history include:

1984 The Government established the Company pursuant to Emiri Decree No. 3 of 1984. Ownership of the Company was initially divided equally between ADIA and ADNOC, each wholly-owned by the Government.

1986 The Government assumed direct and full ownership of the Company pursuant to Emiri Decree No. 2 of 1986.

1988 The Company made its first investment by acquiring an initial 9.6 per cent. stake (currently 100 per cent.) in CEPSA.

1994 H.H. Sheikh Mansour bin Zayed Al Nahyan, currently the Deputy Prime Minister of the U.A.E. and the U.A.E. Minister of Presidential Affairs, became, and remains, Chairman of the Company.

The Company acquired a 19.6 per cent. stake (currently 24.9 per cent.) in OMV.

1995 ADNOC, at the direction of the Government, contributed to the Company its shareholdings in PARCO (a Pakistan-based oil refinery and pipeline company), SUMED (a joint venture that operates pipelines running across Egypt from the Gulf of Suez to the Mediterranean Sea) and Pak-Arab Fertilisers Ltd ("**PAFCO**") (a manufacturer of chemical fertilisers).

1998 The Company acquired a 25.0 per cent. stake in Borealis (currently 64.0 per cent.).

1999 The Company acquired a 50.0 per cent. stake in Hyundai Oilbank (subsequently increased to 70.0 per cent. prior to disposal), a leading oil refining and marketing company in South Korea.

2004 The Company acquired a 30.0 per cent. stake in GEM, a leading commercial product tanker company in the Middle East.

2006 The Government approved the construction of ADCOP by the Company.

2007 H.E. Khadem Abdulla Al Qubaisi, a former senior executive at ADIA, became the Company's Managing Director.

The Company acquired a 20.8 per cent. stake in Cosmo Oil.

2008 ChemaWEyaat was established by Emiri Decree on 26 November 2008, with three Government owned shareholders, being the Company (40.0 per cent.), the Council (40.0 per cent.) and ADNOC (20.0 per cent.).

The Company acquired a 4.1 per cent. stake in EDP, Portugal's leading electricity company.

2009 The Company acquired 100 per cent. of Nova Chemicals.

The Company acquired a 71.2 per cent. stake (currently 95.57 per cent.) in Aabar.

The Company subscribed for the IPBC Bond which at maturity and in certain other circumstances, is exchangeable into an approximately 14.8 per cent. stake in Oil Search, a company engaged in the exploration, production, development and sale of gas and liquid hydrocarbons in the Asia Pacific and MENA regions.

The Company acquired certain financial instruments in Barclays for a total consideration of approximately U.S.$5.0 billion in 2008, which were subsequently disposed of in 2009 for proceeds of U.S.$7.1 billion.

The Company received its inaugural ratings from Fitch, Moody's and S&P.

2010 The Company sold its investment in Hyundai Oilbank for net proceeds of approximately KRW 2,314 billion (U.S.$1,950 million).

The Company established the Programme.

2011 The Company fulfilled its commitment to subscribe for the remaining mandatory convertible bonds in Aabar and converted those bonds into equity, increasing its stake from 86.2 per cent. to 93.1 per cent. In addition, the Company purchased shares of Aabar in the open market, which further increased its stake from 93.1 per cent. to 95.35 per cent. (currently 95.57 per cent.).

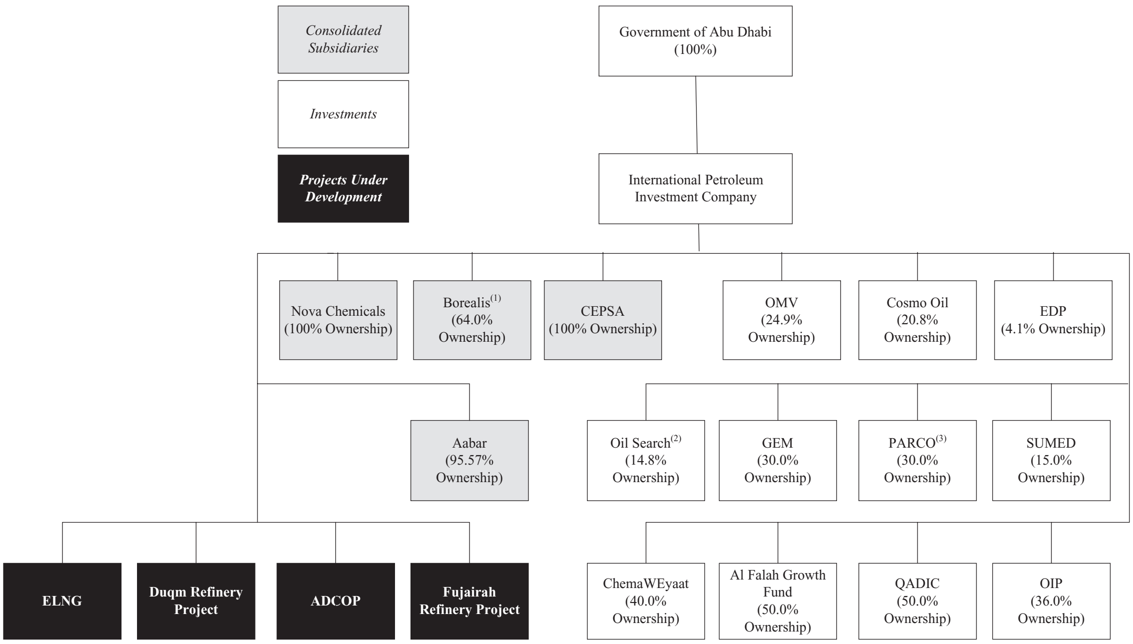
The Company increased its stake in CEPSA to 100 per cent.

The Company increased its stake in OMV to 24.9 per cent.

2012 The Company re-transferred and MAN purchased the Company's 70.0 per cent. share in Ferrostaal AG for €350 million.

Corporate Structure

The following chart illustrates the Group's simplified corporate structure (excluding various direct or indirect intermediary corporate or partnership or other structured investment entities):



(1) OMV holds the remaining 36.0 per cent. of Borealis.
(2) Upon conversion of the IPBC Bond, the Company would hold an approximate 14.8 per cent. stake in Oil Search.
(3) The Company's investment in PARCO is indirectly held through ADPIC a special purpose vehicle. ADPIC holds a 40.0 per cent. stake in PARCO and the Company has a 75.0 per cent. stake in ADPIC with the remaining 25.0 per cent. held by OMV.

Other Company Information

The Company has been assigned ratings of AA (stable outlook) by Fitch, Aa3 (stable outlook) by Moody's and AA (stable outlook) by S&P. In the case of Fitch and S&P, the Company's AA ratings are the same as those given to the Abu Dhabi sovereign and reflect the Company's strong strategic relationship with the Government.

The Company's registered office address is Al Muhairy Center Office Tower, 10th Floor, Sheikh Zayed the 1st Street, P.O. Box 7528, Abu Dhabi, United Arab Emirates, and its main telephone number is +971 2 633 6555.

The Company enjoys the strong support of the Government. Please see *"Relationship with the Government"*.

Strengths

The Company believes that it has the following key strengths:

Focused Mandate

The Company's mandate from the Government to invest in energy and energy-related industries is strongly linked to Abu Dhabi's core hydrocarbon-based economy. Please see *"Relationship with the Government—IPIC's Role in Abu Dhabi's Economic Strategy*".

Strong Track Record

The Company has prudently invested to develop a large and diversified portfolio that currently consists of more than 15 investments in over 10 countries and on five different continents operating across the hydrocarbon value chain. The Company has historically enjoyed stable dividend income from its portfolio. On an unconsolidated basis, the Company had dividend income from its portfolio companies of U.S.$494 million in the six months ended 30 June 2012, U.S.$624 million in the year ended 31 December 2011, U.S.$324 million in the year ended 31 December 2010 and U.S.$280 million in the year ended 31 December 2009. From 31 December 2009 to 30 June 2012, the Company's consolidated total assets increased from U.S.$46.3 billion to U.S.$65.4 billion, primarily as a result of its investing activities.

The Company intends to continue focusing its strategy on investments that deliver new products, technology and markets to the Government and its other portfolio companies. The acquisition of Nova Chemicals, for example, provided the Group with new product technology that complements the Company's existing portfolio and also gives access to the North American market. The Company has built a strong reputation and has a proven track record of enhancing the value of its investments, and as such management believes that the Company will continue to play an important role in the Government's investment strategy. This strong record of enhancing value has been demonstrated by Nova Chemicals. Since the Company's acquisition of Nova Chemicals, its EBITDA margin has increased from 13.2 per cent. in the year ended 31 December 2009 to 24.4 per cent. in the year ended 31 December 2011.

Experienced Board of Directors

The Company benefits from an experienced board of directors comprised of senior members of the Government, the energy industry and the financial services industry. For example, the Chairman of the board of directors, H.H. Sheikh Mansour bin Zayed Al Nahyan, is a member of the ruling family of Abu Dhabi, the Deputy Prime Minister of the U.A.E. and the U.A.E. Minister of Presidential Affairs. In addition, three board members sit on Abu Dhabi's Supreme Petroleum Council, two board members sit on the Government's Executive Council, two board members are chairmen of leading Abu Dhabi banks, one is the Chairman of the U.A.E. Central Bank and one board member is the Minister of Energy of the U.A.E. Please see "Management—Board of Directors".

Proven Ability to Derive Synergies from Portfolio

The Company has a proven ability to derive synergies by fostering partnerships among its portfolio companies as well as deriving value for the Government and thereby Abu Dhabi itself. As highlighted in the 2030 Economic Vision, the Company, through its investment in Borealis and its partnership with ADNOC, has developed Borouge, Abu Dhabi's largest and most technologically advanced petrochemicals complex to date, which is also one of the largest sites of its kind in the world. The Company believes that it is well positioned to continue to identify attractive investment opportunities and grow its existing portfolio through its network of relationships and its relationship with the Government. The Company expects to continue to pursue investment opportunities which will further enhance the synergies across its portfolio of investments.

Close Relationship with the Government

The Company is wholly-owned by the Government, which appoints all of the Company's board of directors. The Company has received six equity contributions from the Government totalling U.S.$3.5 billion, the last of which was in 2008.

In addition to these amounts, in each of June 2010 and in the fourth quarter of 2011, the Government also provided IPIC with a U.S.$500 million perpetual shareholder loan to meet its obligations in respect of QADIC, which is a joint venture between the Government and the government of the State of Qatar. The aggregate amount of U.S.$1.0 billion is, by the nature of its terms, accounted for within equity in IPIC's statement of financial position as at 30 June 2012. In addition, while the Government does not guarantee the obligations of the Company, the Abu Dhabi Department of Finance has issued a statement on 5 March 2010 stating, among other things, that the Government backs the Company fully and unconditionally (please see *"Relationship with the Government—Government Statement of Support for IPIC"*). As a result of the Company's close relationship with the Government, from time to time the Government presents the Company with exclusive opportunities to participate in or directly make certain investments.

Investment Policies

The Company adheres to investment policies which it believes are disciplined and prudent and which have contributed to its success. The principal components of the Company's investment policies are its investment strategy and criteria and its investment process.

Investment Strategy and Criteria

The Company's principal mandate is to invest globally in energy and energy-related industries.

Invest long-term in a commercial and profitable manner

The Company is focused on making investments that generate value for its shareholder, the Government. When making equity investments, the Company generally seeks to acquire controlling or significant minority stakes in companies that give it adequate governance rights and board representation. This allows the Company to provide strategic direction to its portfolio companies, influence dividend policies and realise synergies within the Group.

Foster partnerships which complement the Company's existing portfolio and benefit Abu Dhabi

The Company seeks out opportunities which allow it to apply the expertise, knowledge and technology of its portfolio companies for the benefit of the broader Group by fostering a culture of knowledge sharing and cooperation among its portfolio companies. Correspondingly, companies within the Group are able to benefit from the Company's unique pipeline of investment opportunities and contact networks.

The Company seeks opportunities which will bring in expertise, knowledge and technology to further the development and diversification of Abu Dhabi's economy. For example, in 1998 the Company, through its subsidiary Borealis, established Borouge as a joint venture with ADNOC to build a state-of-the-art ethylene and "Borstar" polyethylene complex in Abu Dhabi. In 2010, Borouge tripled its polyolefin capacity to 2 million tonnes per year and awarded engineer, procure and construct contracts ("**EPC Contracts**") to expand capacity by a further 2.5 million tonnes per year of polyethylene and polypropylene by the end of 2013. Borouge is Abu Dhabi's largest and most technologically advanced petrochemicals complex to date and is also one of the largest sites of its kind in the world.

Diversify operations and portfolio to limit geographical and sector exposure

The Company seeks to make long-term investments which diversify its operations and portfolio to limit geographical or sector exposure. It has made more than 15 investments in over 10 countries and on five different continents creating a Group that operates globally. The Company's portfolio provides exposure to the entire hydrocarbon value chain, including exploration and production, transportation, refining and marketing, petrochemicals and power. The Company's controlling stake in Aabar brings additional geographic and sector diversification to its portfolio.

Investment Process

Investment proposals considered by the Company are generally assessed and executed in accordance with the investment process set out below. However, when opportunities arise which require expedient assessment and execution, the Company has the ability to undertake an accelerated process. All investments are approved by the Company's board of directors prior to execution.

The investment process consists of the following phases:

- *Origination*. Investment proposals considered by the Company may originate internally or be proposed to the Company by third parties, such as one of its portfolio companies, the Government, banks or potential investment partners. Investment proposals that originate internally are sourced by the Company's Investment Department (in relation to which, please see "*Management—Principal Departments—Investment Department*") or by members of the Company's senior management.

- *Screening and Preliminary Evaluation*. Each proposed investment is evaluated by the Investment Department in light of the investment criteria described above and in comparison to alternative investment opportunities. During this stage, the evaluators discuss with the Company's Finance and Accounts Department (in relation to which, please see "*Management—Principal Departments—Finance and Accounts Department*") the capital structure for the proposed investment.

- *Managing Director's Approval to Incur Expenses*. The proposed investment is further discussed with the Company's Managing Director, who is responsible for approving the appointment of advisors to assist in the evaluation of the proposal. If the proposed investment is sufficiently large, the Company's board of directors is consulted. At this stage, an internal deal team with the relevant expertise (and potentially experts from other companies within the Group that have relevant knowledge) is identified to further assess and execute the potential transaction.

- *Due Diligence.* A technical, financial, commercial and/or legal study of the proposed investment is commissioned with the support of the Company's advisers. The findings of this due diligence exercise are reviewed by the internal deal team who prepares an investment memorandum containing an investment recommendation and setting forth any potential areas of concern. At this stage, the deal team further considers optimal financing options and structuring, taxation, regulatory approvals and other aspects of the proposed investment.

- *Senior Management and Managing Director's Review and Approval.* The investment memorandum is presented to senior management and the Managing Director for their consideration and approval. If the memorandum is approved, the Managing Director presents the proposal to the board of directors.

- *Board of Directors' Review and Preliminary Approval.* The board of directors assesses the merits of the potential investment and provides guidance to senior management on the appropriate next steps once the transaction is given preliminary approval.

- *Negotiation with Target*. If the board of directors supports the transaction, the deal team, together with its advisers, will negotiate and agree the outstanding aspects of the transaction, including the detailed terms of the investment and the details of the financing for the transaction.

- *Board of Directors' Final Approval.* The final stage in the investment process is formal approval by the board of directors of the final terms of the transaction. The approval of the board of directors is obtained prior to signing and public announcement of the transaction.

The Investment Department is responsible for the main aspects of the foregoing investment process and works in tandem with the Finance and Accounts Department and the Legal Division (in relation to which, please see "*Management—Principal Departments*").

When investing in projects, the Company follows a similar process, save that the due diligence component comprises of pre-feasibility studies conducted by experts both within the Group and sourced externally, which are then followed by detailed feasibility studies.

Funding Principles

The Company employs a flexible funding strategy which depends on a number of factors, including the characteristics of the investment being financed, the state of the financing markets and the timing of other transactions being undertaken by the Company. To date, the sources of financing available to the Company have been dividends and interest received from investments, capital markets financing under the Programme, external bank financing and equity contributions from the Government.

Individual portfolio companies also raise funds to finance their development and operations. The Company gives its subsidiaries sufficient flexibility to determine and adopt the optimal funding strategy for their respective businesses. It does not generally provide financial support to its subsidiaries, nor does it generally provide guarantees for borrowings by its subsidiaries. The Company does, however, provide guidance and direction to its portfolio companies on their capital structure and dividend policy, taking into account the sector in which they operate and relevant market conditions.

The Company has not paid any dividends to the Government to date, nor is the Company aware of any plans by the Government to request any dividends for the foreseeable future, although there can be no assurance that this will remain the case.

Investment Management

The Company monitors the performance of its portfolio companies through the members of its board of directors and senior management who serve as directors of the various portfolio companies. The performance of the investments are also carefully monitored by the Investment and Finance and Accounts Departments, as well as the Legal Division, and is reviewed by the board of directors.

The Company holds an investment meeting chaired by its Managing Director on a regular basis which includes a discussion of the performance of the Company's investments and projects and any issues relating to them. These meetings are attended by members of the Investment, Finance and Accounts Departments and the Legal Division.

The Company does not generally interfere with the operations of its portfolio companies. However, in exceptional circumstances, the Company will seek to utilise its representation on the relevant portfolio company's board of directors to address operational or financial issues. An example of this is the Company's investment and management of Nova Chemicals where, following completion of the acquisition, the Company replaced all members of the board of directors and certain members of senior management and assisted the company in meeting its short-term refinancing obligations (both pre-acquisition and post-acquisition, through participation in discussions with key lenders). Since the Company's acquisition of Nova Chemicals, its operating and financial performance has significantly improved, contributing U.S.$380 million, U.S.$615 million and U.S.$262 million to the Group's consolidated profit for the six months ended 30 June 2012, the year ended 31 December 2011 and the year ended 31 December 2010, respectively.

While the Company considers itself a long-term investor, it has, to date, divested five of its investments:

- PAFCO, as a result of nationalisation by the government of Pakistan (2004);
- Barclays, as a result of the direction of the shareholder of the Company, the Government (2009);
- Hyundai Oilbank, following compliance with an arbitral award (2010);
- OPP, as a result of nationalisation by the government of the Sultanate of Oman (2010); and
- Ferrostaal, as a result of the Company's settlement with MAN (2012).

Existing Investment Portfolio

The following table sets forth summary information regarding the Company's principal portfolio companies as at the date of this Base Prospectus.

Investment	Sector	Date of Initial Investment	Percentage Ownership	Board Representation	Accounting Treatment	Headquarters	Public/ Private
Consolidated Subsidiaries							
CEPSA[(1)]	Integrated oil and petrochemicals	1988	100	5 of 5	Consolidated	Spain	Private
Borealis[(2)]	Petrochemicals	1998	64.0	3 of 5*	Consolidated	Austria	Private
Nova Chemicals	Petrochemicals	2009	100	5 of 7	Consolidated	Canada	Private
Aabar	Diversified investments	2009	95.57	5 of 5	Consolidated	U.A.E.	Private
Non-consolidated Investments							
OMV	Integrated oil and petrochemicals	1994	24.9	2 of 15*	Equity Method	Austria	Public
Cosmo Oil	Refining and marketing	2007	20.8	2 of 10	Available-for-Sale	Japan	Public
EDP	Power	2008	4.1	1 of 17	Available-for-Sale	Portugal	Public
PARCO[(3)]	Refining and marketing	1995	30.0	3 of 10	Equity Method	Pakistan	Private
SUMED	Oil transportation	1995	14.8	2 of 14	Available-for-Sale	Egypt	Private
GEM	Commercial tankers	2004	30.0	2 of 7	Equity Method	U.A.E.	Private
Convertible Instruments							
IPBC Bond	—	2009	—	—	Amortised Cost	Papua New Guinea	Private

* Denotes Supervisory Board which is responsible for overseeing the actions of the Management Board in its day-to-day management of the company.

(1) The Company finalised its acquisition of the entire share capital of CEPSA not already owned by the Company in July and August 2011.

(2) OMV holds the remaining 36.0 per cent. of Borealis.

(3) The Company's investment in PARCO is indirectly held through ADPIC, a special purpose vehicle. ADPIC holds a 40.0 per cent. stake in PARCO and the Company has a 75.0 per cent. stake in ADPIC with the remaining 25.0 per cent. held by OMV.

In addition to the investments listed in the table above, the Company is also involved in a number of projects, including ADCOP, ChemaWEyaat, the Fujairah Refinery Project, ELNG Project and the Duqm Refinery Project. Please see *"—Projects Under Implementation*".

Consolidated Subsidiaries

The Company has the following investments in portfolio companies that are consolidated for the purposes of the Financial Statements.

Compañía Española de Petróleos, S.A.

The Company made its initial investment in CEPSA in 1988 by way of the acquisition of a 9.6 per cent. stake, which it increased to 47.1 per cent. in 2009. In 2011, the Company completed the acquisition of all of the outstanding common shares of CEPSA. The Company appoints all of the members of CEPSA's board of directors in accordance with applicable law and CEPSA's articles of association, which also provide for the appointment of an audit committee and a nomination and compensation committee, each composed of non-executive directors, by the board of directors. In 2011, the Company obtained control of CEPSA, which led to CEPSA being consolidated in the Company's consolidated financial statements from 5 July 2011.

Based in Madrid, CEPSA is a leading Spanish integrated oil and petrochemicals company. CEPSA has four business areas: exploration and production; refining and marketing; petrochemicals; and gas and power. CEPSA's main exploration and production assets are located in Algeria and the Republic of Colombia. CEPSA operates three refineries in Spain, accounting for more than one third of Spain's total refining capacity. CEPSA markets its products domestically through a network of nearly 1,800 outlets and sells motor and other fuels through wholesale channels to different sectors. In addition, CEPSA has a world-class chemicals division which is tightly integrated with its oil refining segment, manufacturing and selling feedstock for the production of high value-added components chiefly used in making new-generation plastics and biodegradable detergents. CEPSA has petrochemicals manufacturing facilities located in Spain, Canada and Brazil, and a facility under construction in The People's Republic of China. CEPSA's gas and power operations are carried out primarily through joint ventures engaged in the commercialisation of natural gas and the operation of gas-fired power plants and cogeneration facilities for refineries and production sites. One such joint venture is Medgaz, a joint venture created to design, build and operate a gas pipeline linking Algeria and Europe via Spain in which CEPSA has a 20.0 per cent. stake. As of 30 June 2012, CEPSA had approximately 12,000 employees.

As of 30 June 2012, CEPSA had total assets of U.S.$18,386 million and borrowings of U.S.$4,317 million. For the six months ended 30 June 2012, CEPSA had U.S.$18,664 million in revenues and U.S.$317 million in profit from continuing operations.

The Company invested in CEPSA with a view to providing the Company with a platform to participate in the Mediterranean refinery market and for future growth in all aspects of the hydrocarbon value chain. The Company's investment in CEPSA is intended to enable the Company to expand into new regions, whilst realising potential synergies between CEPSA and other companies in the Company's portfolio.

Borealis AG

In 1998, the Company and OMV made their initial investment in Borealis, each acquiring a 25.0 per cent. stake. In 2005, the Company and OMV acquired full ownership of Borealis and currently hold 64.0 per cent. and 36.0 per cent. stakes, respectively. The Company has three representatives on Borealis' supervisory board.

Based in Vienna, Austria, Borealis is a major polyolefin producer, focusing on polyethylene and polypropylene materials. These provide solutions for pipe systems, energy and communication cables, automotive and advanced packaging materials. Borealis, together with Borouge, its Abu Dhabi petrochemicals joint venture with ADNOC, is one of the leading global suppliers of advanced polyolefin plastics solutions for the pipe mobility and advanced packaging industry and a leading provider of polyolefin compounds for the global wire and cable industry. Borealis, at its facilities in Europe, also produces ethylene and propylene as well as base chemicals, including phenol, acetone and melamine, together with nitrogenous fertilisers. As of 30 June 2012, Borealis had approximately 5,348 employees.

For the six months ended 30 June 2012, Borealis contributed U.S.$4.9 billion of revenue (after consolidation elimination entries) representing 18.5 per cent. of the Group's consolidated total revenue for the period. As of 30 June 2012, Borealis represented U.S.$8.6 billion of assets (after consolidation elimination entries) or 13.1 per cent. of the Group's consolidated total assets at such date.

The Company acquired its interest in Borealis on the basis of Borealis' potential contribution to the development of the petrochemicals sector in Abu Dhabi, which resulted in the Borouge joint venture between Borealis and ADNOC (as described below). Borealis also complements OMV's refining operations, which produce feedstock ethylene and propylene.

Borouge

Borealis holds a 40.0 per cent. stake in Borouge, a joint venture with ADNOC which holds the remaining 60.0 per cent. Based on Borealis' proprietary "Borstar" technology, Borouge produces polyethylene and polypropylene products for the infrastructure and advanced packaging markets in the Asia Pacific and MENA regions. Borouge Pte, in which Borealis and ADNOC each hold 50.0 per cent. of the shares, markets these products as well as Borealis' entire premium grade product range throughout these regions. Borouge provides Borealis with access to a region with low-cost feedstock that is close to the growth markets of The People's Republic of China, India and South East Asia. As of 30 June 2012, Borouge and Borouge Pte together had approximately 2,358 employees.

Borouge is Abu Dhabi's largest and most technologically advanced petrochemicals operation to date. Its Borouge 2 complex became fully operational in early 2011, taking Borouge's annual production capacity to approximately 2 million tonnes of polyolefins. In late 2010, Borouge awarded EPC Contracts for the next phase of development, Borouge 3, which is expected to provide an additional 2.5 million tonnes of polyolefins annual production capacity, including a low density polyethylene unit to produce high performance materials for wire and cable applications. Borouge 3 is expected to be operational by the end of 2013.

Borouge and Borealis are also currently developing an Innovation Centre in Abu Dhabi scheduled to be fully operational by the end of 2012. The focus of the Innovation Centre will be to develop practical solutions for advanced plastic material applications, and will work closely with Borealis' existing European Innovation Centres in Austria, Finland and Sweden. With state of the art equipment, the Innovation Centre will:

- represent a significant investment in research capabilities to meet customer needs in the Asia Pacific and MENA regions;
- form part of the strategic plans of both Borouge and Borealis to expand and become the leading supplier of innovative plastics solutions in the Asia Pacific and MENA regions;
- complement and ensure full support for the Borouge 2 market introduction and "Borstar"-grade application development; and
- initially focus on development of pipe, film and moulding applications.

Nova Chemicals Corporation

In 2009, the Company completed the acquisition of all of the outstanding common shares of Nova Chemicals, a company based in Calgary, Canada. The Company appoints all members of Nova Chemicals' board of directors in accordance with applicable law and Nova Chemicals' articles of continuance, which provide for the appointment of an independent chairman of the audit committee of the board of directors. Nova Chemicals is one of North America's leading plastics and chemicals companies, developing and manufacturing materials for customers worldwide that produce consumer, industrial and packaging products. Nova Chemicals' operations are divided principally into two business units: the olefins/polyolefins business unit, which produces and markets ethylene, polyethylene, higher-value polyethylene and a variety of chemical and energy products, and the performance styrenics business, which produces and markets expandable polystyrene in North America, as well as higher-value styrenic polymers. As of 30 June 2012, Nova Chemicals had approximately 2,450 employees globally.

Nova Chemicals has been assigned ratings of BB (positive) by Fitch, Ba1+ (stable) by Moody's and BB+ (stable) by S&P.

For the six months ended 30 June 2012, Nova Chemicals contributed U.S.$2.8 billion of revenue (after consolidation elimination entries) representing 10.5 per cent. of the Group's consolidated total revenue for the period. As of 30 June 2012, Nova Chemicals represented U.S.$6.0 billion of assets (after consolidation elimination entries) or 9.2 per cent. of the Group's consolidated total assets at such date.

The Company acquired Nova Chemicals with a view to gaining access to Nova Chemicals' advanced technology, for the purpose of harnessing potential synergies with its other portfolio companies. In addition, Nova Chemicals' petrochemicals capabilities in North America complement the Group's existing petrochemicals operations in Europe and the Middle East and expand the Group's product range and marketing capabilities, enabling it to offer a full range of premium grade polyethylene products.

Aabar Investments P.J.S.

The Company made its initial investment in Aabar in 2009 and, through a series of transactions between 2009 and 2012 (including an offer to acquire all of the outstanding shares of Aabar from its public shareholders), increased its stake to 95.57 per cent. as at the date of this Base Prospectus. In addition, the shareholders of Aabar have recently approved the conversion into equity of an AED 7.34 billion loan from the Company to Aabar. Upon conversion, which is expected to occur in 2012, the Company's shareholding in Aabar will increase to approximately 97.28 per cent.

Aabar is a diversified investment company that executes investments domestically and internationally in a broad range of sectors. In September 2010, Aabar's shares were delisted from the Abu Dhabi Securities Exchange.

Since the Company first acquired a stake in Aabar, Aabar has made a number of investments in a broad range of sectors, including aerospace, automotive, construction, commodities and food security, financial services and real estate, resulting in an increase of Aabar's consolidated total assets from AED 37.3 billion (U.S.$10.1 billion) as of 31 December 2009 to AED 72.5 billion (U.S.$19.7 billion) as of 30 June 2012.

For the six months ended 30 June 2012, Aabar contributed U.S.$48.8 million of revenue (after consolidation elimination entries) representing 0.2 per cent. of the Group's consolidated total revenue for the period. As of 30 June 2012, Aabar represented U.S.$19.9 billion of assets (after consolidation elimination entries) or 30.5 per cent. of the Group's consolidated total assets at such date.

The Company acquired its stake in Aabar with a view to increasing flexibility in its investment strategy not only by diversifying the Company's portfolio into non-hydrocarbon sectors, but also by providing a vehicle through which the Company can participate in short- to long-term investments. In providing diversification to the Company's core holdings, the Company's investment in Aabar also assists the Government to fulfil its diversification objectives as articulated in the 2030 Economic Vision.

The following table sets forth certain summary information regarding Aabar's most significant investments:

Investment	Public/Private	Closing Date	Percentage Ownership	Headquarters
Mercedes-Benz Grand Prix	Private	December 2009	40.0	United Kingdom
Falcon Bank	Private	April 2009	100.0	Switzerland
UniCredit	Public	June 2010	6.75	Italy
Virgin Galactic	Private	October 2010	37.8	U.S.A.
Xojet Inc	Private	January 2011	45.9	U.S.A.
Glencore	Public	May 2011	1.4	Switzerland
Banvit	Public	August 2011	16.32	Turkey
RHB	Public	September 2011	24.42	Malaysia
Arabtec	Public	June 2012	21.6	U.A.E.
Al Izz Islamic Bank	Public	October 2012	20.0	Sultanate of Oman

Source: Aabar.

Details of these investments are described below:

- *Mercedes-Benz Grand Prix*. In December 2009, Aabar, together with Daimler U.K. plc, a subsidiary of Daimler, acquired a 75.1 per cent. stake in Brawn GP Limited (now Mercedes-Benz Grand Prix), of which Aabar's shareholding was 30.0 per cent. In March 2011, Aabar and Daimler U.K. plc acquired the remaining shares of Mercedes-Benz Grand Prix, which increased Aabar's shareholding to 40.0 per cent. Founded in March 2009, Brawn GP was the 2009 Formula One World Constructors' Champion. On 14 November 2012, Aabar entered into a share purchase agreement with Daimler U.K. Limited, a subsidiary of Daimler, pursuant to which Daimler U.K. Limited has agreed to acquire all of Aabar's 40.0 per cent. stake in Mercedes-Benz Grand Prix. The sale is conditional on certain regulatory clearances.
- *Falcon Bank*. In April 2009, Aabar completed its acquisition of AIG Private Bank Ltd. (which has since been renamed Falcon Private Bank Ltd) from American International Group, Inc. Falcon Bank, founded in 1965 and headquartered in Zurich, Switzerland, offers personalised wealth management solutions for high net worth clients, families and institutional investors with sophisticated wealth management and investment requirements. Falcon Bank has branches and offices in Abu Dhabi, the Emirate of Dubai, Geneva, Hong Kong and Singapore.
- *UniCredit.* In June 2010, Aabar acquired a 4.99 per cent. stake in UniCredit, increasing this to 6.75 per cent. in February 2012 by subscribing for additional shares in a rights issue and purchasing shares on the open market. Founded in 1998 and headquartered in Milan, Italy, UniCredit is a major financial institution with strong roots in 22 European countries and an established international network in approximately 50 markets, with about 160,000 employees and approximately 9,500 offices.
- *Virgin Galactic*. In October 2010, Aabar acquired a stake of 31.8 per cent. in the holding company of Galactic Ventures LLC, a company that intends to launch the world's first commercial spaceline. In 2011, Aabar provided funds to Galactic Ventures LLC for the development and operation of a satellite launch system. This increased Aabar's stake in Galactic Ventures LLC to 37.8 per cent.
- *Xojet Inc*. In January 2011, Aabar acquired a 28.0 per cent. stake in Xojet Inc., increasing this to 45.9 per cent. in 2012. The company was founded in 2006 and is based in San Carlos, California with an office in New York. The company provides private aviation services to clients across the United States and other jurisdictions.
- *Glencore*. In May 2011, Aabar acquired a 1.4 per cent. stake in Glencore as part of Glencore's initial public offering. Glencore, founded in 1974 and headquartered in Baar, Switzerland, is one of the world's leading integrated producers and marketers of commodities, with worldwide activities in the production, sourcing, processing, refining, transporting, storage, financing and supply of metals and minerals, energy products and agricultural products. Glencore also provides financing, logistics and other supply chain services to producers and consumers of commodities.

- *Banvit*. In August 2011, Aabar acquired a 16.3 per cent. stake in Banvit. Founded in 1968 and headquartered in Bandirma, Turkey, Banvit is a producer and supplier of a range of frozen, cooked and ready-to-cook chicken and turkey products to Eastern Europe and Far East countries.
- *RHB*. In September 2011, Aabar acquired a 24.9 per cent. stake in RHB. Incorporated in 1994 and headquartered in Kuala Lumpur, Malaysia, RHB is the holding company of RHB Banking Group, the fifth largest fully integrated financial products and services provider in Malaysia. Aabar's stake was subsequently reduced to 24.42 per cent. due to the dividend capitalisation plan exercised by some of the shareholders.
- *Arabtec*. In the second half of 2011, Aabar acquired an initial 2.0 per cent. stake in Arabtec, increasing this to 21.6 per cent. in the first half of 2012. Arabtec was established in Dubai, U.A.E. in 1975 and is the largest construction company in the U.A.E. by market value and has executed a number of high profile construction projects, including the Burj Khalifa, the Burj Al Arab, Terminal 1 of Dubai International Airport and the passenger terminal of Dubai World Central International Airport.
- *Al Izz Islamic Bank*. In the third quarter of 2012, Aabar acquired a 20 per cent. stake, as a founding shareholder, of Al Izz Islamic Bank. Al Izz Islamic Bank has been established as one of the Sultanate of Oman's first Islamic banks and will offer comprehensive business and retail Islamic banking solutions, in accordance with Omani law and Central Bank of Oman regulations governing Islamic banking in the Sultanate of Oman. Al Izz Islamic Bank completed its initial public offering in October 2012, with the listing of its share capital in the Sultanate of Oman anticipated in December 2012.

Real Estate Investments

Aabar has invested in various real estate development projects in the U.A.E., the Hashemite Kingdom of Jordan, the Kingdom of Morocco, Spain and the United States, which include mixed-use, commercial, hospitality and residential developments.

Aabar is focused on supporting the 2030 Economic Vision by developing an extensive range of properties predominantly located in Abu Dhabi. These projects are spread across a wide range of master developments in Abu Dhabi including Al Raha Beach, Al Reem Island, Rawdhat and Saraya. In addition, in the Kingdom of Morocco, Aabar, together with other investors, has agreed with the Kingdom of Morocco's Fund for the Development of Tourism to invest into a newly-created vehicle called Wessal Capital, which will focus on developing new tourism resorts in the Kingdom of Morocco. In the United States, Aabar is participating in the development of a 90-storey luxury apartment building which will also include the Park Hyatt hotel at 157 West 57th Street in Manhattan, New York City.

Non-Consolidated Investments

The Company has made the following investments in portfolio companies that are included in the Financial Statements but are not consolidated subsidiaries.

OMV AG

The Company currently holds a 24.9 per cent. stake in OMV, with 31.5 per cent. held by Österreichische Industrieholding AG, Austria's investment and privatisation agency, and the remaining shares held by public shareholders. The Company has two representatives on OMV's supervisory board.

Based in Vienna, Austria, and listed on the Vienna Stock Exchange, OMV is one of the largest listed industrial companies in Austria by market capitalisation and is one of the leading integrated oil and gas companies in Central Europe. OMV has four integrated business units: exploration and production; refining and marketing; petrochemicals; and gas and power. OMV's exploration and production portfolio spans 17 countries and OMV has a total annual refining capacity of 25.8 million tonnes. OMV also operates across the entire gas value chain, including operating the gas logistics centre through which one-third of all natural gas exports from the Commonwealth of Independent States to Western Europe flow. As of 30 June 2012, OMV had approximately 41,200 employees.

OMV has been assigned ratings of A- (stable) by Fitch and A3 (stable) by Moody's.

As of 30 June 2012, the net carrying value of OMV in the Group's consolidated financial statements was U.S.$3.6 billion, representing 5.6 per cent. of the Group's consolidated total assets at such date.

The Company acquired its interest in OMV with a view to accessing refining knowledge and technology, expanding its exposure to the entire hydrocarbon value chain and gaining a platform to expand its business into Central and Eastern European end-markets.

Cosmo Oil Co. Ltd.

The Company currently holds a 20.8 per cent. stake in Cosmo Oil. The Company has two representatives on Cosmo Oil's board of directors.

Based in Tokyo, and listed on the Tokyo Stock Exchange, Cosmo Oil is one of Japan's largest oil refining and marketing companies. Cosmo Oil operates four refineries in Japan and markets its products domestically through a network of over 3,500 petrol stations, as well as overseas. Cosmo Oil engages in crude oil exploration and production operations, primarily in the U.A.E. and the State of Qatar, and also produces and sells petrochemicals products. As of 30 June 2012, Cosmo Oil had approximately 3,000 employees.

Cosmo Oil has been assigned a rating of Baa3 (stable) by Moody's.

The U.A.E. and Japan enjoy strong commercial ties, with Japan being the largest importer of oil from the U.A.E. and the U.A.E. being one of the largest exporters of crude oil to Japan. The Company's investment was made with a view to strengthening these ties while providing the Company with a platform for further growth through partnerships with Cosmo Oil in the Asia Pacific region, a key growth region, and underpinning Cosmo Oil's existing concessions for oil exploration and production in the U.A.E. The Company's investment in Cosmo Oil was also driven, in part, by the potential benefits of synergies between Cosmo Oil and other companies within the Group.

Energias de Portugal, S.A. (EDP)

The Company holds a 4.1 per cent. stake in EDP, a public company listed on Euronext Lisbon and one of the largest companies in Portugal by market capitalisation as of 30 June 2012. The Company has one representative on EDP's board of directors.

Based in Lisbon, EDP is a vertically integrated electric power company and a leading generator, distributor and supplier of electricity in Portugal. EDP also has a significant presence in Brazilian electricity generation and distribution through its subsidiary EDP Energias do Brasil, S.A. and in United States wind energy generation through its subsidiary Horizon Wind Energy LLC.

EDP has assigned ratings of BBB+ (negative) by Fitch, Ba1 (negative) by Moody's and BB+ (negative) by S&P.

The Company's investment in EDP, its first investment in the power sector, provides it with diversification in the energy sector through a leading European power company and was made with a view to advance cooperation with EDP in the renewable, electricity and gas sectors.

Pak-Arab Refinery Limited (PARCO)

The Company and OMV currently hold indirect 30.0 per cent. and 10.0 per cent. stakes, respectively, in PARCO through their joint investment vehicle ADPIC. Based in Pakistan, PARCO is an energy supplier whose primary activities include oil refining, oil and products pipeline systems, storage and allied facilities and marketing. PARCO owns a refinery in Multan, Pakistan, with a capacity of 100,000 barrels per day, a crude oil pipeline (with a total length of 870 kilometres) running from Karachi to Multan and two refined products pipelines (with a total length of 1,230 kilometres).

Arab Petroleum Pipeline Company (SUMED)

The SUMED pipelines (also known as the Suez-Mediterranean pipelines) are owned by SUMED, a joint venture formed in 1977 between the Company, Egyptian General Petroleum, Saudi Arabian Oil Company, three Kuwaiti companies and Qatar Petroleum, in which the Company has a 14.8 per cent. stake. The SUMED pipelines consist of two parallel 320 kilometre oil pipelines that run across Egypt from the Gulf of Suez to the Mediterranean and provide an economic alternative to the Suez Canal for oil being transported from the Arabian Gulf region to the Mediterranean, in particular, in light of the inability of certain super tankers to pass through the Suez Canal due to their size.

Gulf Energy Maritime P.J.S.C. (GEM)

GEM is a joint venture formed in 2004 between the Company, the Emirates National Oil Company, a company wholly-owned by the Government of the Emirate of Dubai, OOC, a company wholly-owned by the Sultanate of

Oman, and Thales, a French electronics and information systems company. The Company holds a 30.0 per cent. stake in GEM. Based in the Emirate of Dubai, GEM is one of the leading independent commercial product tanker companies in the Middle East and manages and invests in modern state-of-the-art double-hulled tankers designed to carry petroleum products, chemicals and other hydrocarbons. As of 30 June 2012, GEM had a fleet of 19 double-hulled tankers.

Qatar and Abu Dhabi Investment Company (QADIC)

QADIC was formed in January 2009, following an agreement between the Government and the government of the State of Qatar, who wished to form a joint investment company to target global acquisitions.

The Government chose to hold its 50.0 per cent. stake through the Company, whilst the government of the State of Qatar chose to hold its stake through the Qatar Investment Authority (the "**QIA**"). In each of June 2010 and in the fourth quarter of 2011, the Government provided IPIC with a U.S.$500 million perpetual shareholder loan to meet its obligations in respect of QADIC. The aggregate amount of U.S.$1.0 billion is, by the nature of its terms, accounted for within equity in IPIC's statement of financial position as at 30 June 2012.

The Company and the QIA will invest equal amounts into the fund. As at the date of this Base Prospectus, each party has committed to invest U.S.$1.0 billion of equity into QADIC, with U.S.$50 million already paid by each of the Company and the QIA, and a further U.S.$950 million to be paid by each of them in the future.

Al Falah Growth Fund

The Company has held a 50.0 per cent. stake in the Al Falah Growth Fund since 2008. The Al Falah Growth Fund's investment objective is to invest in companies operating in Kazakhstan or elsewhere in the Commonwealth of Independent States in order to pursue international business opportunities. The Al Falah Growth Fund focuses on a number of sectors including oil and gas, mining, energy, finance, insurance and real estate as well as information and communications technology.

Oasis International Power (OIP)

The Company acquired a 36.0 per cent. stake in OIP in 2009. OIP is involved in the development, ownership, operation and maintenance of independent water and power plants, renewable energy and environmental projects in the MENA region, with the remaining 64.0 per cent. owned by International Power.

Convertible Instruments

IPBC Bond

In 2009, the Company subscribed for a five-year, A$1,681 million (U.S.$1.1 billion) mandatory exchangeable bond issued by the Independent Public Business Corporation (as trustee of the general business trust of Papua New Guinea), a 100 per cent. state-owned statutory corporation of the government of Papua New Guinea.

Pursuant to the terms of the IPBC Bond, upon exchange, the Company will hold 197 million ordinary shares in Oil Search, becoming one of the largest shareholders in Oil Search with an approximate 14.8 per cent. stake, based on current shareholdings as of 30 June 2012. If the IPBC Bond is not exchanged or redeemed for cash prior to maturity in accordance with its terms, the exchangeable bond will convert into ordinary shares of Oil Search in March 2014.

Oil Search is listed on the Australian and Port Moresby stock exchanges. Oil Search engages in the exploration, production, development and sale of gas and liquid hydrocarbons and has operations in Papua New Guinea, Yemen, Egypt, Libya, Iraq, Tunisia and the Commonwealth of Australia. Oil Search is currently in the process of developing a liquid natural gas project, which has been established to commercialise the undeveloped petroleum and associated gas resources in the Southern and Western Highlands of Papua New Guinea. The first liquid natural gas shipments from the project are currently targeted to be made by 2014. The project is operated and partially owned by ExxonMobil, which holds a 33.2 per cent. stake in the project, while Oil Search holds a 29.0 per cent. stake in the project.

The Company's investment in the IPBC Bond, and its potential exchange into Oil Search shares, is consistent with the Company's mandate to invest globally in energy and energy-related industries and gives it access to a large liquid natural gas project.

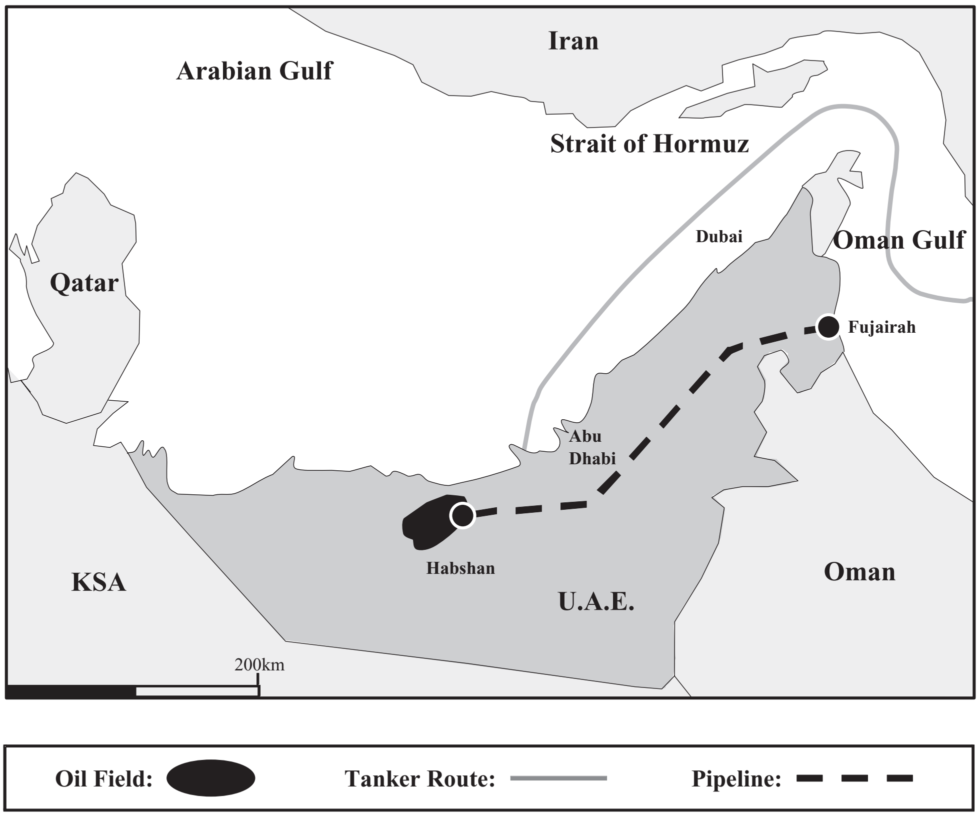
Projects Under Implementation

In addition to the investments made by the Company described above, due to the Company's accumulated industry knowledge and strong investment track record, the Government has mandated the Company to develop certain projects that are strategically important to the U.A.E. and Abu Dhabi.

The Abu Dhabi Crude Oil Pipeline (ADCOP)

The ADCOP project was conceived by the Government as a strategic project to bypass the congested Strait of Hormuz by providing an overground link between Abu Dhabi's key onshore oil fields and a deep-water port located in the Emirate of Fujairah on the Indian Ocean. Such a link helps to mitigate the risk of suspension of Abu Dhabi's crude oil exports in the event of a closure of, or disruption to, the Strait of Hormuz. The deep-water port in the Emirate of Fujairah is also more cost effective since, unlike U.A.E. ports on the Arabian Gulf, it can accommodate very large crude carriers. ADCOP consists of a 400 kilometre, 48-inch diameter pipeline running from the Habshan oil field in Abu Dhabi to the oil export terminal in the Emirate of Fujairah, with a total storage capacity of up to 10 million barrels of crude oil. The pipeline has the capacity to transport 1.5 million barrels per day, representing approximately 68.0 per cent. of Abu Dhabi's current total daily crude oil production, and is expected to be capable of pumping up to 1.8 million barrels per day periodically. The pipeline became partially operational in July 2012 and is expected to become fully operational by the first quarter of 2013. The Company is negotiating a long term lease with ADNOC under which ADNOC will be responsible for the operation and maintenance of ADCOP.

The following diagram sets out the geographical location of the ADCOP pipeline.



ChemaWEyaat

ChemaWEyaat was established as a company by Emiri Decree on 26 November 2008 with the Company holding a 40.0 per cent. stake as at 31 December 2011. The remaining shares are owned by the Council, which has a 40.0 per cent. stake, and ADNOC, which has a 20.0 per cent. stake. The multi-billion dollar ChemaWEyaat initiative is expected to comprise a series of world-class petrochemicals complexes with access to Abu Dhabi's gas and liquid petroleum feedstocks.

The first of such complexes, the Tacaamol Aromatics Complex, is expected, in its first phase, to include a world-class aromatics plant producing paraxylene (1.4 million tonnes per annum) and benzene (500,000 tonnes per annum), with the next phase expected to include a naphtha cracker (1.4 million tonnes per annum of ethylene) with downstream propylene and ethylene derivatives. The first phase of the Tacaamol Aromatics Complex is targeted for completion in 2017.

Fujairah Refinery Project

In January 2011, the Company's board of directors approved a project involving the construction, operation and maintenance of a grassroots refinery complex in the Emirate of Fujairah. The Fujairah Refinery Project is a strategic initiative of the Government and will be located near the main oil terminal for ADCOP and the deep-water oil export terminals in the Emirate of Fujairah. The project will be designed to process a mixture of U.A.E. and other regional and opportunity crude oils with a processing capacity of approximately 200,000 barrels per day. The refinery will produce middle distillates primarily for the Northern Emirates of the U.A.E. and bunker fuel to meet strong demand in the Emirate of Fujairah which is a major regional hub for bunkering.

The Company's decision to proceed with the Fujairah Refinery Project followed a detailed feasibility study carried out on its behalf by external consultants. The Company has awarded the project management consultancy contract and is currently in the front-end engineering and design phase, with project completion targeted for the end of 2016.

The Fujairah Refinery Project is expected to have a total aggregate capital expenditure of approximately U.S.$3.5 billion and the Company is currently considering a number of financing options including, but not limited to, non-recourse project financing.

Emirates LNG Project

In September 2011, the Company's board of directors approved participation in a 50/50 joint venture project with Mubadala Oil and Gas, a business unit of Mubadala, for the development of a new LNG regasification facility on the U.A.E.'s east coast in the Emirate of Fujairah.

The ELNG Project is a strategic initiative of the Government and is designed with the aim of securing additional gas supplies to meet energy demand from the U.A.E.'s growing economy. The front-end engineering and design work for the project has commenced. Phase 1 of the ELNG Project (a capacity of 600 million standard cubic feet per day (mmscf/day)) is due to be completed in the first quarter of 2015, with Phase 2 (additional capacity of 600 mmscf/day) due to be completed in the third quarter of 2015. A new joint venture company, Emirates Liquefied Natural Gas (LNG) LLC, has been incorporated by the project owners to implement the project.

The ELNG Project is expected to have a total aggregate capital expenditure of approximately U.S.$650 million to be shared equally by the Company and Mubadala. The Company and Mubadala are currently considering a number of financing options, including, but not limited to, non-recourse project financing.

Duqm Refinery Project

In October 2009, the Company announced an agreement with OOC, a wholly-owned company of the government of the Sultanate of Oman, to assess the feasibility to develop a refinery and petrochemicals complex at Duqm in the Sultanate of Oman.

The Duqm Refinery Project contemplates the formation of a joint venture project company between the Company and OOC to construct, operate and maintain a refinery complex designed to process a mixture of Abu Dhabi, Sultanate of Oman and other U.A.E. crude oil with a processing capacity of approximately 230,000 barrels per day.

The Company's decision to proceed with the Duqm Refinery Project followed a detailed feasibility study carried out on its behalf by external consultants. A new joint venture company called Duqm Refinery and Petrochemical Industries Company LLC has been established in the Sultanate of Oman, with the Company owning a 50.0 per cent. stake and OOC owning the remaining 50 per cent. The Company has awarded the project management consultancy contract and is currently in the pre-front-end engineering and design phase, with project completion targeted for 2017.

The Duqm Refinery Project is expected to have a total aggregate capital expenditure of approximately U.S.$6 billion to be shared equally between the Company and OOC. The Company and OOC are currently considering a number of financing options, including, but not limited to, non-recourse project financing.

Competition

The Company's primary mandate to invest globally in energy and energy-related industries in a commercial and profitable manner is unique among Government-owned investment vehicles and the Company does not believe it faces significant competition in carrying out this mandate. However, certain of the Company's investments face competition in their specific business areas. The nature and extent of this competition, and its effect on the Group as a whole, varies depending on the businesses concerned. Management believes that the diversification of the Group's activities offers a level of protection against the adverse effects of one or more of its investments facing significant competition in their sphere of operations.

Environmental Matters

The Group is subject to various international, national and local environmental laws and regulations governing the emission, discharge, handling, storage, transportation, disposal, import and export of hazardous waste and materials.

The Group has a strong environmental record and believes that it is currently in material compliance with all applicable regulations. The Group currently possesses all material environmental permits and licenses required for the operation of its businesses.

Legal Proceedings

The Group is not aware of any litigation or other legal proceedings that would individually or in the aggregate be expected to have a material adverse effect on its results of operations or financial condition. However, the Group does highlight the following:

Nova Chemicals

Nova Chemicals and Dow Chemicals Canada ULC and its European affiliate ("**Dow Canada**") are involved in litigation in relation to an ethylene plant at Joffre, Alberta, Canada. Dow Canada's claim is for approximately U.S.$300 million and Nova Chemicals' counterclaim is for approximately U.S.$700 million.

In addition, in 2005 Dow Chemical Company ("**Dow**") filed a patent infringement lawsuit against Nova Chemicals in the United States. In June 2010, a jury trial took place resulting in a verdict against Nova Chemicals. Dow was awarded certain amounts for damages and pre-judgement interest. Nova Chemicals appealed to the U.S. Court of Appeals for the Federal Circuit ("**CAFC**"), and, in January 2012, a three-member panel of the CAFC affirmed the lower court judgment. Nova Chemicals' subsequent request for review by all members of the CAFC was denied. In August 2012, Nova Chemicals filed a petition for review with the U.S. Supreme Court, which was denied in October 2012. Nova Chemicals has accrued approximately U.S.$107 million with respect to this litigation.

In December 2010, Dow filed a suit in Canada alleging that certain grades of Nova Chemicals' polyethylene film resins infringe a Dow Canadian patent which is related to the U.S. patents subject to the suit in the United States (as described above). Nova Chemicals will defend this suit vigorously as it believes the suit lacks merit. This litigation is in its early stages with trial expected to commence in September 2013.

MANAGEMENT

Board of Directors

Emiri Decree No. 20 of 2007 re-appointed the following members to the board of directors of the Company under the Chairmanship of H.H. Sheikh Mansour bin Zayed Al Nahyan, the Deputy Prime Minister of the U.A.E. and the U.A.E. Minister of Presidential Affairs:

Name	Title
His Highness Sheikh Mansour bin Zayed Al Nahyan	Chairman
His Excellency Mohamed bin Dhaen Al Hamli	Deputy Chairman
His Excellency Yousef Omair bin Yousef	Member
His Excellency Khalifa Mohamed Al Kindi	Member
His Excellency Hamad Al Hurr Al Suwaidi	Member
His Excellency Nasser Ahmed Khalifa Alsowaidi	Member
His Excellency Eissa Mohammed Ghanem Al Suwaidi	Member
His Excellency Khadem Abdulla Al Qubaisi	Member and Managing Director

The Company is managed by its board of directors, who are appointed by Emiri Decree. The board of directors meets at least four times a year with a minimum attendance requirement of five members. The board of directors has not established any committees. The business address of each of the members of the board of directors is P.O. Box 7528, Abu Dhabi, U.A.E.

The board of directors guides the strategic direction of the Company and regularly reviews the Company's and the Group's operating and financial position. The board of directors ensures that the necessary resources are in place to enable the Company to meet its investment objectives and monitors the performance of management and aims to ensure that the strategy, policies and procedures adopted are in line with the Company's mandate. Please see "*Description of the Group—Investment Policies*". In addition, the board of directors approves the preparation and auditing of the Company's financial statements.

Brief biographies of each of the members of the board of directors are set out below:

His Highness Sheikh Mansour bin Zayed Al Nahyan

H.H. Sheikh Mansour bin Zayed Al Nahyan is a member of the ruling family of Abu Dhabi, the Deputy Prime Minister of the U.A.E. and the U.A.E. Minister of Presidential Affairs. H.H. Sheikh Mansour bin Zayed Al Nahyan is the Chairman of the board of directors of the Company.

Other positions: Member of the Supreme Petroleum Council, Chairman of EIA, Chairman of the Abu Dhabi Food Control Authority, Vice Chairman of the Board of Trustees of the Sheikh Zayed Charitable and Humanitarian Foundation, Chairman of the Abu Dhabi Judicial Department, Chairman of the Abu Dhabi Fund for Development, Deputy Chairman of the Environment Agency, board member of ADIA and board member of the Council.

His Excellency Mohamed bin Dhaen Al Hamli

H.E. Mohamed bin Dhaen Al Hamli is the Minister of Energy of the U.A.E. H.E. Mohamed bin Dhaen Al Hamli is the Deputy Chairman of the board of directors of the Company.

Other positions: Member of the Advisory Committee of the Supreme Petroleum Council, Chairman of the Federal Electricity and Water Authority, Vice Chairman of the Abu Dhabi National Chemicals Company and board member of Cosmo Oil.

Education: H.E. Mohamed bin Dhaen Al Hamli holds a Higher National Diploma in Business Studies and studied the Advanced Management Program at Harvard Business School, United States. He is also a member of the Association of Chartered Certified Accountants.

His Excellency Yousef Omair bin Yousef

H.E. Yousef Omair bin Yousef is a former Member and former Secretary General of the Supreme Petroleum Council and former Chief Executive Officer of ADNOC. H.E. Yousef Omair bin Yousef is a member of the board of directors of the Company.

Education: H.E. Yousef Omair bin Yousef holds a Bachelor's Degree in Economics from the University of Arizona, United States.

His Excellency Khalifa Mohamed Al Kindi

H.E. Khalifa Mohamed Al Kindi is a board member and Managing Director of the Council, a member of the Supreme Petroleum Council and Chairman of the U.A.E. Central Bank. H.E. Khalifa Mohamed Al Kindi is a member of the board of directors of the Company.

Other positions: Chairman of Abu Dhabi National Insurance Company, Chairman of Invest AD and board member of the Abu Dhabi Fund for Development.

Education: H.E. Khalifa Mohamed Al Kindi holds a Bachelor's Degree in Economics from Eastern Michigan University, United States.

His Excellency Hamad Al Hurr Al Suwaidi

H.E. Hamad Al Hurr Al Suwaidi is the Chairman of the Department of Finance of the Government, a member of the Abu Dhabi Executive Council and a member of the Supreme Petroleum Council. H.E. Hamad Al Hurr Al Suwaidi is a member of the board of directors of the Company.

Other positions: Chairman of TAQA, board member of ADIA, board member of the Emirates Telecommunications Corporation ("**Etisalat**"), board member of Mubadala, board member of the Abu Dhabi Food Control Authority and board member of ADWEA.

Education: H.E. Hamad Al Hurr Al Suwaidi holds a Master of Business Administration, Finance Concentration, from California State University and a Bachelor's Degree in Business Administration from the Dominican University, both of the United States.

His Excellency Nasser Ahmed Khalifa Alsowaidi

H.E. Nasser Ahmed Khalifa Alsowaidi is the Chairman of the Department of Economic Development of the Government and a member of the Abu Dhabi Executive Council. H.E. Nasser Ahmed Khalifa Alsowaidi is a member of the board of directors of the Company.

Other positions: Chairman of the Abu Dhabi Securities Exchange, Chairman of Etihad Railway, Chairman of the National Bank of Abu Dhabi P.J.S.C., Chairman of Zones Corp and board member of Mubadala.

Education: H.E. Nasser Ahmed Khalifa Alsowaidi holds a Bachelor's Degree in Economics from California State Polytechnic University, United States.

His Excellency Eissa Mohammed Ghanem Al Suwaidi

H.E. Eissa Mohammed Ghanem Al Suwaidi is a member of the board of directors of the Company.

Other positions: Chairman of Abu Dhabi Commercial Bank P.J.S.C., board member of ADNOC Distribution, board member of Abu Dhabi Fund for Development, board member of EIA and Chairman of Etisalat.

Education: H.E. Eissa Mohammed Ghanem Al Suwaidi holds a Bachelor's Degree in Economics from Northeastern University, United States.

His Excellency Khadem Abdulla Al Qubaisi

H.E. Khadem Abdulla Al Qubaisi is a member of the board of directors of the Company and its Managing Director.

Other positions: Chairman of Aabar, Chairman of Aabar Properties, Chairman of Borealis, Chairman of CEPSA, Chairman of Nova Chemicals, Chairman of Arabtec, Chairman of the Abu Dhabi National Takaful Co. PSC, Chairman of First Energy Bank, board member of EIA and board member of ChemaWEyaat.

Education: H.E. Khadem Abdulla Al Qubaisi holds a Bachelor's Degree in Economics from the University of the U.A.E.

Senior Management

The Managing Director conducts the Company's business in accordance with the Company's articles of association and the rules and resolutions adopted by the board of directors. The board of directors is closely involved in approving every investment of the Company and remains significantly involved in the management and strategic direction of the investment once a transaction is closed. The business address of each of the members of senior management of the Company named below is P.O. Box 7528, Abu Dhabi, U.A.E.

The members of the Company's senior executive management comprise:

Name	Title
His Excellency Khadem Abdulla Al Qubaisi	Managing Director
Murtadha M. Al Hashmi	Chief Financial Officer
Mohamed Al Mehairi	Director, Investment Department
Khalid Al Muhairi	Head of Internal Audit
Mohamed Abdulla Al Suwaidi	Director, Business Support/Acting Director, Corporate Services

Brief biographies of each of the members of senior management are set out below. For the biography of His Excellency Khadem Abdulla Al Qubaisi, please see *"—Board of Directors*" above.

Murtadha M. Al Hashmi

Murtadha Al Hashmi is the Company's Chief Financial Officer.

Board positions: Board member, executive committee member and Chairman of the audit committee of CEPSA; board member, audit committee and nomination and remuneration committee member of Aabar; Vice Chairman of the audit committee, supervisory committee and compensation and remuneration committee member of OMV; and board member and audit committee member of Falcon Bank.

Previous experience: Mr. Al Hashmi joined the Company in 1993 and was previously Director—Finance and Accounts. He previously worked in the Finance Control Department of National Bank of Abu Dhabi P.J.S.C.

Education: Mr. Al Hashmi holds a Bachelor's Degree in Accounting from the University of the U.A.E.

Mohamed Al Mehairi

Mohamed Al Mehairi is the Director of the Investment Department of the Company.

Board positions: Vice Chairman of Nova Chemicals, Vice Chairman of PARCO, board member of Aabar, board member of Borealis supervisory board and board member of Arabtec.

Previous experience: Mr. Al Mehairi joined the Company in 2006. Previously, he acted as Division Manager, Evaluation and Execution Division of the Company and as Investment Manager in the Company's Investment Department.

Education: Mr. Al Mehairi holds a Bachelor's Degree in Science and Business Administration Finance from Suffolk University, Boston, United States.

Khalid Al Muhairi

Khalid Al Muhairi is the Head of Internal Audit of the Company.

Previous experience: Mr. Al Muhairi joined the Company in 2011 and before becoming Head of Internal Audit was Account Division Manager of the Company. He previously worked in the Department of Finance of the Government as Head of Development and Strategic Planning.

Education: Mr. Al Muhairi holds a Bachelor's Degree from California State University, San Bernardino, United States.

Mohamed Abdulla Al Suwaidi

Mohamed Abdulla Al Suwaidi is the Director of the Business Support Department and Acting Director of the Corporate Services Department of the Company.

Previous Experience: Mr. Abdulla Al Suwaidi joined the Company in 2011. He previously worked for the Abu Dhabi Distribution Company.

Education: Mr. Abdulla Al Suwaidi holds a Bachelor's Degree of Business Administration in Management from Abu Dhabi University, U.A.E.

Compensation

The General Assembly of the Government's representatives determines the remuneration of the members of the board of directors. The total compensation paid to the Company's key management personnel, which includes its board of directors, for the year ended 31 December 2011 amounted to U.S.$6.6 million.

Principal Departments

The Managing Director's Office

The Managing Director's Office (the "**MDO**") is headed by the Company's Managing Director, H.E. Khadem Abdulla Al Qubaisi. The MDO oversees the activities of all of the principal departments described below (each of which reports directly to the MDO), and ensures that the Company's overall strategy is effected in a coordinated manner, that new opportunities meet the Company's specified investment criteria and that the portfolio is effectively managed. In particular, the Legal Division and the Audit Division are part of the MDO. The Managing Director is a member of the Company's board of directors.

Investment Department

The Investment Department, which is headed by Mohamed Al Mehairi, is responsible for the sourcing, evaluation and ongoing monitoring and management of the Company's investments. The Investment Department is divided into the following divisions: Research and Business Development; Evaluation and Execution; Projects; and Portfolio Management. The Investment Department works closely with the Finance and Accounts Department and the Legal Division on all new investments.

Finance and Accounts Department

The Finance and Accounts Department, which is headed by Murtadha M. Al Hashmi, is responsible for the development of funding strategies and policies and the management of operations. The department executes all the major funding strategies and coordinates the finance operations and reporting duties, including the preparation of the Company's accounts.

Business Support Department

The Business Support Department, headed by Mohamed Abdulla Al Suwaidi, is responsible for developing and effecting strategies, policies and procedures relating to the Company's human resources, information technology and media/communication operations, and the management of those operations. The Business Support Department is divided in the following divisions: Human Resources; Information Technology; General Services; and Media and Communication.

Corporate Services Department

The Corporate Services Department, headed by Mohamed Abdulla Al Suwaidi (as Acting Director), is responsible for establishing, developing and effecting strategies, policies and procedures relating to the Company's facilities, maintenance, health and safety and procurement operations and the management of those operations.

Procurement Division

The Procurement Division is responsible for establishing, developing and effecting strategies, policies and procedures relating to the Company's procurement procedures and the management of those operations. The Procurement Division is a division of the Corporate Services Department but provides advice and support to the entire business, working closely with all of the principal departments described above in respect of their procurement requirements. The Procurement Division reports to Mohamed Abdulla Al Suwaidi.

Audit Division

The Audit Division is responsible for developing and effecting strategies, policies and procedures relating to the Company's internal systems for risk management, internal controls, governance processes and the management of those operations. The Audit Division monitors and provides advice and support to the entire business, working closely with all of the principal departments described above. In particular, the Audit Division is responsible for assessing and minimising the risks associated with the existing and potential systems, policies and procedures. The Audit Division reports to the Managing Director.

Legal Division

The Legal Division provides legal advice and support to the entire business, working closely with all of the principal departments described above. In particular, the Legal Division is responsible for assessing and minimising the legal risks associated with potential projects and investments and the on-going management of projects and investments. The Legal Division, in consultation with other departments, engages external counsel when appropriate. In addition, the Legal Division reviews all significant contracts and agreements, assists with regulatory compliance and provides transactional support. The Legal Division reports to the Managing Director.

Conflicts

There are no conflicts of interest between the duties of the members of the board of directors and senior management listed above to the Company and their private interests or other duties.

Employees

As of 30 June 2012, the Company had approximately 140 employees and the consolidated companies in the Group had approximately 15,050 employees.

BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Clearstream, Luxembourg or Euroclear (together, the "**Clearing Systems**") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Company nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Book-Entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a member of the Federal Reserve System, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**" and, together with Direct Participants, "**Participants**").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**DTC Rules**"), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ("**DTC Notes**") as described below and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("**Owners**") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("**Beneficial Owner**") is in turn to be recorded on the Direct Participant's and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorised by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the relevant agent (or such other nominee as may be requested by an authorised representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Restricted Global Certificate, will be legended as set forth under *"Subscription and Sale and Transfer and Selling Restrictions*".

A Beneficial Owner shall give notice to elect to have its DTC Notes purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Notes by causing the Direct Participant to transfer the Participant's interest in the DTC Notes, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered DTC Notes to the relevant agent's DTC account.

DTC may discontinue providing its services as depository with respect to the DTC Notes at any time by giving reasonable notice to the Issuer or the relevant agent. Under such circumstances, in the event that a successor depository is not obtained, DTC Note certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, DTC Note certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-Entry Ownership and Payment in Respect of DTC Notes

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Global Certificate accepted in its book-entry settlement system. Upon the issue of any such Global Certificate, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Global Certificate to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Global Certificate will be limited to Direct Participants or Indirect Participants, including, in the case of any Unrestricted Global Certificate (as defined herein), the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Global Certificate accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Global Certificate accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Global Certificate in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Fiscal Agent, the Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes Represented by Global Certificates

Transfers of any interests in Notes represented by a Global Certificate within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Global Certificate to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Global Certificate accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Global Certificate accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other hand, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Fiscal Agent, the Paying Agent and any custodian ("**Custodian**") with whom the relevant Global Certificates have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Global Certificates will be effected through the Registrar, the Fiscal Agent, the Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Clearstream, Luxembourg or Euroclear accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Global Certificates among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Company, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

General

The following is a general description of certain Cayman Islands, U.A.E., U.S. and European Union tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those jurisdictions or elsewhere. It is not intended and does not constitute tax advice. Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any changes in law that might take effect after such date.

Cayman Islands

Payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding under Cayman Islands law will be required on the payment of interest and principal to any holder of the Notes, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable on the Notes if in registered form. Notes which are not in registered form may be stampable if executed in or brought into the Cayman Islands. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

United Arab Emirates

The following summary of the anticipated tax treatment in the U.A.E. in relation to the payments on the Notes and under the Guarantee is based on the taxation law and practice in force at the date of this Base Prospectus and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Notes and the receipt of any payments with respect to such Notes under the laws of the jurisdictions in which they may be liable to taxation.

There is currently in force in Abu Dhabi legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended)). The regime is, however, not enforced save in respect of companies active in the oil industry, some related service industries and branches of foreign banks operating in the U.A.E. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of U.A.E. or Abu Dhabi taxation in respect of payments of interest and principal to any holder of the Notes or payments made under the Guarantee. In the event of such imposition of any such withholding, the Issuer or, as the case may be, the Company has undertaken to gross up any payments subject to certain limited exceptions.

The Constitution of the U.A.E. specifically reserves to the U.A.E. government the right to raise taxes on a federal basis for the purposes of funding its budget. It is not known whether this right will be exercised in the future.

The U.A.E. has entered into double taxation arrangements with certain other countries, but these are not extensive in number.

United States Federal Income Taxation

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE U.S. INTERNAL REVENUE SERVICE, PROSPECTIVE INVESTORS ARE HEREBY INFORMED THAT ANY TAX DISCUSSION HEREIN WAS NOT WRITTEN AND IS NOT INTENDED TO BE USED AND CANNOT BE USED BY ANY TAXPAYER FOR PURPOSES OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER. ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS DESCRIBED HEREIN. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Registered Notes by a U.S. Holder (as defined below). This summary deals only with purchasers of Registered Notes that are U.S. Holders, that acquire such Registered Notes at initial issuance, that will hold the Registered Notes as capital assets, and whose functional currency is the U.S. dollar. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to the acquisition, ownership or disposition of Registered Notes by particular investors. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as banks and other financial institutions, tax-exempt organisations, dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting, persons who have ceased to be U.S. citizens or to be taxed as U.S. lawful permanent residents, and investors that will hold the Registered Notes as part of straddles, hedging or conversion transactions, or as part of a synthetic security for U.S. federal income tax purposes).

As used herein, the term "**U.S. Holder**" means a beneficial owner of Registered Notes that is, for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation, or other entity treated as a corporation, created or organised in or under the laws of the United States, the District of Columbia, or any State thereof; (iii) an estate, the income of which is subject to U.S. federal income tax without regard to its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or that is otherwise treated as a U.S. person.

This summary applies only to holders of Registered Notes. If a partnership (or any other entity treated as fiscally transparent for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. Any such partner or partnership should consult their tax advisers as to the U.S. federal income tax consequences to them of the acquisition, ownership and disposition of Notes.

This summary is based on the tax laws of the United States including the Code, its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, all as currently in effect and all of which are subject to change at any time, possibly with retroactive effect.

Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the United States Internal Revenue Code of 1986, as amended.

INVESTORS SHOULD CONSULT THEIR TAX ADVISERS TO DETERMINE THE TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF REGISTERED NOTES, INCLUDING THE APPLICATION TO THEIR PARTICULAR SITUATION OF THE U.S. FEDERAL INCOME TAX CONSIDERATIONS DISCUSSED BELOW, AS WELL AS THE APPLICATION OF THE ALTERNATIVE MINIMUM TAX AND ANY STATE, LOCAL, NON-U.S. OR OTHER TAX LAWS.

The Issuer generally intends to treat Notes issued under the Programme as debt. Certain Notes, however, may be treated as equity or some other type of instrument or interest for U.S. federal income tax purposes. The tax treatment of Notes to which a treatment other than debt may apply may be discussed in a supplement to the Base Prospectus. Furthermore, the classification and treatment of amounts received on or in exchange for a Note that is treated as a contingent payment debt instrument is complex and depends upon facts and circumstances at the time the Note is issued and the precise terms and conditions of the Note. In the event that Notes are issued that are likely to be treated as contingent payment debt instruments for U.S. federal income tax purposes, the supplement to the Base Prospectus for such Notes will address the material U.S. federal income tax consequences of the acquisition, ownership and disposition of those Notes by a U.S. Holder. The following summary therefore does not discuss Notes that may be characterised as contingent payment debt instruments for U.S. federal income tax purposes.

U.S. Holders

Payment of Interest

Interest on a Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars ("**foreign currency**" interest on a "**Foreign Currency Note**"), other than interest on a Discount Note that is not "qualified stated interest" (each as defined below under *"Original Issue Discount—General*"), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, in accordance with the U.S. Holder's method of accounting for tax purposes. Interest paid by the Issuer on the Notes and original issue discount ("**OID**"), if any, accrued with respect to the Notes (as described below under *"Original Issue Discount—General*") generally will constitute income from sources outside the United States for the purposes of the rules regarding the foreign tax credit allowable to a U.S. Holder (and the limitations imposed thereon). Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of any foreign taxes with respect to the Notes (if applicable).

Original Issue Discount

General

A Note, other than a Note with a term of one year or less (a "**Short-Term Note**"), will be treated as issued with OID (a "**Discount Note**") if the excess of the Note's stated redemption price at maturity over its issue price is equal to or more than a *de minimis* amount (0.25 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "**instalment obligation**") will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is greater than 0.25 per cent. of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of qualified stated interest. A qualified stated interest payment generally is any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described under "*—Variable Interest Rate Notes*"), applied to the outstanding principal amount of the Note (qualified stated interest). Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note. If a Note has *de minimis* OID, a U.S. Holder must include the *de minimis* amount in income as stated principal payments are made on the Note, unless the U.S. Holder makes the election described under *"—Election to Treat All Interest as Original Issue Discount*". A U.S. Holder can determine the includible amount with respect to each such payment by multiplying the total amount of the Note's *de minimis* OID by a fraction equal to the amount of the principal payment made divided by the stated principal amount of the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or the portion of the taxable year in which the U.S. Holder holds the Discount Note ("**accrued OID**"). The daily portion is determined by allocating to each day in any accrual period a *pro rata* portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Notes as long as: (i) no accrual period is longer than one year; and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of: (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The adjusted issue price of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by: (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Acquisition Premium

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "**acquisition premium**") and that does not make the election described under "*—Election to Treat All Interest as Original Issue Discount*", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant yield method described under "*—General*", with certain modifications. For the purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium (described under "*—Notes Purchased at a Premium*") or acquisition premium. If a U.S. Holder makes this election for the Note, then, when the constant yield method is applied the issue price of the Note will equal its cost, the issue date of the Note will be the date of acquisition, and no payments on the Note will be treated as payments of qualified stated interest. This election generally will apply only to the Note with respect to which it is made and may not be revoked without the consent of the Internal Revenue Service (the "**IRS**"). However, if the Note has amortisable bond premium, the U.S. Holder will be deemed to have made an election to apply amortisable bond premium against interest for all debt instruments with amortisable bond premium (other than debt instruments, the interest on which is excludible from gross income) held as of the beginning of the taxable year to which the election applies or any taxable year thereafter. If the election to apply the constant yield method to all interest on a Note is made with respect to a Market Discount Note (as defined below under "*—Market Discount*"), the electing U.S. Holder will be treated as having made the election discussed under "*—Market Discount*" to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. U.S. Holders should consult their tax advisers concerning the advisability and consequences of making this election.

Variable Interest Rate Notes

Notes that provide for interest at variable rates ("**Variable Interest Rate Notes**") generally will bear interest at a qualified floating rate and thus will be treated as variable rate debt instruments under U.S. Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a variable rate debt instrument if: (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount; (b) it provides for stated interest, paid or compounded at least annually, at: (i) one or more qualified floating rates; (ii) a single fixed rate and one or more qualified floating rates; (iii) a single objective rate; or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate; and (c) it does not provide for any principal payments that are contingent.

A qualified floating rate is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Note.

An objective rate is a rate that is not itself a qualified floating rate but one which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A qualified inverse floating rate is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a current value of that rate. A current value of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a variable rate debt instrument, then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a variable rate debt instrument generally will not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a true discount (i.e., at a price below the Note's stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note arising from a true discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to: (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate; or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a variable rate debt instrument will be converted into an equivalent fixed rate debt instrument for the purposes of determining the amount and accrual of OID and the qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an equivalent fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a variable rate debt instrument and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an equivalent fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an equivalent fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the equivalent fixed rate debt instrument by applying the general OID rules to the equivalent fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the equivalent fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the equivalent fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (calculated as set forth below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight line basis or, if the U.S. Holder so elects, under the constant yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight line basis (unless an election is made to accrue the OID under the constant yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For the purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Fungible Issue

The Issuer may, without the consent of the Holders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with OID even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

Market Discount

A Note, other than a Short-Term Note, that is not acquired at its original issue generally will be treated as purchased at a market discount (a "**Market Discount Note**") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's revised issue price, exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25 per cent. of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an instalment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes *de minimis* market discount. For this purpose, the revised issue price of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Any gain recognised on the maturity or disposition of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. This election will apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Market discount will accrue on a straight line basis unless the U.S. Holder elects to accrue the market discount on a constant yield method. This constant yield election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount (or, for a Discount Note, its stated redemption price at maturity) may elect to treat the excess as amortisable bond premium, in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortise bond premium shall apply to all bonds, (other than bonds, the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. Please see also *"—Election to Treat All Interest as Original Issue Discount*". A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will generally recognise a capital loss when the Note matures.

Purchase, Sale and Retirement of Notes

A U.S. Holder's tax basis in a Note generally will be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Note, and reduced by: (i) the amount of any payments that are not qualified stated interest payments; and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note.

A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the tax basis of the Note. Amounts realised on the sale or retirement of a Note are taxable as interest income to the extent of accrued but unpaid interest not previously included in income. Except to the extent described under *"Original Issue Discount—Market Discount*" or "*Original Issue Discount—Short-Term Notes*" or attributable to accrued but unpaid interest or changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Note will be capital gain or loss and generally will be treated as from U.S. sources for purposes of the U.S. foreign tax credit limitation. In the case of a U.S. Holder that is an individual, estate or trust, the maximum marginal federal income tax rate applicable to capital gains is currently lower than the maximum marginal rate applicable to ordinary income if the Notes are held for more than one year. The deductibility of capital losses is subject to significant limitations.

Foreign Currency Notes

Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods.

Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year). Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

OID

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above under *"—Interest*". Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale of the Note), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market Discount

Market Discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the disposition or maturity of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Bond Premium

Bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency.

On the date bond premium offsets interest income, a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Notes were acquired by the U.S. Holder.

Purchase, Sale and Retirement of Notes

A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and its tax basis in the Note. A U.S. Holder's tax basis in a Foreign Currency Note will be determined by reference to the U.S. dollar cost of the Note. The U.S. dollar cost of a Note purchased with foreign currency generally will be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement or, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note: (i) on the date of sale or retirement; and (ii) on the date on which the U.S. Holder acquired the Note. Any exchange rate gain or loss recognised on the sale or retirement of a Note (including any exchange rate gain or loss with respect to the receipt of accrued but unpaid interest and OID in the transaction) shall be realised only to the extent of the total gain or loss realised on the transaction.

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the interest is received or at the time of the sale or retirement. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Substitution of Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by a Substitute (as defined in the Terms and Conditions of the Notes). Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new notes issued by the Substitute. As a result of this deemed disposition, a U.S. Holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Notes. U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

Backup Withholding and Information Reporting

In general, payments of interest and accrued OID on, and the proceeds of a sale, exchange, redemption or other disposition of, Notes, payable to a U.S. Holder by a paying agent or other intermediary, may be subject to information reporting to the IRS. In addition, certain U.S. Holders may be subject to backup withholding tax in respect of such payments if they do not provide an accurate taxpayer identification number or certification of exempt status to a paying agent or other intermediary or otherwise comply with the applicable backup withholding requirements.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS in the manner required. Certain U.S. Holders (including, among others, corporations) are not subject to information reporting or backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from information reporting and/or backup withholding.

Foreign Financial Asset Reporting

Recently enacted legislation imposes reporting requirements on the holding of certain foreign financial assets, including equity of foreign entities, if the aggregate value of all of these assets exceeds U.S.$50,000 at the end of the taxable year or U.S.$75,000 at any time during the taxable year. The Notes are expected to constitute foreign financial assets subject to these requirements unless the Notes are regularly traded on an established securities market and held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). U.S. Holders should consult their tax advisors regarding the application of this legislation.

Other Reporting Obligations

Treasury regulations require U.S. taxpayers to report certain transactions that give rise to a loss in excess of certain thresholds (a "**Reportable Transaction**"). Under these regulations, a U.S. Holder that recognises exchange rate loss with respect to the Notes would be required to report the loss on IRS Form 8886 (Reportable Transaction Statement) if the loss exceeds the thresholds set forth in the regulations. For individuals and trusts, this loss threshold is U.S.$50,000 in any single year. For other types of taxpayers and other types of losses, the thresholds are higher. Prospective purchasers are urged to consult their own tax advisers regarding the application of these rules to the acquisition, holding or disposition of Notes.

U.S. Holders should consult their own tax advisers regarding any filing or reporting requirements that may apply to their purchase, ownership and disposition of Notes. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

EU Savings Directive

The European Union has adopted a Directive regarding the taxation of savings income. The Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to (or for the benefit of) an individual or to certain other persons in another Member State, except that Austria and Luxembourg may instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

ERISA AND CERTAIN OTHER U.S. CONSIDERATIONS

General

The United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and Section 4975 of the Code, impose certain restrictions on: (a) employee benefit plans (as defined in Section 3(3) of ERISA) subject to Title I of ERISA; (b) plans as defined in and subject to Section 4975 of the Code, including individual retirement accounts and Keogh plans (collectively, "**Plans**"); (c) any entities whose underlying assets include, or are deemed for purposes of ERISA or the Code to include, "plan assets" by reason of a plan's investment in such entities (together with Plans, the "**Benefit Plan Investors**"); and (d) persons who have certain specified relationships to such Plans ("**parties in interest**" under ERISA and "**disqualified persons**" under the Code, collectively, "**Parties in Interest**"). Section 406 of ERISA and Section 4975 of the Code prohibit Plans from, amongst other things, engaging in certain transactions involving "plan assets" with persons who are Parties in Interest with respect to such Plan. A violation of these "prohibited transaction" rules may result in the imposition of an excise tax, the rescission of the transaction or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless exemptive relief is available under an applicable statutory or administrative exemption.

Any fiduciary of a Benefit Plan Investor who proposes to cause a Benefit Plan Investor to purchase a Note or any interest therein (to the extent permitted by the terms of the Note) should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code to such an investment, and to confirm that such purchase, holding and disposition will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

Certain other employee benefit plans which are not Benefit Plan Investors including governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) may be subject to U.S. federal, state, local or non-U.S. laws or regulations which are substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**"). Fiduciaries of such plans should consult with their counsel before they purchase any of the Notes or any interest therein (to the extent permitted by the terms of the Note) to determine the need for, and the availability of, if necessary, any exemption relief under any such law and regulation.

Prohibited Transaction Exemptions

The fiduciary of a Benefit Plan Investor that proposes to purchase and hold any Notes or interest in a Note (if permitted by the terms of the Note) should consider, amongst other things, whether such purchase and holding may involve: (i) the direct or indirect extension of credit to a Party in Interest; (ii) the sale or exchange of any property between a Benefit Plan Investor and a Party in Interest; or (iii) the transfer to, or use by or for the benefit of, a Party in Interest of any assets of a Benefit Plan Investor. Such Parties in Interest could include, without limitation, the Issuer, the Company, the Arrangers, the Dealers or any of their respective affiliates. Depending on the satisfaction of certain conditions which may include the identity of the fiduciary of the Benefit Plan Investor making the decision to acquire or hold the Notes or any interest therein on behalf of a Benefit Plan Investor, Section 408(b)(17) of ERISA or Prohibited Transaction Class Exemption ("**PTCE**") 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in-house asset manager) (collectively, the "**Class Exemptions**") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. However, there can be no assurance that any of these Class Exemptions or any other exemption will be available with respect to any particular transaction involving the Notes or any interest therein.

Accordingly, unless otherwise provided in the terms of a Note, each purchaser of a Note (or any interest therein) will be deemed to have represented and warranted either that: (i) no assets of a Benefit Plan Investor or Similar Law plan have been used to acquire or will be used to hold such Notes or an interest therein; or (ii) the purchase, holding and subsequent disposition of such Notes or an interest therein by such person will not constitute or result in a non-exempt prohibited transaction under ERISA or the Code or violation of Similar Law.

If the terms of a Note prohibit the purchase by Benefit Plan Investors, or plans subject to Similar Law, through its purchase of such Note (or any interest therein), the purchaser thereof will be deemed to have represented and warranted that it is not and will not be for as long as it holds the Note (or interest therein) a Benefit Plan Investor or a governmental, church or non-U.S. plan that is subject to Similar Law. Any purported purchase or transfer of a Note or any interest therein that does not comply with the foregoing shall be null and void *ab initio*.

Each Plan fiduciary (and each fiduciary for a Similar Law plan) should consult with its legal or other advisors concerning the potential consequences to the plan under ERISA, the Code or such Similar Laws of an investment in the Notes or any interest therein.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in an amended and restated distribution agreement (the "**Distribution Agreement**") dated 26 November 2012, agreed with the Issuer and the Company a basis upon which they or any of them may from time to time agree to purchase Notes for their own account or for resale to investors and other purchasers at varying pricing relating to prevailing market prices at the time of resale as determined by any Dealer or for resale at a fixed offering price. Any such agreement will extend to those matters stated under *"Summary of Provisions relating to the Notes while in Global Form*" and *"Terms and Conditions of the Notes*".

In accordance with the terms of the Distribution Agreement, the Issuer (failing which, the Company) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

A Dealer may sell the Notes it has purchased from the Issuer as principal to certain dealers less a concession equal to all or any portion of the discount received in connection with such purchase. Such Dealer may allow, and such dealers may re-allow, a discount to certain other dealers. The Dealers may propose initially to offer the Notes at the issue price set forth in the applicable Final Terms. After the initial offering of the Notes, the issue price (in the case of the Notes to be resold at a fixed offering price), the concession and the re-allowance may be changed.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically, such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages re-sales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Under United Kingdom laws and regulations, stabilising activities may only be carried on by the Stabilising Manager(s) named in the relevant subscription agreement (or persons acting on behalf of any Stabilising Manager(s)) and only for a limited period following the Issue Date of the relevant Tranche of Notes.

Transfer Restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Global Certificate with a view to holding it in the form of an interest in the same Global Certificate) or person wishing to transfer an interest from one Global Certificate to another or from global to definitive form or *vice versa*, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Global Certificate with a view to holding it in the form of an interest in the same Global Certificate will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(i) that either: (a) it is a QIB that is also a QP, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs that are also QPs and it is aware that any sale to it is being made in reliance on Rule 144A; or (b) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter to the Registrar that is also a QP; or (c) it is outside the United States and is not a U.S. person;

(ii) that it is not a broker-dealer which owns and invests on a discretionary basis less than U.S.$25,000,000 in securities of unaffiliated issuers;

(iii) that it is not formed for the purpose of investing in the Issuer;

(iv) that it, and each account for which it is purchasing, will hold and transfer at least the minimum denomination of the Notes;

(v) that it understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositories;

(vi) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes and the Guarantee have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and neither the Issuer nor the Company has registered or intends to register as an investment company under the Investment Company Act and, accordingly, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except as set forth below;

(vii) that, unless it holds an interest in an Unrestricted Global Certificate and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the expiration of the applicable required holding period determined pursuant to Rule 144 of the Securities Act from the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only: (a) to the Issuer or any affiliate thereof; (b) inside the United States to a person whom the seller reasonably believes is a QIB that is also a QP purchasing for its own account or for the account of a QIB that is also a QP in a transaction meeting the requirements of Rule 144A; (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act; (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available); or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

(viii) it will, and will require each subsequent holder to, notify any purchaser or transferee, as applicable, of the Notes from it of the resale and transfer restrictions referred to in paragraph (vii) above, if then applicable;

(ix) that Notes initially offered in the United States to QIBs that are also QPs will be represented by one or more Restricted Global Certificates, that Notes offered to Institutional Accredited Investors that are also QPs will be in the form of Definitive IAI Registered Notes ("**Definitive IAI Registered Notes**") and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Unrestricted Global Certificates;

(x) that it understands that the Issuer has the power to compel any beneficial owner of Notes represented by a Restricted Global Certificate that is a U.S. person and is not a QIB that is also a QP to sell its interest in such Notes, or may sell such interest on behalf of such owner. The Issuer has the right to refuse to honour the transfer of an interest in any Restricted Global Certificate to a U.S. person who is not a QIB that is also a QP. Any purported transfer of an interest in a Restricted Global Certificate to a purchaser that does not comply with the requirements of the transfer restrictions herein will be of no force and effect and will be void *ab initio*;

(xi) that it understands that the Issuer has the power to compel any beneficial owner of Definitive IAI Notes that is a U.S. person and is not an Institutional Accredited Investor that is also a QP to sell its interest in such Notes, or may sell such interest on behalf of such owner. The Issuer has the right to refuse to honour the transfer of a Definitive IAI Note to a U.S. person who is not an Institutional Accredited Investor that is also a QP. Any purported transfer of a Definitive IAI Note to a purchaser that does not comply with the requirements of the transfer restrictions herein will be of no force and effect and will be void *ab initio*;

(xii) except as otherwise provided in the terms of a Note, the purchaser of a Note or any interest therein represents and agrees that either: (i) no assets of a Benefit Plan Investor, or non-U.S. plan, governmental or church plan that are subject to Similar Law have been used to acquire such Notes or an interest therein; or (ii) the purchase, holding and subsequent disposition of such Notes or an interest therein by such person will not constitute or result in a non-exempt prohibited transaction under ERISA or the Code or violation of Similar Law. Any purported purchase or transfer of such an interest that does not comply with the foregoing shall be null and void *ab initio*;

(xiii) to the extent Benefit Plan Investors or Similar Law plans are prohibited from purchasing a Note or any interest therein under the terms of a Note, the purchaser of such Note (or any interest in a Note) represents and warrants that it is not, and for so long as it holds such Note or interest it will not be, a Benefit Plan Investor or a governmental, church or non-U.S. plan that is subject to Similar Law. Any purported purchase or transfer that does not comply with the foregoing shall be null and void *ab initio*;

(xiv) that the Notes in registered form, other than the Unrestricted Global Certificates, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"NEITHER THIS SECURITY NOR THE GUARANTEE THEREOF HAS BEEN NOR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES**

ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND NEITHER THE ISSUER NOR THE COMPANY HAS REGISTERED OR INTENDS TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), AND, ACCORDINGLY, THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER: (A) REPRESENTS THAT: (1) IT IS A "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "**QIB**") THAT IS ALSO A QUALIFIED PURCHASER WITHIN THE MEANING OF SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED, AND THE RULES AND REGULATIONS THEREUNDER (A "**QP**"), PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs THAT ARE QPs IN A MINIMUM PRINCIPAL AMOUNT OF U.S.$200,000 (OR THE EQUIVALENT AMOUNT IN A FOREIGN CURRENCY); OR (2) IT IS AN INSTITUTIONAL "**ACCREDITED INVESTOR**" (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN "**INSTITUTIONAL ACCREDITED INVESTOR**") THAT IS ALSO A QP IN A MINIMUM PRINCIPAL AMOUNT OF U.S.$500,000 (OR THE EQUIVALENT AMOUNT IN A FOREIGN CURRENCY) AND THAT IT IS NOT, IN EACH CASE: (i) A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS; (ii) FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER; AND (iii) A PLAN OR TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(D), (E) OR (F) OF RULE 144A IF INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE BY THE BENEFICIARIES OF THE PLAN; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO EXPIRATION OF THE APPLICABLE REQUIRED HOLDING PERIOD DETERMINED PURSUANT TO RULE 144 OF THE SECURITIES ACT FROM THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN: (1) TO THE ISSUER OR ANY AFFILIATE THEREOF; (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS: (i) A QIB WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT THAT IS ALSO A QP PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB THAT IS ALSO A QP IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A; OR (ii) AN INSTITUTIONAL ACCREDITED INVESTOR THAT IS ALSO A QP PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF AN INSTITUTIONAL INVESTOR THAT IS ALSO A QP; (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT; (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT ("**RULE 144**") (IF AVAILABLE); OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE SECURITY.

ANY RESALE OR OTHER TRANSFER OF THIS SECURITY (OR BENEFICIAL INTEREST HEREIN) WHICH IS NOT MADE IN COMPLIANCE WITH THE RESTRICTIONS SET FORTH HEREIN WILL BE OF NO FORCE AND EFFECT, WILL BE NULL AND VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OR ANY OF ITS AGENTS. IN ADDITION TO THE FOREGOING, IN THE EVENT OF A TRANSFER OF THIS SECURITY (OR BENEFICIAL INTEREST HEREIN) TO A U.S. PERSON WITHIN THE MEANING OF REGULATION S THAT IS NOT A QIB THAT IS ALSO A QP OR AN INSTITUTIONAL ACCREDITED INVESTOR THAT IS ALSO A QP, THE ISSUER MAY: (A) COMPEL SUCH TRANSFEREE TO SELL THIS SECURITY OR ITS INTEREST HEREIN TO A PERSON WHO: (i) IS A U.S. PERSON WHO IS A QIB THAT IS ALSO A QP OR AN INSTITUTIONAL ACCREDITED INVESTOR THAT IS ALSO A QP THAT IS OTHERWISE QUALIFIED TO PURCHASE THIS SECURITY OR INTEREST HEREIN IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT; OR (ii) IS NOT A U.S. PERSON WITHIN THE MEANING OF REGULATION S IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S;

OR (B) COMPEL SUCH TRANSFEREE TO SELL THIS SECURITY OR ITS INTEREST HEREIN TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE ISSUER AT A PRICE EQUAL TO THE LESSER OF: (X) THE PURCHASE PRICE THEREFOR PAID BY THE ORIGINAL TRANSFEREE; (Y) 100 PER CENT. OF THE PRINCIPAL AMOUNT THEREOF; OR (Z) THE FAIR MARKET VALUE THEREOF. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF THIS SECURITY OR INTEREST HEREIN TO A U.S. PERSON WHO IS NOT A QIB THAT IS ALSO A QP OR AN INSTITUTIONAL ACCREDITED INVESTOR THAT IS ALSO A QP. EACH TRANSFEROR OF THIS SECURITY WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE AGENCY AGREEMENT TO ITS TRANSFEREE. NEITHER THE ISSUER NOR THE COMPANY HAS REGISTERED AND NEITHER INTENDS TO REGISTER UNDER THE INVESTMENT COMPANY ACT.

[THIS SECURITY (OR ANY INTEREST HEREIN) MAY BE PURCHASED BY OR OTHERWISE ACQUIRED BY ANY "EMPLOYEE BENEFIT PLAN" WITHIN THE MEANING OF AND SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), A "**PLAN**" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE CODE, ANY PERSON OR ENTITY WHOSE UNDERLYING ASSETS INCLUDE (OR ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE) THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN BY REASON OF 29 C.F.R. 2510.3-101 (AS MODIFIED BY SECTION 3(42) OF ERISA) (ANY OF THE FOREGOING, A "**BENEFIT PLAN INVESTOR**") OR AN EMPLOYEE BENEFIT PLAN THAT IS NOT A BENEFIT PLAN INVESTOR WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAWS WHICH ARE SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), PROVIDED THAT, EACH HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER: (A) IT IS NOT (AND IS NOT DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE TO BE) AND FOR SO LONG AS IT HOLDS THIS SECURITY OR INTEREST THEREIN WILL NOT BE (OR BE DEEMED FOR SUCH PURPOSES TO BE) A BENEFIT PLAN INVESTOR OR AN EMPLOYEE BENEFIT PLAN THAT IS NOT A BENEFIT PLAN INVESTOR WHICH IS SUBJECT TO SIMILAR LAW; OR (B) THE PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR THE CODE AND WILL NOT VIOLATE ANY SUCH SIMILAR LAW. ANY PURPORTED PURCHASE OR TRANSFER OF A SECURITY OR INTEREST THEREIN THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID *AB INITIO*.][1]

[THIS SECURITY (OR ANY INTEREST HEREIN) MAY NOT BE PURCHASED BY OR OTHERWISE ACQUIRED BY ANY BENEFIT PLAN INVESTOR (AS DEFINED IN SECTION 3(42) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**")). EACH HOLDER OF SUCH A SECURITY WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT IT IS NOT (AND IS NOT DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**") TO BE) AND FOR SO LONG AS IT HOLDS THIS SECURITY WILL NOT BE (OR BE DEEMED FOR SUCH PURPOSES TO BE) A BENEFIT PLAN INVESTOR OR AN EMPLOYEE BENEFIT PLAN THAT IS NOT A BENEFIT PLAN INVESTOR WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"). ANY PURPORTED PURCHASE OR TRANSFER OF A SECURITY OR INTEREST THEREIN THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID *AB INITIO*.][2]

THE ISSUER MAY COMPEL EACH BENEFICIAL HOLDER HEREOF TO CERTIFY PERIODICALLY THAT SUCH OWNER IS A QIB THAT IS ALSO A QP OR AN INSTITUTIONAL ACCREDITED INVESTOR THAT IS ALSO A QP.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE

[1] Include if the Notes are treated as "debt" for U.S. federal income tax purposes.

[2] Include if the Notes are treated as "equity" for U.S. federal income tax purposes.

INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

(xv) that the Notes in registered form which are registered in the name of a nominee of DTC will bear an additional legend to the following effect unless otherwise agreed to by the Issuer:

"UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION, ("**DTC**"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY REGISTERED NOTE ISSUED IN EXCHANGE FOR THIS GLOBAL NOTE OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORISED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS GLOBAL SECURITY MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN THE DEPOSITORY TRUST COMPANY OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN THIS GLOBAL SECURITY, AND MAY NOT BE TRANSFERRED, IN WHOLE OR IN PART, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THIS LEGEND. BENEFICIAL INTERESTS IN THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH THIS LEGEND."

(xvi) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as forty (40) days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes of the Tranche of which it forms part), it will do so only: (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act; or (ii) to a QIB that is also a QP in compliance with Rule 144A; and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Unrestricted Global Certificates will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART."; and

(xvii) that the Issuer, each Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Institutional Accredited Investors that are also QPs who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form. Please see *"Summary of Provisions relating to the Notes while in Global Form"*.

The IAI Investment Letter will state, among other things, the following:

(i) that the Institutional Accredited Investor has received a copy of the Base Prospectus and such other information as it deems necessary in order to make its investment decisions;

(ii) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in the Base Prospectus and the Notes (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;

(iii) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;

(iv) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act that is also a qualified purchaser within the meaning of Section 2(a)(51)(A) of the Investment Company Act and the rules and regulations thereunder and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;

(v) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor that is also a QP) as to each of which it exercised sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and

(vi) that, in the event that the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least U.S.$500,000 (or the equivalent amount in a foreign currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.$200,000 (or the equivalent amount in a foreign currency) principal amount or, in the case of sales to Institutional Accredited Investors that are also QPs, U.S.$500,000 (or the equivalent amount in a foreign currency) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$200,000 (or the equivalent amount in a foreign currency) or, in the case of sales to Institutional Accredited Investors that are also QPs, U.S.$500,000 (or the equivalent amount in a foreign currency) principal amount of Registered Notes.

The Bearer Notes will bear a legend to the following effect:

"UPON ANY TENDER OF THE ENCLOSED BEARER NOTE TO THE ISSUER OR ITS AGENT FOR PAYMENT, THE ISSUER SHALL REQUIRE A CERTIFICATE REPRESENTING THAT THE BEARER EITHER: (A) WAS NOT AT THE TIME OF ACQUISITION OF THE BEARER NOTE, A U.S. RESIDENT BENEFICIAL OWNER; OR (B) IS, OR WAS AT THE TIME OF ACQUISITION OF THE BEARER NOTE, A U.S. BENEFICIAL OWNER WHO PURCHASED THE NOTES DIRECTLY FROM THE ISSUER WHILE RESIDENT ABROAD, OR IN A BONA FIDE SECONDARY MARKET TRANSACTION NOT INVOLVING THE ISSUER, ITS AGENTS, AFFILIATES, OR INTERMEDIARIES."

Selling Restrictions

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from or not subject to the registration requirements of the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has offered and sold and shall offer and sell Notes of any Series: (i) as part of their distribution at any time; and (ii) otherwise until 40 days after the completion of the distribution of such tranche, as determined and certified to the Fiscal Agent by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the tranche of which such Notes are a part, only in accordance with a transaction exempt from or not subject to the registration requirements of the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer agrees that at or prior to confirmation of sale of

Notes (other than a sale pursuant to Rule 144A), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Notes covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of Notes of which such Notes are a part, except in either case in a transaction exempt from or not subject to the registration requirements of the Securities Act to a person: (a) that the seller reasonably believes is a "qualified institutional buyer" (within the meaning of Rule 144A under the Securities Act) that is also a "qualified purchaser" (as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940); or (b) that is an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that is also a "qualified purchaser" (as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940). Terms used above have the meanings given to them by Regulation S under the Securities Act."

Terms used in the two preceding paragraphs have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it nor any of its affiliates (as defined in Rule 501(b) of Regulation D), nor any person acting on its or their behalf has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer and sale of the Notes in the United States.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it is a QIB that is also a QP. Each Dealer may, through its respective U.S. registered broker-dealer affiliates, arrange for the offer and resale of the Notes in the United States only to QIBs that are also QPs or to Institutional Accredited Investors that are also QPs in a transaction not involving any public offering.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has offered and sold and will offer and sell the Notes in the United States only to persons: (i) whom it reasonably believes are QIBs that are also QPs; or (ii) who are Institutional Accredited Investors that are also QPs who, in the case of both (i) and (ii) can represent that: (A) they are either QIBs that are also QPs, or Institutional Accredited Investors that are also QPs, as the case may be; (B) they are not broker-dealers who own and invest on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers; (C) they are not a participant-directed employee plan, such as a 401(k) plan; (D) they are acting for their own account, or the account of one or more QIBs or Institutional Accredited Investors, as the case may be, each of which is a QP; (E) they are not formed for the purpose of investing in the Issuer; (F) each account for which they are purchasing will hold and transfer, in the case of QIBs that are also QPs at least U.S.$200,000 in principal amount of Notes, and in the case of Institutional Accredited Investors that are also QPs at least U.S.$500,000 in principal amount of Notes at any time; (G) they understand that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositories; and (H) they will provide notice of the transfer restrictions set forth in this Base Prospectus to any subsequent transferees.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not entered and agrees that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of Notes, except with its affiliates or with the prior written consent of the Issuer and the Company.

In addition, unless the Purchase Information or the Subscription Agreement (each as defined in the Distribution Agreement) relating to one or more Tranches specifies that the applicable TEFRA exemption is either "C Rules" or "not applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, in relation to each Tranche of Notes in bearer form, that:

(i) except to the extent permitted under U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D) (the "**D Rules**"): (a) it has not offered or sold, and during the restricted period it will not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a U.S. person; and (b) it has not delivered and it will not deliver within the United States or its possessions definitive Bearer Notes that are sold during the restricted period;

(ii) it has and throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a U.S. person, except as permitted by the D Rules;

(iii) if it is a U.S. person, it is acquiring Bearer Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it will only do so in accordance with the requirements of U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(6);

(iv) with respect to each affiliate that acquires Bearer Notes from a Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer will either: (A) repeat and confirm the representations and agreements contained in sub-clauses (i), (ii) and (iii) on such affiliate's behalf; or (B) agree that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in sub-clauses (i), (ii) and (iii); and

(v) it will obtain from any distributor (within the meaning of U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(4)(ii) that purchases any Bearer Notes from it pursuant to a written contract with such Dealer (except a distributor that is one of its affiliates or is another Dealer), for the benefit of the Issuer and each other Dealer, the representations contained in, and such distributor's agreement to comply with, the provisions of sub-clauses (i), (ii), (iii) and (iv) insofar as they relate to the D Rules, as if such distributor were a Dealer.

Terms used in the preceding paragraph have the meanings given to them by the Code and U.S. Treasury regulations thereunder, including the D Rules.

In addition, to the extent that the Purchase Information or the Subscription Agreement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is "C Rules", under U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(C) (the "**C Rules**"), Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer represents and agrees that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, in connection with the original issuance of Notes in bearer form, it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the C Rules.

To the extent that the Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Issuer has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Dealers may also arrange for the resale of Notes to persons who are Institutional Accredited Investors who execute and deliver to the Registrar an IAI Investment Letter and are QPs. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) in relation to any Notes which have a maturity of less than one year: (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Company; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Cayman Islands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no offer or invitation to subscribe for the Notes has been or will be made to the public of the Cayman Islands.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

(i) an "Exempt Offer" in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority (the "**DFSA**"); and

(ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than: (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other relevant laws and regulations of Japan.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not make the Notes available to the public in the Kingdom of Bahrain.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 10 or Article 11 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"), through a person authorised by the Capital Market Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes to a Saudi Investor will be made in compliance with the KSA Regulations.

Investors are informed that Article 17 of the KSA Regulations place restrictions on secondary market activity with respect to the Notes, including as follows:

(i) a Saudi Investor (referred to as a "**transferor**") who has acquired Notes pursuant to a private placement may not offer or sell Notes to any person (referred to as a "**transferee**") unless the offer or sale is made through an authorised person where one of the following requirements is met:

    (a) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyals one million or an equivalent amount;

    (b) the Notes are offered or sold to a sophisticated investor; or

    (c) the Notes are being offered or sold in such other circumstances as the CMA may prescribe for these purposes;

(ii) if the requirement of paragraph (i)(a) above cannot be fulfilled because the price of the Notes being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Notes to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals 1 million or an equivalent amount;

(iii) if the requirement in paragraph (ii) above cannot be fulfilled, the transferor may offer or sell Notes if he/she sells his entire holding of Notes to one transferee; and

(iv) the provisions of paragraphs (i), (ii) and (iii) above shall apply to all subsequent transferees of the Notes.

Singapore

Each Dealer has acknowledged that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"); (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law; or

(iv) as specified in Section 276(7) of the SFA.

State of Kuwait

The Notes have not been licensed for offering in the State Kuwait by the Ministry of Commerce and Industry or the Central Bank of Kuwait or any other relevant Kuwaiti government agency. The offering of the Notes in the State of Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Decree Law No. 31 of 1990, as amended, and Ministerial Order No. 113 of 1992, as amended. No private or public offering of the Notes is being made in the State of Kuwait, and no agreement relating to the sale of the Notes will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Notes in the State of Kuwait.

State of Qatar

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver at any time, directly or indirectly, any Notes in the State of Qatar except: (a) in compliance with all applicable laws and regulations of the State of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the U.A.E. other than in compliance with any laws applicable in the U.A.E. governing the issue, offering and sale of securities.

General

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will, to the best of its knowledge and belief, comply with all applicable securities laws, regulations and directives in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Company nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Company or any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other restrictions as the Issuer, the Company and the relevant Dealer(s) shall agree and as shall be set out in the relevant subscription agreement.

GENERAL INFORMATION

Authorisation

The establishment of the Programme was authorised by a resolution of the board of directors of the Issuer dated 24 October 2010 and the giving of the Guarantee was authorised by a resolution of the board of directors of the Company dated 26 October 2010. The update of the Programme and the issue of Notes thereunder was authorised by a resolution of the board of directors of the Issuer dated 12 November 2012 and by a resolution of the board of directors of the Company dated 25 November 2012. The Issuer and the Company have obtained or will obtain from time to time, all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes or the Guarantee, as the case may be.

Listing of the Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Regulated Market will be admitted separately as and when issued, subject only to the issue of a Global Note, a Global Certificate or Notes initially representing the Notes of such Tranche. Application has been made to the U.K. Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the Regulated Market. The listing of the Programme in respect of Notes is expected to be granted on or before 28 November 2012.

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London:

(i) the constitutional documents of the Issuer and of the Company (with direct and accurate English translation thereof);

(ii) the unaudited interim condensed consolidated financial statements of the Company as of and for the six months ended 30 June 2012;

(iii) the audited consolidated financial statements of the Company as of and for the years ended 31 December 2011 and 31 December 2010, together with the audit reports prepared in connection therewith. The Company currently prepares audited consolidated financial statements on an annual basis;

(iv) the most recently published audited consolidated financial statements of the Company and the most recently published unaudited interim condensed consolidated financial statements (if any) of the Company, in each case together with any audit or review reports prepared in connection therewith;

(v) the Agency Agreement, the Deed of Guarantee, the Deed of Covenant, the Deed Poll and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(vi) a copy of this Base Prospectus; and

(vii) any future offering circulars, prospectuses, information memoranda and supplements, including Final Terms (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

Material Contracts

Neither the Issuer nor the Company or any of its subsidiaries has entered into any material contracts outside the ordinary course of business which could result in its being under an obligation or entitlement which is, or may be, material to the ability of the Issuer or the Company to meet its obligations in respect of the Notes.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. Acceptance by DTC of such Notes and the CUSIP and/or CINS numbers for each Tranche of such Registered Notes, together with the relevant ISIN and (if applicable) common code, will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States.

Conditions for Determining Price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer, the Company and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

Save in respect of the issuance of the Outstanding Notes, there has been no significant change in the financial or trading position of the Issuer, and no material adverse change in the prospects of the Issuer, since 27 September 2010, being the date of its incorporation.

There has been no significant change in the financial or trading position of the Company or the Group since 30 June 2012.

There has been no material adverse change in the prospects of the Company or the Group since 31 December 2011.

Legal Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Base Prospectus which may have, or have in such period had, a significant effect on the Issuer and/or the Group's financial position or profitability.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) in the 12 months preceding the date of this Base Prospectus which may have, or have in such period had, a significant effect on the Company and/or the Group's financial position or profitability.

However, the Group does highlight the litigation between Nova Chemicals, Dow Canada and Dow. Please see *"Description of the Group—Legal Proceedings*".

Auditors

The consolidated financial statements of the Company for each of the years ended 31 December 2011 and 31 December 2010 have been audited by Ernst & Young as stated in their reports appearing elsewhere herein. The unaudited interim condensed consolidated financial statements of the Company as of and for the six months ended 30 June 2012 have been reviewed in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" by Ernst & Young as stated in their report appearing elsewhere herein. Ernst & Young are public accountants registered to practice as auditors with the Ministry of Economy in Abu Dhabi.

Notes Having a Maturity of Less Than One Year

Where Notes have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA, such Notes must have a minimum denomination of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses.

Conditions for Determining Price and Yield

The price and amount of Notes to be issued under the Programme will be determined by the Issuer, the Company and each relevant Dealer at the time of issue in accordance with prevailing market conditions. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Notes will be calculated on an annual or semi-annual basis using the relevant issue price at the relevant issue date. It is not an indication of future yield.

Dealers transacting with the Issuer and the Company

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, the Company and their affiliates in the ordinary course of business for which they may receive fees. In particular, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Company and their affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer, the Company and their affiliates routinely hedge their credit exposure to the Issuer, the Company and their affiliates consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Certain additional information relating to the Company

The Company has been incorporated for an initial term of 50 years which term shall thereafter be automatically renewed for consecutive periods of 50 years, unless a resolution is issued by the Company's General Assembly to dissolve the Company before the expiry of its term.

The circumstances in which the Company may be dissolved are:

- upon the expiry of its term, unless renewed;
- by legislation or court decision;
- upon the bankruptcy or insolvency of the Company; or
- by resolution of the Company's General Assembly if it becomes evident from the Company's financial statements that the Company has lost half or more of its capital and the Company's General Assembly fails to make either a continuation decision or does not take a decision to reduce the Company's capital or fails to take any other appropriate action.

The Company was established on 29 May 1984 as a public joint stock company pursuant to Emiri Decree No. 3 of 1984, with ownership initially divided equally between ADIA and ADNOC, each wholly-owned by the Government. Ownership of the Company was subsequently transferred directly to the Government on 6 December 1986 pursuant to Emiri Decree No. 2 of 1986.

As of 30 June 2012, the authorised share capital of the Company is U.S.$5,000 million divided into shares of a nominal or par value of U.S.$1,000 each. The issued share capital of the Company is U.S.$3,500 million.

The Company is the parent company in respect of a large number of subsidiaries, details of which are set out in Note 43 (*Subsidiaries*) to the 2011 Financial Statements. The Company also participates in investments in associates and jointly controlled entities, details of which are set out in Note 7 (*Investments in Associates and Jointly Controlled Entities*) to the 2011 Financial Statements.

The Company's address is Al Muhairy Center Office Tower, 10th Floor, Sheikh Zayed the 1st Street, P.O. Box 7528, Abu Dhabi, U.A.E. The Company's telephone number is +971 2 6336555.

INDEX TO FINANCIAL STATEMENTS

International Petroleum Investment Company PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2012
(UNAUDITED)

ERNST & YOUNG

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF INTERNATIONAL PETROLEUM INVESTMENT COMPANY PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of International Petroleum Investment Company PJSC (the "Company") and its subsidiaries (the "Group") as at 30 June 2012, comprising the interim consolidated statement of financial position as at 30 June 2012 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting* ("IAS 34"). 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, it 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 IAS 34.

Ernst & Young

Signed by
Bassam E Hage
Partner
Ernst & Young
Registration No 258

5 November 2012
Abu Dhabi

A member firm of Ernst & Young Global Limited

International Petroleum Investment Company PJSC and its subsidiaries

INTERIM CONSOLIDATED INCOME STATEMENT
Period ended 30 June 2012 (Unaudited)

	Notes	Six months ended 30 June 2012 US$'000	Six months ended 30 June 2011 US$'000 Reclassified*
CONTINUING OPERATIONS			
Revenues		**26,341,245**	8,019,155
Cost of sales		**(23,441,657)**	(6,298,044)
Gross profit		**2,899,588**	1,721,111
Share of post tax profits of associates and jointly controlled entities		**538,305**	678,537
Selling and distribution costs		**(1,115,153)**	(399,204)
General and administrative expenses		**(474,793)**	(339,253)
Research and development expenses		**(147,947)**	(78,025)
Operating profit		**1,700,000**	1,583,166
Net foreign exchange gains (losses)		**326,662**	(272,547)
Finance income	6	**517,381**	403,578
Finance costs	7	**(891,613)**	(711,250)
Other income		**37,852**	6,742
Other expenses		**(40,850)**	(11,430)
Gain on acquisitions and disposals	8	**178,608**	—
Other (losses) gains on financial instruments	9	**(792,040)**	414,226
Profit for the period from continuing operations before tax		**1,036,000**	1,412,485
Income tax expense		**(361,903)**	(234,553)
Profit for the period from continuing operations		**674,097**	1,177,932
DISCONTINUED OPERATIONS			
Profit (loss) after tax for the period from discontinued operations	10	**143,936**	(16,352)
PROFIT FOR THE PERIOD		**818,033**	1,161,580
Profit for the period attributable to:			
Equity holder of the parent		**697,282**	988,426
Non-controlling interests		**120,751**	173,154
		818,033	1,161,580
		US$	**US$**
Basic and diluted earnings per share attributable to equity holder of the parent	12	**199**	282
Basic and diluted earnings per share from continuing operations attributable to equity holder of the parent	12	**157**	287

* Certain amounts shown here do not correspond to the 30 June 2011 interim condensed consolidated financial statements (see note 26).

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

International Petroleum Investment Company PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Period ended 30 June 2012 (Unaudited)

	Six months ended 30 June	
	2012	**2011**
	US$'000	**US$'000**
PROFIT FOR THE PERIOD	**818,033**	1,161,580
Exchange (loss) gain on translation of foreign subsidiaries	**(220,583)**	282,674
Losses arising during the period on hedge of net investment	**(26,237)**	(263,063)
Reclassification of losses on hedge of net investment during the period included in interim consolidated income statement	**7,023**	1,225
Deferred tax expense from hedge of net investment	**—**	(1,753)
	(19,214)	(263,591)
Actuarial (losses) gains arising during the period on defined benefit plans	**(10,175)**	8,347
Deferred tax credit (expense) from defined benefit plans	**485**	(2,897)
	(9,690)	5,450
Losses arising during the period on cash flow hedges	**(65,860)**	(9,269)
Reclassification of losses on cash flow hedges during the period included in interim consolidated income statement	**43,804**	1,757
Deferred tax credit from cash flow hedges	**4,022**	1,880
	(18,034)	(5,632)
Gains (losses) arising during the period on available-for-sale financial assets	**(200,192)**	(106,722)
Impairment losses on available-for-sale investments reclassified to interim consolidated income statement (note 9)	**392,053**	—
Reclassification of (gains) losses during the period included in interim consolidated income statement	**(153,467)**	3,195
Deferred tax credit (expense) from available-for-sale financial assets	**170**	(671)
	38,564	(104,198)
Share of other comprehensive income of associates and jointly controlled entities	**(20,839)**	867,358
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**(249,796)**	782,061
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**568,237**	1,943,641
Total comprehensive income for the period attributable to:		
Equity holder of the parent	**446,163**	1,697,271
Non-controlling interests	**122,074**	246,370
	568,237	1,943,641

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

International Petroleum Investment Company PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2012 (Unaudited)

	Notes	30 June 2012	(Audited) 31 December 2011
		US$'000	US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**17,137,257**	17,282,471
Intangible assets	14	**2,524,012**	2,461,065
Investment properties		**2,008,334**	1,937,370
Investments in associates and jointly controlled entities		**9,619,937**	8,906,994
Deferred tax assets		**352,178**	365,573
Investments in financial instruments	15	**2,876,812**	2,650,288
Trade and other receivables		**2,381**	11,331
Other assets		**4,572,968**	4,231,247
		39,093,879	37,846,339
Current assets			
Inventories		**5,324,982**	5,125,543
Trade and other receivables		**6,908,719**	6,435,999
Investments in financial instruments	15	**8,203,648**	7,054,187
Other assets		**1,171,994**	1,038,874
Cash and short term deposits		**4,709,279**	4,992,819
		26,318,622	24,647,422
Assets included in disposal groups held for sale	10	**21,022**	2,770,103
TOTAL ASSETS		**65,433,523**	65,263,864
EQUITY AND LIABILITIES			
Equity attributable to equity holder of the parent			
Share capital	16	**3,500,000**	3,500,000
Shareholder loan	17	**1,000,000**	1,000,000
Retained earnings		**8,130,797**	7,435,103
Other reserves	18	**241,954**	523,341
		12,872,751	12,458,444
Non-controlling interests		**1,656,376**	1,764,714
Total equity		**14,529,127**	14,223,158

International Petroleum Investment Company PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION—(Continued)
At 30 June 2012 (Unaudited)

	Notes	30 June 2012	(Audited) 31 December 2011
		US$'000	US$'000
EQUITY AND LIABILITIES continued			
Non-current liabilities			
Borrowings	19	**24,972,193**	26,182,633
Defined benefit plan deficit		**767,223**	772,712
Deferred tax liabilities		**2,248,142**	2,424,042
Derivative financial liabilities		**1,546,223**	323,434
Provisions	20	**339,819**	376,447
Trade and other payables		**65,720**	46,295
Other liabilities		**388,620**	278,223
		30,327,940	30,403,786
Current liabilities			
Trade and other payables		**5,845,164**	6,048,608
Borrowings	19	**12,787,047**	9,597,178
Other liabilities		**1,547,558**	1,650,743
Derivative financial liabilities		**267,649**	935,088
Provisions	20	**121,311**	121,236
		20,568,729	18,352,853
Liabilities included in disposal groups held for sale	10	**7,727**	2,284,067
Total liabilities		**50,904,396**	51,040,706
TOTAL EQUITY AND LIABILITIES		**65,433,523**	65,263,864

MANAGING DIRECTOR

CHIEF FINANCIAL OFFICER

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

International Petroleum Investment Company PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period ended 30 June 2012 (Unaudited)

	Attributable to equity holder of the parent						
	Share capital	Shareholder loan	Retained earnings	Other reserves	Total	Non-controlling interests	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2011	3,500,000	500,000	7,360,086	2,973,363	14,333,449	1,672,429	16,005,878
Profit for the period	—	—	988,426	—	988,426	173,154	1,161,580
Other comprehensive income for the period	—	—	—	708,845	708,845	73,216	782,061
Total comprehensive income for the period	—	—	988,426	708,845	1,697,271	246,370	1,943,641
Acquisition of additional interest in a subsidiary	—	—	(63,639)	—	(63,639)	(72,560)	(136,199)
Dividends paid to non-controlling shareholders	—	—	—	—	—	(51,641)	(51,641)
Movement in other reserves	—	—	(16,358)	18,332	1,974	—	1,974
Reserves on disposal groups held for sale	—	—	(18,470)	18,470	—	—	—
Balance at 30 June 2011	3,500,000	500,000	8,250,045	3,719,010	15,969,055	1,794,598	17,763,653
Balance at 1 January 2012	3,500,000	1,000,000	7,435,103	523,341	12,458,444	1,764,714	14,223,158
Profit for the period	—	—	697,282	—	697,282	120,751	818,033
Other comprehensive income for the period	—	—	—	(251,119)	(251,119)	1,323	(249,796)
Total comprehensive income for the period	—	—	697,282	(251,119)	446,163	122,074	568,237
Acquisition of additional interest in a subsidiary	—	—	(3,857)	—	(3,857)	(3,236)	(7,093)
Dividends paid to non-controlling shareholders	—	—	—	—	—	(61,974)	(61,974)
Movement in other reserves	—	—	9	(132)	(123)	—	(123)
Reserves on disposal groups held for sale	—	—	1,772	(1,772)	—	—	—
Recycle of reserves on disposal of interest in a subsidiary	—	—	488	(28,364)	(27,876)	(165,202)	(193,078)
Balance at 30 June 2012	**3,500,000**	**1,000,000**	**8,130,797**	**241,954**	**12,872,751**	**1,656,376**	**14,529,127**

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

International Petroleum Investment Company PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
Period ended 30 June 2012 (Unaudited)

	Notes	Six months ended 30 June 2012 US$'000	2011 US$'000
OPERATING ACTIVITIES			
Profit before tax		**1,131,337**	1,385,485
Adjustments for:			
Depreciation and impairment of property, plant and equipment		**872,301**	284,973
Amortisation and impairment of intangible assets		**61,414**	69,811
Gains on disposals and acquisitions		**(289,767)**	(16,016)
Other losses (gains) on financial instruments		**784,380**	(424,037)
Finance income		**(522,594)**	(423,478)
Finance costs		**897,485**	722,565
Unrealised exchange difference		**(365,349)**	553,814
Share of post tax profits of associates and jointly controlled entities		**(554,808)**	(727,044)
Charges from provisions and other liabilities		**47,371**	22,733
Other non-cash adjustments		**33,190**	6,454
		2,094,960	1,455,260
Working capital changes:			
Inventories		**(245,613)**	(434,465)
Trade and other receivables		**6,490**	(411,187)
Other assets		**(11,886)**	(96,006)
Accounts payable and accruals		**(96,911)**	249,922
Other liabilities		**(161,483)**	(166,257)
		1,585,557	597,267
Income tax paid		**(412,972)**	(207,242)
Net cash from operating activities		**1,172,585**	390,025
INVESTING ACTIVITIES			
Purchase of subsidiaries, net cash acquired	4	**(299,806)**	—
Acquisition of additional interest in a subsidiary		**(7,093)**	(136,247)
Cash in escrow for acquisition of additional interest in an associate		**—**	(5,776,098)
Advances on investment properties		**(88,496)**	(379,904)
Acquisition of associates and jointly controlled entities		**(51,670)**	(322,938)
Purchase of derivative financial instruments		**(149,411)**	(863,577)
Purchase of financial instruments		**(1,706,108)**	(1,211,781)
Purchase of property, plant and equipment		**(829,660)**	(518,879)
Purchase of investment properties		**(49,466)**	—
Purchase of intangible assets		**(42,117)**	(22,628)
Proceeds on sale of property, plant and equipment		**2,205**	18,173
Proceeds on sale of investment properties		**40,200**	—
Proceeds on sale of financial instruments		**150,124**	166,298
Proceeds on disposal of subsidiaries	11	**193,155**	—
Interest received		**148,393**	96,290
Dividends received		**457,057**	491,829
Capital contribution to associates		**(89,182)**	—
Payments on other assets		**(140,267)**	—
Net cash used in investing activities		**(2,462,142)**	(8,459,462)
FINANCING ACTIVITIES			
Proceeds from borrowings		**5,826,370**	11,592,111
Repayments of borrowings		**(3,438,711)**	(1,854,252)
Interest paid		**(922,907)**	(513,369)
Dividends paid to non-controlling shareholders		**(61,974)**	(51,641)
Long term deposit		**(162,213)**	—
Other financing activities		**18,528**	—
Net cash from financing activities		**1,259,093**	9,172,849
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(30,464)**	1,103,412
Net foreign exchange difference		**(31,937)**	30,257
Cash and cash equivalents at 1 January		**5,291,362**	3,150,019
CASH AND CASH EQUIVALENTS AT 30 JUNE		**5,228,961**	4,283,688
Analysed as follows:			
Bank balances from continuing operations:			
Cash and short term deposits		**4,709,279**	4,283,688
Due from banks		**517,262**	—
Bank balances from discontinued operations		**2,420**	—
		5,228,961	4,283,688

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 Abu Dhabi. The Company's registered head office is 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 strategic projects on behalf of its shareholder. Additionally the Company's subsidiary, Aabar Investments PJS ("Aabar"), undertakes other investing activities in various growth industries. The principal activities of the Company and its subsidiaries (the "Group") are further described in note 5.

As of 30 June 2012, the Company had control over five significant operating companies either directly or through its special purpose vehicles: Borealis AG ("Borealis") (based in Austria); Aabar (based in UAE); Falcon Private Bank Ltd ("Falcon Bank") (based in Switzerland), Nova Chemicals Corporation ("Nova") (based in Canada) and Compañia Española de Petróleos SA ("CEPSA") (based in Spain). Further, the Group has minority stakes in significant operating companies such as OMV AG ("OMV") (based in Austria), Abu Dhabi Polymers Company Limited ("Borouge") (based in UAE) and RHB Capital Berhard ("RHB") (based in Malaysia).

On 7 March 2012, the Company disposed of all of its 70% interest in Ferrostaal AG (note 11).

The interim condensed consolidated financial statements for the six months ended 30 June 2012 were authorised for issue by the management on 5 November 2012.

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 2012 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.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2011. In addition, results for the six months ended 30 June 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

2.2 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 2011 except for the adoption of the following new standards as of 1 January 2012:

- IAS 12—Deferred Tax: Recovery of Underlying Assets (Amendment)
- IFRS 7—Disclosures—Transfers of financial assets (Amendment)
- IFRS 1—Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)

The adoption of above standards did not have a material effect on the financial position or performance of the Group.

3 SEASONALITY OF OPERATIONS

No income of a seasonal nature was recorded in the interim condensed consolidated statement of income for the six months ended 30 June 2012 and 30 June 2011.

4 BUSINESS COMBINATIONS

The Group made the following acquisitions during the period ended 30 June 2012, which are further described below:

4.1 Acquisition of Chevron España, S.A.

On 30 March 2012, CEPSA acquired the entire share capital of Chevron España, S.A. Chevron España S.A. is a company which operates in the distribution and marketing business of petroleum and lube products. Chevron España S.A's name was later changed to "Cepsa Carburantes y Lubricantes (S.L.U)".

The business combination has been accounted for using the acquisition method on a provisional basis. The impact on profit for the period ended 30 June 2012 was not material. Had the acquisition occurred on 1 January 2012, it is estimated that the additional contribution to consolidated revenue and net profit for the six-month period would not have been material.

Assets acquired and liabilities assumed

The provisional fair value of the identifiable assets and liabilities of Chevron España, S.A. as at the acquisition date was:

	Provisional fair value recognised on acquisition	Provisional fair value recognised on acquisition
	Euro'000	US$'000
Assets		
Property, plant and equipment	61,839	82,444
Intangible assets	3,271	4,361
Inventories	16,020	21,358
Trade receivables	12,744	16,990
Other assets	237	316
Cash and cash equivalents	33,552	44,732
	127,663	170,201
Liabilities		
Trade payables	(24,574)	(32,762)
Other liabilities	(985)	(1,313)
	(25,559)	(34,075)
Total identifiable net assets at fair value	102,104	136,126
Goodwill arising on acquisition	64,670	86,218
Cost of business combination	166,774	222,344

Cash outflow on the acquisition of the entire share capital is as follows:

	US$'000
Consideration paid	222,344
Cash acquired with Chevron España, S.A.	(44,732)
Net cash outflows	177,612

4.2 Acquisition of PEC-Rhin

On 31 January 2012, Borealis acquired the entire share capital of PEC-Rhin in Ottmarsheim, France from GPN in Nanterre, France, a 100% subsidiary of Total in Paris, France. PEC-Rhin is a producer of nitrate fertilisers as well as ammonia, ammonia water and nitric acid for industrial use. PEC-Rhin was renamed as Borealis PEC-Rhin SAS. The acquisition will complement Borealis' existing fertiliser business and will enable Borealis to grow further.

The acquisition has been accounted for using the acquisition method. The fair value of acquired assets and liabilities is provisional and may be adjusted as a result of obtaining additional legal clarification. The interim consolidated financial statements include the results of PEC-Rhin for the five-month period from the acquisition date.

Assets acquired and liabilities assumed

The provisional fair value of the identifiable assets and liabilities PEC- Rhin as at the acquisition date was:

	Provisional fair value recognised on acquisition	Provisional fair value recognised on acquisition
	Euro'000	US$'000
Assets		
Property, plant and equipment	53,265	69,623
Intangible assets	182	238
Inventories	21,836	28,542
Trade receivables	14,822	19,374
Other assets	2,114	2,762
Cash and cash equivalents	14,951	19,543
	107,170	140,082
Liabilities		
Deferred tax liabilities	(13,905)	(18,176)
Trade payables	(12,179)	(15,919)
Other liabilities	(12,783)	(16,708)
	(38,867)	(50,803)
Total identifiable net assets at fair value	68,303	89,279
Goodwill arising on acquisition	40,134	52,458
Cost of business combination	108,437	141,737

Cash outflow on the acquisition of the entire share capital is as follows:

	US$'000
Consideration paid	141,737
Cash acquired with PEC-Rhin	(19,543)
Net cash outflows	122,194

From the date of acquisition to 30 June 2012, PEC-Rhin has contributed US$75 million (Euro 58 million) of revenue and US$13 million (Euro 10 million) to the net profit before tax of the Group. If the combination had taken place at the beginning of the period, the revenue contribution from PEC-Rhin would have been US$88 million (Euro 68 million) and the profit for the period before tax would have been US$16 million (Euro 12 million).

The goodwill of US$52 million (Euro 40 million) comprises the value of expected synergies and other benefits from combining the assets and activities of PEC-Rhin with those of Borealis. None of the recognised goodwill is deductible for income tax purposes. The purchase price allocation is expected to be finalised before year end.

5 OPERATING SEGMENT REPORTING

For management reporting purposes, the Group is organised into business units based on their products, services and location and has six reportable operating segments as follows:

Plastic solutions—Europe

This segment comprises of Borealis and is engaged in providing plastics solutions based on polyolefin and developing its base chemical business which comprises phenol, acetone, melamine and agrochemicals.

Plastic solutions—North America

This segment comprises of Nova and is engaged in providing plastic solutions based on ethylene and polyethylene and performance styrenic polymers. This segment also produces plastics and chemicals and develops value-added products and technology for customers worldwide that produce consumer, industrial and packaging products.

Industrial engineering services

This segment comprises of Ferrostaal and is engaged in building large-scale plants and providing industrial solutions worldwide. This segment was disposed in 2012 (note 11).

Integrated oil and gas businesses

This segment comprises of CEPSA and its subsidiaries (acquired in July 2011) and is engaged in oil and gas exploration and production. This segment is also engaged in oil supply, refining and distribution; cogeneration of electricity and distribution and retailing of electricity and natural gas.

Diversified investments

This segment comprises of Aabar and is engaged in investment advisory, asset management services and private banking.

Corporate and others

This segment holds investments in various operating entities and segments and provides financing for the Company.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating 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 and is measured consistently with profit or loss in the consolidated financial statements.

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

	Plastic solutions Europe	Plastic solutions North America	Industrial engineering services	Diversified investments	Integrated oil and gas	Corporate and Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Six months ended 30 June 2012							
Revenue from external customers	**4,867,196**	**2,761,585**	**—**	**48,827**	**18,663,637**	**—**	**26,341,245**
Results							
Share of post tax profits of associates and jointly controlled entities	**256,556**	**—**	**—**	**27,695**	**25,739**	**228,315**	**538,305**
Depreciation for the period	**(160,670)**	**(131,360)**	**—**	**(1,506)**	**(573,792)**	**—**	**(867,328)**
Amortisation for the period	**(13,374)**	**(15,877)**	**—**	**(5,009)**	**(23,956)**	**—**	**(58,216)**
Impairment for the period of long-lived assets	**(3,089)**	**—**	**—**	**—**	**—**	**—**	**(3,089)**
Finance income	**4,246**	**2,193**	**—**	**323,432**	**44,279**	**143,231**	**517,381**
Finance costs	**(36,920)**	**(65,056)**	**—**	**(362,663)**	**(46,451)**	**(380,523)**	**(891,613)**
Gains on acquisitions and disposals	**—**	**8**	**—**	**153,468**	**17,819**	**7,313**	**178,608**
Other gains (losses) on financial instruments	**(6,325)**	**—**	**—**	**(786,869)**	**9,916**	**(8,762)**	**(792,040)**
Income tax (expense) credit	**(27,204)**	**(121,770)**	**—**	**71,746**	**(284,675)**	**—**	**(361,903)**
Profit (loss) for the period from continuing operations	**326,447**	**390,375**	**—**	**(398,538)**	**316,877**	**38,936**	**674,097**
Profit (loss) or the period from discontinued operations	**—**	**(10,484)**	**154,420**	**—**	**—**	**—**	**143,936**
Profit (loss) for the period	**326,447**	**379,891**	**154,420**	**(398,538)**	**316,877**	**38,936**	**818,033**

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

	Plastic solutions Europe	Plastic solutions North America	Industrial engineering services	Diversified investments	Integrated oil and gas	Corporate and Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Six months ended 30 June 2011							
Revenue from external customers	5,270,680	2,690,722	—	57,753	—	—	8,019,155
Results							
Share of post tax profits of associates and jointly controlled entities	212,425	—	—	(16,838)	—	482,950	678,537
Depreciation for the period	(168,124)	(111,566)	—	(1,245)	—	—	(280,935)
Amortisation for the period	(9,252)	(16,088)	—	(7,284)	—	—	(32,624)
Impairment for the period of long-lived assets	(4,951)	—	—	(6,634)	—	—	(11,585)
Finance income	4,287	2,558	—	272,719	—	124,014	403,578
Finance costs	(44,107)	(86,716)	—	(338,904)	—	(241,523)	(711,250)
Other gains (losses) on financial instruments	(7,295)	—	—	427,060	—	(5,539)	414,226
Income tax expense	(87,462)	(135,224)	—	(11,867)	—	—	(234,553)
Profit (loss) for the period from continuing operations	478,831	379,991	—	(236,119)	—	555,229	1,177,932
Profit (loss) or the period from discontinued operations	—	8,104	(24,456)	—	—	—	(16,352)
Profit (loss) for the period	478,831	388,095	(24,456)	(236,119)	—	555,229	1,161,580

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

	Plastic solutions Europe	Plastic solutions North America	Industrial engineering services	Diversified investments	Integrated oil and gas	Corporate and Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 30 June 2012							
Assets and liabilities							
Investments in associates and jointly controlled entities	**2,087,644**	**—**	**—**	**2,824,300**	**593,985**	**4,114,008**	**9,619,937**
Assets included in disposal groups held for sale	**—**	**21,022**	**—**	**—**	**—**	**—**	**21,022**
Other segment assets	**6,497,444**	**6,027,542**	**—**	**17,107,502**	**18,090,651**	**8,069,425**	**55,792,560**
Total assets	**8,585,088**	**6,048,564**	**—**	**19,931,802**	**18,684,636**	**12,183,433**	**65,433,523**
Liabilities included in disposal groups held for sale	**—**	**7,727**	**—**	**—**	**—**	**—**	**7,727**
Segment liabilities	**4,131,889**	**3,305,060**	**—**	**15,541,011**	**9,007,909**	**18,910,800**	**50,896,669**
Total liabilities	**4,131,889**	**3,312,787**	**—**	**15,541,011**	**9,007,909**	**18,910,800**	**50,904,396**
At 31 December 2011							
Assets and liabilities							
Investments in associates and jointly controlled entities	1,790,719	—	—	2,498,544	604,609	4,013,122	8,906,994
Assets included in disposal groups held for sale	—	22,167	2,747,936	—	—	—	2,770,103
Other segment assets	6,185,747	6,185,795	—	15,099,750	17,922,013	8,193,462	53,586,767
Total assets	7,976,466	6,207,962	2,747,936	17,598,294	18,526,622	12,206,584	65,263,864
Liabilities included in disposal groups held for sale	—	7,281	2,276,786	—	—	—	2,284,067
Segment liabilities	3,681,392	3,820,938	—	13,010,986	8,720,228	19,523,095	48,756,639
Total liabilities	3,681,392	3,828,219	2,276,786	13,010,986	8,720,228	19,523,095	51,040,706

6 FINANCE INCOME

	Six months ended 30 June	
	2012	2011
	US$'000	US$'000 Reclassified
Dividend income	**314,395**	327,344
Interest income	**202,986**	76,234
	517,381	403,578

Included in interest income is an amount of US$18,709 thousand (2011: US$Nil), which relates to the interest income receivable from cross-currency swaps counterparties. In March 2011, the Company entered into cross currency fixed for fixed GBP/EUR swaps for notional amounts of GBP 550,000 thousand.

7 FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	US$'000	US$'000 Reclassified
Interest expense	**(855,638)**	(670,896)
Amortisation of arrangement fees on financing	**(35,975)**	(40,354)
	(891,613)	(711,250)

Included in interest expense is an amount of US$18,709 thousand (2011: US$Nil), which relates to the interest expense payable to the bondholders. In March 2011, the Company entered into cross currency fixed for fixed GBP/EUR swaps for notional amounts of GBP 550,000 thousand.

8 GAINS ON ACQUISITIONS AND DISPOSALS

	Six months ended 30 June	
	2012	2011
	US$'000	US$'000 Reclassified
Gain on disposal of property, plant and equipment	**15,929**	—
Gain on disposal of financial instruments (i)	**162,358**	—
Other gains	**321**	—
	178,608	—

(i) Gain on disposal of financial instruments during the period relates mainly to the recycle from other comprehensive income to the income statement of cumulative fair gain on Arabtec Holding PJSC held by Aabar, on the change in accounting from available-for-sale to investment in associate, amounting to US$80,390 thousand; and gain on disposal of Tesla Motors Inc. amounting to US$73,077 thousand.

9 OTHER (LOSSES) GAINS ON FINANCIAL INSTRUMENTS

	Six months ended 30 June	
	2012	2011
	US$'000	US$'000 Reclassified
Fair value (losses) gains on non-derivative financial instruments at fair value through profit or loss (i)	**(606,208)**	767,110
Fair value gains (losses) on derivative financial instruments (ii)	**206,312**	(352,602)
Loss on ineffective portion of cash flow hedges	**(91)**	(282)
Impairment loss on available-for-sale financial instruments (iii)	**(392,053)**	—
	(792,040)	414,226

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

	Six months ended 30 June	
	2012	2011
	US$'000	US$'000
Fair value gains on Daimler AG shares	**51,192**	716,587
Fair value loss on Unicredit SpA shares	**(660,326)**	46,943

(ii) Fair value gains (losses) on derivative financial instruments during the period includes the following:

	Six months ended 30 June	
	2012	**2011**
	US$'000	**US$'000**
Call and put options on Daimler AG shares (note a)	**(146,283)**	(431,058)
Call and put options on Unicredit SpA (note a)	**342,287**	94,198
Embedded derivatives on exchangeable bonds of Daimler AG shares (note b)	**40,548**	—
Call spreads on Daimler AG shares (note c)	**(27,238)**	—
CASHES of Unicredit SpA	**—**	1,323

(a) Aabar entered into funded collar transactions upon purchase of equity shares in both Daimler AG and 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 restrict the revaluation gains and losses on the Daimler AG and Unicredit SpA shares within a certain range. However, Aabar still maintains significant exposure to the share price on both the investments.

(b) Aabar has recognised the embedded derivative in its exchangeable bonds issued in 2011. The holders of the bonds have the option to exchange their bonds into Daimler AG shares on exercise of exchange rights; however the Group has the option to deliver either shares or cash.

(c) Aabar holds long-term derivative contracts to further participate in the upside of Daimler AG tied to both the exchangeable bonds and Aabar's underlying equity position in Daimler.

(iii) During the period, Aabar has recognized an impairment loss of US$392,053 thousand on its investment with Glencore International Plc.

10 DISCONTINUED OPERATIONS

Included in the consolidated statement of financial position:

	30 June 2012	(Audited) 31 December 2011
	US$'000	**US$'000**
Syntheon (i)		
Total assets	**21,022**	22,167
Total liabilities	**(7,727)**	(7,281)
Ferrostaal (note 11)		
Total assets	**—**	2,747,936
Total liabilities	**—**	(2,276,786)
Classified as:		
Assets included in disposal groups held for sale	**21,022**	2,770,103
Liabilities included in disposal groups held for sale	**(7,727)**	(2,284,067)

Included in the interim condensed consolidated income statement:

	Six months ended 30 June	
	2012	2011
	US$'000	US$'000 Reclassified
Loss from Syntheon operations (i)	**(10,484)**	—
Share of profit of INEOS Nova Joint Venture	**—**	8,104
Profit from Ferrostaal operations (note 11)	**42,920**	(24,456)
Gain on disposal of Ferrostaal (note 11)	**111,500**	—
	143,936	(16,352)

(i) During 2011, the Board of Directors of Nova has approved the sale, subject to certain conditions, of Nova's building and construction businesses, collectively known as Syntheon. Management has since developed a formal plan for the sale of Syntheon operations. Associated results of operations, financial position and cash flows are separately reported as discontinued operations and assets and liabilities held for sale as of and for the six month ended 30 June 2012.

11 DISPOSAL OF A SUBSIDIARY

On 28 November 2011, the Company, IPIC Ferrostaal Holdings GmbH & Co KG (a German limited liability partnership indirectly owned and controlled by the Company) ("IPIC KG"), MAN SE and MAN Ferrostaal Betieligungs GmbH (together with MAN SE, "MAN") signed a settlement agreement whereby the parties agreed that IPIC KG will retransfer to MAN, and MAN will repurchase from IPIC KG, all of IPIC KG's shares in Ferrostaal, comprising 70% of Ferrostaal's total issued share capital. In consideration for the retransfer, MAN agreed to pay EUR 350 million to IPIC KG. On 7 March 2012, the parties completed the transfer

The results of Ferrostaal for the periods ended 7 March 2012 and six months ended 30 June 2011 are presented below:

	Period from 1 January 2012 to 7 March 2012	Six months ended 30 June 2011
	US$'000	US$'000
Revenues	**170,429**	612,685
Cost of sales	**(150,893)**	(511,650)
Gross profit	**19,536**	101,035
Share of post tax profits of associates and jointly controlled entities	**16,778**	48,507
Selling and distribution costs	**(20,908)**	(77,255)
General and administrative expenses	**(21,047)**	(83,801)
Operating loss	**(5,641)**	(11,514)
Net foreign exchange losses	**(3,812)**	(21,845)
Finance income	**5,213**	19,900
Finance costs	**(5,859)**	(11,315)
Other income	**8,701**	19,290
Other expenses	**(12,319)**	(55,444)
Gains on acquisitions and disposals	**338**	16,013
Other gains on financial instruments	**7,660**	9,811
Loss before tax	**(5,719)**	(35,104)
Income tax credit	**48,639**	10,648
	42,920	(24,456)
Gain on disposal of discontinued operations	**111,500**	—
Profit (loss) for the period from discontinued operations	**154,420**	(24,456)
Profit (loss) for the period attributable to:		
Equity holder of the parent	**146,247**	(26,976)
Non-controlling interest	**8,173**	2,520
	154,420	(24,456)

	US$'000
Total consideration received	**459,130**
Less: bank balances and cash disposed of	**(265,975)**
Proceeds from disposal of a subsidiary	**193,155**

Included in other comprehensive income

	Period from 1 January 2012 to 7 March 2012	Six months ended 30 June 2011
	US$'000	US$'000
Foreign currency translation reserve	**8,383**	35,787
Reserve for actuarial losses on defined benefit plans	**7,972**	13,523
Reserves of disposal group classified as held for sale	**16,355**	49,310
The net cash flows incurred by Ferrostaal are as follows:		
Operating	**(67,191)**	(69,183)
Investing	**25,626**	27,265
Financing	**3,579**	3,439
Net cash outflows	**(37,986)**	(38,479)

12 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	
	2012	**2011**
	US$'000	**US$'000 Reclassified**
Net profit attributable to ordinary equity holder of the parent from continuing operations	**550,035**	1,004,778
Profit (loss) attributable to ordinary equity holder of the parent from discontinued operations	**147,247**	(16,352)
Net profit attributable to ordinary equity holder of the parent for basic earnings	**697,282**	988,426
Weighted average number of ordinary shares for basic earnings per share (in thousands)	**3,500**	3,500
	US$	**US$**
Basic and diluted earnings per share	199	282
Basic and diluted earnings per share from continuing operations	157	287

13 PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment during the period ended 30 June 2012 amounted to US$981,727 thousand (30 June 2011: US$518,879 thousand) of which US$152,067 thousand were acquired through business combinations (30 June 2011: US$nil).

At 30 June 2012, property, plant and equipment include assets under construction which amounted to US$3,337,722 thousand (31 December 2011: US$3,153,241 thousand) relating to the construction of an oil pipeline (ADCOP project).

14 INTANGIBLE ASSETS

During the period ended 30 June 2012, the Group invested US$46,716 thousand into intangible assets (30 June 2011: US$22,628 thousand) of which US$4,599 thousand were acquired through business combinations (30 June 2011: US$nil).

Impairment of intangible assets during the period ended 30 June 2012 amounted to US$3,089 thousand (30 June 2011: US$11,598 thousand).

15 INVESTMENTS IN FINANCIAL INSTRUMENTS

	30 June 2012	(Audited) 31 December 2011
	US$'000	US$'000
Non-derivative financial instruments:		
Financial assets at fair value through profit or loss (note 15.1)	**6,175,278**	5,366,287
Available-for-sale financial assets (note 15.2)	**1,784,157**	2,208,057
	7,959,435	7,574,344
Derivative financial instruments (note 15.3)	**3,121,025**	2,130,131
	11,080,460	9,704,475
Non-current	**2,876,812**	2,650,288
Current	**8,203,648**	7,054,187
	11,080,460	9,704,475

15.1 Financial assets at fair value through profit or loss

	30 June 2012	(Audited) 31 December 2011
	US$'000	US$'000
Daimler AG shares (i)	**4,285,525**	4,234,333
CASHES of Unicredit SpA. (ii)	**12,838**	29,739
Unicredit SpA (iii)	**1,464,505**	799,698
Others (iv)	**412,410**	302,517
	6,175,278	5,366,287
Non-current	**30,504**	43,455
Current	**6,144,774**	5,322,832
	6,175,278	5,366,287

i) This represents an investment in Daimler AG shares. The Group has taken collar and put options to fix the floor and cap price for movements in the share price of Daimler AG and to finance the acquisitions of shares. Shares in Daimler AG are pledged as collateral against term loans.

ii) This represents an investment in the Convertible and Subordinated Hybrid Equity-Linked Securities of UniCredit SpA, an Italian bank. These convertible bonds, due on 15 December 2050 are exchangeable into ordinary shares of UniCredit SpA. If at any time, between 23 February 2016 and 15 December 2050, the exchange security price of UniCredit SpA shares, for 20 out of 30 consecutive trading days, exceeds 150% of the exchange price, the bonds will be automatically redeemed.

iii) This represents an investment in UniCredit SpA. The Group acquired a 4.99% stake in UniCredit SpA in 2010 and an additional 1.76% stake in 2012 for US $ 1,326 million by subscribing in a rights issue. The Group's holding in UniCredit SPA after the reverse split of shares in 2011 and subscription of rights issue in 2012 is 6.75% at 30 June 2012. 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.

iv) This balance represents mainly investments in government treasury securities and corporate bonds. Also included in this balance is an investment of US $ 18.9 million in two investment funds: Blue Orchard Private Equity Funds SCA and Oasis Fund SCA with a commitment to invest a further US $ 35.3 million at a later date.

15.2 Available-for-sale financial assets

	30 June 2012	(Audited) 31 December 2011
	US$'000	US$'000
Quoted investments	**1,355,343**	1,771,562
Unquoted investments at fair value	**392,109**	399,790
Unquoted investments carried at cost	**36,705**	36,705
	1,784,157	2,208,057

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.

15.3 Derivative financial instruments

Included in derivative financial instruments is an amount of US $ 101,997 thousand which represents the fair value of the option that the Group holds in 1MDB Energy Sdn Bhd. The option gives the Group the right to acquire up to a 49% stake in 1MDB Energy Sdn Bhd, a company which holds 100% ownership in Tanjong Energy Holdings Sdn Bhd. Further details about the options are given in note 21.

16 SHARE CAPITAL

	Authorised		Issued and fully paid	
	30 June 2012	(Audited) 31 December 2011	30 June 2012	(Audited) 31 December 2011
	US$'000	US$'000	US$'000	US$'000
Ordinary shares of US $ 1,000 each	**5,000,000**	5,000,000	**3,500,000**	3,500,000

17 SHAREHOLDER LOAN

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

The funds received are interest-free with no repayment terms and are repayable at the discretion of the Board of Directors of the Company. Accordingly, management has classified the funds as a shareholder loan within equity.

18 OTHER RESERVES

	Cumulative changes in fair value of available for-sale investments	Foreign currency translation reserve	Reserve for cash flow hedges	Reserve for actuarial gains and losses	Reserves for disposal group held for sale	Share of reserves of associates	Other reserves	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2011	3,341,996	58,908	14,369	(124,612)	—	(416,058)	98,760	2,973,363
Other comprehensive income for the period	(101,980)	(59,024)	(3,609)	6,100	—	867,358	—	708,845
Movement in other reserves	—	(73)	—	—	—	—	18,405	18,332
Reserves for disposal group held for sale	—	(1,351)	—	—	19,821	—	—	18,470
Balance at 30 June 2011	3,240,016	(1,540)	10,760	(118,512)	19,821	451,300	117,165	3,719,010
Balance at 1 January 2012	2,221,893	(1,182,047)	(92,242)	(238,336)	26,895	(311,582)	98,760	523,341
Other comprehensive income for the period	29,825	(290,988)	44,090	(13,258)	—	(20,869)	81	(251,119)
Movement in other reserves	—	—	—	(132)	—	—	—	(132)
Reserves for disposal group held for sale	—	(192)	—	—	(1,580)	—	—	(1,772)
Recycle of reserves on disposal of interest in a subsidiary	(1)	(8,381)	—	(7,969)	(12,013)	—	—	(28,364)
Balance at 30 June 2012	2,251,717	(1,481,608)	(48,152)	(259,695)	13,302	(332,451)	98,941	241,954

19 BORROWINGS

	30 June 2012	(Audited) 31 December 2011
	US$'000	US$'000
Bank overdrafts	**973,450**	433,750
Obligations under finance leases and hire purchase contracts	**6,916**	8,541
Listed notes and other borrowing instruments	**13,058,369**	13,546,976
Unlisted bank borrowings	**23,720,505**	21,790,544
	37,759,240	35,779,811
Non-current	**24,972,193**	26,182,633
Current	**12,787,047**	9,597,178
	37,759,240	35,779,811

At 30 June 2012 and 31 December 2011, the Company has not guaranteed the borrowings of any of the Group companies.

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

	30 June 2012	(Audited) 31 December 2011
	US$'000	US$'000
The Company	**18,567,255**	19,198,777
Aabar	**11,465,897**	9,733,156
Nova	**1,369,257**	1,741,109
Borealis	**2,039,535**	1,604,564
CEPSA	**4,317,296**	3,502,205
	37,759,240	35,779,811

Details of the group borrowings are as follows:

Listed notes and other borrowing instruments

	Maturity	Currency	Interest rate	30 June 2012	(Audited) 31 December 2011
				US$'000	US$'000
IPIC—Bond 1	2020	US$	5.000%	**1,483,490**	1,482,717
IPIC—Bond 2	2015	US$	3.125%	**994,818**	994,084
IPIC—Bond 3	2021	EUR	5.875%	**1,552,062**	1,587,890
IPIC—Bond 4	2016	EUR	4.875%	**1,566,164**	1,600,849
IPIC—Bond 5	2026	GBP	6.875%	**854,181**	844,285
IPIC—Bond 6	2022	US$	5.500%	**1,490,803**	1,489,948
IPIC—Bond 7	2017	US$	3.750%	**1,491,248**	1,490,935
IPIC—Bond 8	2041	US$	6.875%	**740,468**	740,471
Aabar—Exchangeable bond (see note below)	2016	EUR	4.000%	**1,492,837**	1,527,110
Borealis—Bond 1	2017	EUR	5.375%	**253,020**	259,200
Nova—Bond 1	2012	US$	6.50%	**—**	399,532
Nova—Bond 2	2013	US$	6m LIBOR + 3.13%	**377,025**	369,345
Nova—Bond 3	2016	US$	8.38%	**343,201**	342,156
Nova—Bond 4	2019	US$	8.63%	**341,665**	341,433
Nova—Bond 5	2025	US$	7.88%	**77,387**	77,021
				13,058,369	13,546,976

Aabar—Exchangeable bond

On 27 May 2011, Aabar issued EUR 1,250,000 thousand 4% 5 year senior unsecured exchangeable bonds, which are exchangeable into Daimler AG shares (the "exchangeable bonds"). The exchangeable bonds are hybrid securities consisting of a straight bond and an embedded call option with a fixed strike price to exchange the bond for either shares in Daimler AG or cash of an equivalent value at the option of Aabar.

All bonds of the Group are unsecured, and repayable as bullet payment on maturity.

Unlisted borrowings

	Maturity (Year)	Currency	Interest rate	30 June 2012 US$'000	(Audited) 31 December 2011 US$'000
IP1C—Loan 1	2013	Euro	EURIBOR + Margin	**186,502**	191,160
IPIC—Loan 2*	2013	GBP	LIBOR + Margin	**—**	227,481
IPIC—Loan 3	2013	JPY	LIBOR + Margin	**844,435**	874,600
IPIC—Loan 4*	2012	US$ & AED	LIBOR/EIBOR + Margin	**—**	849,232
IPIC—Loan 6*	2013	AED	EIBOR + Margin	**—**	268,784
IPIC—Loan 8	2026	AED	EIBOR + Margin	**272,294**	272,294
IPIC—Loan 9	2012	US$	LIBOR + Margin	**1,498,921**	1,497,805
IPIC—Loan 10	2014	US$	LIBOR + Margin	**1,392,573**	1,390,527
IPIC—Loan 11	2013	AED	EIBOR + Margin	**1,996,326**	1,994,661
IPIC—Loan 12	On demand	US$	LIBOR + Margin	**1,395,277**	1,401,054
IPIC—Loan 13	2014	US$	LIBOR + Margin	**169,716**	—
IPIC—Loan 14	2014	Euro	EURIBOR + Margin	**637,977**	—
Aabar—Loan 1	2012	AED	EIBOR + Margin	**204,221**	204,221
Aabar—Loan 2	2015	EUR	Fixed	**1,567,068**	1,608,697
Aabar—Loan 3	2013	US$	LIBOR + Margin	**1,441,345**	1,321,971
Aabar—Loan 4	2013	EUR	EURIBOR + Margin	**291,017**	208,096
Aabar—Loan 5	2013	AED	EIBOR + Margin	**248,844**	103,162
Aabar—Loan 6	2012	EUR	Fixed	**1,466,481**	1,498,512
Aabar—Loan 7	2013	EUR	Fixed	**2,212,023**	2,256,290
Aabar—Loan 9	2014	EUR	EURIBOR + Margin	**248,468**	254,873
Aabar—Loan 10	2012	US$	LIBOR + Margin	**750,225**	750,225
Aabar—Loan 11	2014	Euro	Fixed	**1,543,367**	—
Others—Fixed	2019 – 2030	Various	Fixed	**1,124,220**	915,768
Others—Floating	2012 – 2022	Various	Base rate + Margin	**4,229,205**	3,701,131
				23,720,505	21,790,544

* Term loan (4) has been refinanced in March 2012 with Term loans (13) and (14), with a new maturity date of March 2014 and Term loans (2) and (6) have been repaid in full in April 2012.

Others—Fixed include approximately 15 individual loans and Others—Floating include approximately 50 individual loans.

IPIC loans and Aabar loans are unsecured, except for Aabar—Loan 1, 2, 6, 7 and 11 which are secured through pledges on land mortgage, Daimler AG shares and UniCredit SpA shares respectively. All loans within Others—Fixed are unsecured except for an amount of US$ 19,638 thousand (31 December 2011: US$ 19,789 thousand) which is secured on property, plant and equipment. All loans within Others—Floating are unsecured.

20 PROVISIONS

	Restructuring	Decommissioning	Legal disputes	Environmental	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2012	8,548	162,264	153,755	25,793	147,323	497,683
Additions	1,001	1,248	3,272	1,313	14,451	21,285
On business combinations	—	1,237	—	—	—	1,237
Accretion expenses	—	3,136	(186)	—	(2,704)	246
Utilised	(2,916)	(2,098)	(2,383)	(2,180)	(16,067)	(25,644)
Reversed	—	(5,505)	(21,470)	—	(1,315)	(28,290)
Exchange adjustments	(90)	(1,218)	(580)	(502)	(2,997)	(5,387)
Balance at 30 June 2012	**6,543**	**159,064**	**132,408**	**24,424**	**138,691**	**461,130**

Analysed in the interim consolidated statement of financial position as follows:

	30 June 2012	(Audited) 31 December 2011
	US$'000	US$'000
Classified as:		
Non-current	**339,819**	376,447
Current	**121,311**	121,236
	461,130	497,683

(i) Provision for restructuring relates mainly to ongoing restructuring programmes of the Group companies.

(ii) 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.

(iii) Environmental provision includes the estimated amounts 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.

(iv) 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. The majority of the legal provision relates to Nova litigation cases (note 22)

(v) The amounts cover warranty provisions arising from the Group's ordinary operations that might give rise to actual liabilities with their dealings with third parties.

21 COMMITMENTS AND CONTINGENCIES

	30 June 2012	(Audited) 31 December 2011
	US$'000	US$'000
Guarantees		
Guarantees and letters of credit	**1,971,223**	1,622,700
Guarantees in favour of associated companies	**112,188**	112,226
	2,083,411	1,734,926
Feedstock purchase commitments		
Up to 1 year	**2,068,934**	1,997,625
1 to 5 years	**6,943,029**	7,045,151
Beyond 5 years	**11,299,151**	10,935,404
	20,311,114	19,978,180
Operating lease commitments		
Up to 1 year	**243,459**	289,030
1 to 5 years	**518,063**	721,542
Beyond 5 years	**538,441**	516,323
	1,299,963	1,526,895
Capital commitments		
Property, plant and equipment	**1,339,412**	1,331,615
Investment properties	**709,256**	522,904
Investments in equity instruments	**1,565,968**	1,668,473
Intangible assets	**5,782**	6,665
	3,620,418	3,529,657

Guarantees

As part of its state-to-state relationship with Malaysia, the Group also agreed in 2012 to guarantee the obligations of 1Malaysia Development Berhad, a strategic development company wholly-owned by the Government of Malaysia, in respect of a financing in the energy sector amounting to US$ 1.75 billion. In respect of this guarantee, the Group benefits from a back-to-back guarantee and support from 1Malaysia Development Berhad and has secured for its Group options to participate up to a 49% in the equity of the underlying energy assets. At 30 June 2012, the fair value of the guarantee is estimated at US $ 101,997 thousand and is included in other liabilities.

Investment commitments

a) In July 2010, Aabar committed to invest US$ 54.2 million in two global investment funds, Blue Orchard Private Equity Funds SCA and Oasis Fund SCA. As of 30 June 2012, Aabar has contributed US$26.9 million (31 December US$ 23.0 million). The remaining US $ 27.3 million will be paid upon subsequent capital calls.

b) On 3 March 2010, pursuant to an announcement on 10 August 2009, Aabar signed a shareholders' agreement and articles of association in relation to the creation of a joint venture with the Government of Algeria and others to build the first of three vehicle and engine manufacturing plants in Algeria. Aabar's stake in the joint venture is 24.5% of the share capital for which it plans to make an initial capital contribution of approximately EUR 8 million.

c) On 21 June 2011, Aabar entered into a sale and purchase agreement to acquire property, plant and equipment for consideration of US$ 400 million from which a deposit of US$ 100 million has been paid as at 30 June 2012.

d) Aabar has entered into joint venture agreement with SRC International (Malaysia) Limited whereby it agreed to commit US$ 500 million in total from time to time with the primary objective of investing in projects associated with the exploration, extraction, processing, logistics and trading of conventional and renewable energy resources, natural resources and minerals and other related activities and other investments. As of 30 June 2012, Aabar has funded US$ 60 million. The remaining US$ 440 million will be paid upon each subsequent capital call.

e) Aabar is a member of a joint venture along with other investors and the Ministry of Tourism of the Kingdom of Morocco whereby it has a framework commitment of EUR 500 million. Precise commitments will be determined on a project by project basis and only upon acceptance of particular projects within the framework. The joint venture is dedicated to invest in the growing tourism sector in the Kingdom of Morocco.

f) Aabar has provided a credit facility to XO Jet Inc. for US$ 500 million. Aabar holds 42% equity stake in XOJET Inc. As of 30 June 2012, Aabar has funded US $ 447 million (31 December US$ 410 million). The remaining US$ 53 million will be paid upon each subsequent capital call.

g) Aabar has signed an agreement to sponsor the Mercedes GP "Formula One" team with the annual sponsorship fee of GBP 5 million. Aabar also holds 40% equity stake in Mercedes GP Ltd.

h) Aabar has committed and paid subsequent to the balance sheet date approximately US$ 64 million to enter as a 20% founding shareholder of Al Izz Islamic Bank. The bank will be incorporated as a fully-fledged Islamic bank once it has successfully completed the IPO launched on 22nd September 2012. The shares after the completion of IPO will be listed on the Muscat Securities Market.

22 LITIGATIONS

Nova litigations

NOVA Chemicals and Dow Chemicals Canada ULC and its European affiliate (collectively, "Dow Canada") are involved in litigation in relation to the third ethylene plant at Joffre, Alberta. Dow Canada's claim is for approximately US $ 300 million and NOVA Chemicals' counterclaim is for approximately US $ 700 million. In 2005 The Dow Chemical Company ("Dow") filed a patent infringement lawsuit against NOVA Chemicals in the United States ("US") alleging certain grades of NOVA Chemicals' polyethylene film infringed two Dow patents. In June 2010, a jury trial took place resulting in a verdict against NOVA Chemicals. Dow was awarded certain amounts for damages and pre-judgment interest. NOVA Chemicals appealed to the US Court of Appeals for the Federal Circuit ("CAFC"), and, in January 2012, a three-member panel of the CFAC affirmed the lower court. NOVA Chemicals' subsequent request for review by all members of the CAFC was denied. In August 2012, NOVA Chemicals filed a petition for Certiorari (review) with the US Supreme Court, which was denied in October 2012. NOVA Chemicals has accrued approximately US $ 107 million with respect to this litigation. In December 2010, Dow filed a suit in Canada alleging that certain grades of NOVA Chemicals' polyethylene film resins infringe a Dow Canadian patent that is related to the US patents subject to the suit in the United States. This litigation is in its early stages with trial expected to commence in September 2013.

23 RELATED PARTY TRANSACTIONS

Transactions with related parties recognised in the interim consolidated income statement are as follows:

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	
	2012	2011
	US$'000	US$'000
Short-term benefits	**2,742**	3,351

	Goods and services		Financing	
	Purchases from	Sales to	Interest received	Interest paid
	US$'000	US$'000	US$'000	US$'000
Six months ended 30 June 2012				
Associates	**1,387,224**	**881,773**	**20,253**	**—**
Jointly controlled entities	**192,391**	**554,866**	**—**	**—**
Other related parties	**41,784**	**610,831**	**46,051**	**1,382**
	1,621,399	**2,047,470**	**66,304**	**1,382**
Six months ended 30 June 2011				
Associates	1,173,114	363,305	—	504
Jointly controlled entities	27,567	65,929	348	—
	1,200,681	429,234	348	504

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

	Goods and services			Financing		
	Receivable from	Payable to	Other assets	Loans to	Borrowings from	Other payables
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 30 June 2012						
Associates	**466,762**	**384,448**	**—**	**481,771**	**1,867**	**—**
Jointly controlled entities	**87,392**	**35,904**	**—**	**266,531**	**57,515**	**—**
Other related parties	**116,475**	**11,099**	**216,618**	**591,655**	**15,203**	**149,548**
	670,629	**431,451**	**216,618**	**1,339,957**	**74,585**	**149,548**
At 31 December 2011 (Audited)						
Associates	420,660	488,447	—	443,618	1,594	—
Jointly controlled entities	67,275	47,935	—	262,857	30,780	—
Other related parties	129,439	16,141	118,714	547,339	17,924	279,832
	617,374	552,523	118,714	1,253,814	50,298	279,832

24 SUBSIDIARIES

The interim condensed consolidated financial statements include the interim financial statements of the Company and all its subsidiaries as at 30 June 2012. The significant operating subsidiaries are listed in the following table:

	Country of incorporation	Percentage holding	
		30 June 2012	(Audited) 31 December 2011
Aabar	UAE	**95.52%**	95.35%
Borealis	Austria	**64%**	64%
CEPSA	Spain	**100%**	100%
Nova	Canada	**100%**	100%
Ferrostaal (note 11)	Germany	**—**	70%

25 EVENTS AFTER THE REPORTING PERIOD

i) In July 2012, Borealis completed its second retail bond transaction in Austria with maturity of 7 years for the amount of Euro 125 million. Borealis will use the additional funds for general purposes, including the refinancing of bank debt, the restructuring of the existing debt portfolio, terming out of Borealis' debt and optimising the overall finance structure.

ii) In July 2012, Borealis completed a US private placement with maturities of up to 15 years and a total amount of more than USD 130 million equivalent.

iii) Borealis mandated The Bank of Tokyo-Mitsubishi UFJ, Ltd., Barclays Bank PLC and Nordea Bank Denmark A/S and UniCredit Bank Austria AG as bookrunners and coordinators of a 5-year syndicated revolving credit facility to replace the existing facility which matures in 2013. The Euro 750 million transaction was closed mid July 2012. The facility will be used for general purposes.

iv) On 1 July 2012, CEPSA reached an agreement for the sale of 100% of its shares in CEPSA Egypt S.A., B.V. The transaction was finalised on 26 July 2012.

v) The Group has committed and paid subsequent to the balance sheet date approximately US$ 64 million to enter as a 20% founding shareholder of Al Izz Islamic Bank. The bank will be incorporated as a fully-fledged Islamic bank once it has successfully completed the IPO launched on 22nd September 2012. The share after the completion of IPO will be listed on the Muscat Securities Market.

vi) Aabar has terminated its collar position tied to 6% of the Daimler shares by unwinding its derivative position and squaring off the underlying assets and the collar loan tied to it.

vii) As part of its state-to-state relationship with Malaysia, the Group also agreed in October 2012 to guarantee the obligations of 1Malaysia Development Berhad, a strategic development company wholly-owned by the Government of Malaysia, in respect of another financing in the energy sector amounting to US $ 1.75 billion. In respect of this guarantee, the Group benefits from a back-to-back guarantee and support from 1Malaysia Development Berhad and has secured for its Group options to participate up to a 49% in the equity of the underlying energy assets.

26 COMPARATIVE FIGURES

As a result of the disposal of Ferrostaal during the period (note 11), the 2011 numbers of Ferrostaal for the consolidated income statement have been reclassified as discontinued operations. Accordingly, comparative figures for the related disclosure notes have also been reclassified. Certain figures therefore do not agree with the financial statements for the period ended 30 June 2011. The reclassification did not have any impact on the equity or the profit for the period.

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2011

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

INTERNATIONAL PETROLEUM INVESTMENT COMPANY PJSC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of International Petroleum Investment Company PJSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of the Company and the UAE Commercial Companies Law of 1984 (as amended), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2011 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Company; proper books of account have been kept by the Company; and the contents of the Chairman's report relating to these consolidated financial statements are consistent with the books of account. We further report that we have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended), or the articles of association of the Company, have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Ernst & Young

Signed by
Bassam E Hage
Partner
Ernst & Young
Registration No 258

3 June 2012
Abu Dhabi

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2011

	Notes	2011	2010
		US$'000	US$'000 Reclassified*
CONTINUING OPERATIONS			
Revenue	13	**34,318,409**	12,989,531
Cost of sales	14	**(30,183,416)**	(10,516,667)
Gross profit		**4,134,993**	2,472,864
Share of post tax profits of associates and jointly controlled entities	7	**1,045,514**	658,599
Selling and distribution costs	14	**(1,591,167)**	(753,492)
General and administrative expenses	14	**(842,130)**	(707,012)
Research and development expenses	14	**(238,319)**	(149,737)
Operating profit		**2,508,891**	1,521,222
Net foreign exchange gain		**838,983**	340,968
Finance income	8	**765,109**	221,154
Finance costs	9	**(1,452,249)**	(807,542)
Other income		**76,745**	49,313
Other expenses	14	**(344,395)**	(612,640)
Gains on acquisitions and disposals	10	**50,139**	132,514
Other losses on financial instruments	11	**(1,490,426)**	(317,765)
Profit before tax from continuing operations		**952,797**	527,224
Tax expense	12	**(412,232)**	(408,799)
Profit for the year from continuing operations		**540,565**	118,425
DISCONTINUED OPERATIONS			
(Loss) profit for the year from discontinued operations	15	**(495,873)**	1,229,748
PROFIT FOR THE YEAR		**44,692**	1,348,173
Profit for the year attributable to:			
Equity holder of the parent		**(140,209)**	1,245,187
Non-controlling interests		**184,901**	102,986
		44,692	1,348,173
		US$	US$
Basic and diluted earnings per share attributable to equity holder of the parent	16	**(40)**	356
Basic and diluted earnings per share from continuing operations attributable to equity holder of the parent	16	**101**	33

* Certain amounts shown here do not correspond to the 2010 consolidated financial statements, as disclosed in Note 44.

The attached notes 1 to 44 form part of these consolidated financial statements.

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2011

	2011	2010
	US$'000	US$'000
PROFIT FOR THE YEAR	**44,692**	1,348,173
Exchange loss on translation of foreign subsidiaries	**(1,135,203)**	(162,108)
(Losses) gains arising on hedge of net investment	**(170,759)**	11,459
Reclassification of gains on hedge of net investment included in the consolidated income statement	**1,214**	8,130
Deferred tax credit (expense) from hedge of net investment (note 12)	**3,636**	(6,780)
	(165,909)	12,809
Actuarial losses on defined benefit plans	**(165,929)**	(148,557)
Deferred tax credit from defined benefit plans (note 12)	**39,698**	15,457
	(126,231)	(133,100)
(Losses) gains arising on cash flow hedges	**(185,201)**	492
Reclassification of gains on cash flow hedges included in the consolidated income statement	**6,243**	48,142
Deferred tax credit (expense) from cash flow hedges (note 12)	**48,805**	(19,804)
	(130,153)	28,830
(Losses) gains arising on available-for-sale financial assets	**(349,077)**	319,025
Reclassification of cumulative reserves on acquisition of subsidiary included in the consolidated income statement (note 10(iii))	**(782,651)**	(93,619)
Deferred tax expense from available-for-sale financial assets (note 12)	**(499)**	(114)
	(1,132,227)	225,292
Share of other comprehensive income of associates and jointly controlled entities	**104,476**	(523,775)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**(2,585,247)**	(552,052)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(2,540,555)**	796,121
Total comprehensive income for the year attributable to:		
Equity holder of the parent	**(2,637,534)**	727,268
Non-controlling interests	**96,979**	68,853
	(2,540,555)	796,121

The attached notes 1 to 44 form part of these consolidated financial statements.

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2011

	Notes	At 31 December 2011 US$'000	At 31 December 2010 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**17,282,471**	9,842,760
Intangible assets	18	**2,461,065**	1,330,902
Investment properties	20	**1,937,370**	1,292,574
Investments in associates and jointly controlled entities	7	**8,906,994**	10,922,636
Deferred tax assets	12	**365,573**	335,391
Investments in financial instruments	21	**2,650,288**	10,819,947
Trade and other receivables	22	**11,331**	74,063
Other assets	23	**4,231,247**	3,981,649
		37,846,339	38,599,922
Current assets			
Inventories	24	**5,125,543**	2,052,522
Trade and other receivables	22	**6,435,999**	2,847,167
Investments in financial instruments	21	**7,054,187**	425,554
Other assets	23	**1,038,874**	743,302
Cash and short term deposits	25	**4,992,819**	3,150,931
		24,647,422	9,219,476
Assets included in disposal groups held for sale	15	**2,770,103**	59,179
TOTAL ASSETS		**65,263,864**	47,878,577
EQUITY AND LIABILITIES			
Equity attributable to equity holder of the parent			
Share capital	26	**3,500,000**	3,500,000
Shareholder loan	27	**1,000,000**	500,000
Retained earnings		**7,435,103**	7,360,086
Other reserves	28	**523,341**	2,973,363
		12,458,444	14,333,449
Non-controlling interests		**1,764,714**	1,672,429
Total equity		**14,223,158**	16,005,878

The attached notes 1 to 44 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued
At 31 December 2011

	Notes	At 31 December 2011 US $ '000	At 31 December 2010 US $ '000
EQUITY AND LIABILITIES continued			
Non-current liabilities			
Borrowings	29	**26,182,633**	19,161,098
Defined benefit plan deficit	30	**772,712**	723,599
Deferred tax liabilities	12	**2,424,042**	1,525,668
Derivative financial liabilities	34	**323,434**	2,377,638
Provisions	31	**376,447**	321,527
Trade and other payables	32	**46,295**	48,249
Other liabilities	33	**278,223**	148,940
		30,403,786	24,306,719
Current liabilities			
Trade and other payables	32	**6,048,608**	3,314,140
Borrowings	29	**9,597,178**	1,880,143
Other liabilities	33	**1,650,743**	1,720,680
Derivative financial liabilities	34	**935,088**	373,446
Provisions	31	**121,236**	277,571
		18,352,853	7,565,980
Liabilities included in disposal groups held for sale	15	**2,284,067**	-
Total liabilities		**51,040,706**	31,872,699
TOTAL EQUITY AND LIABILITIES		**65,263,864**	47,878,577

CHAIRMAN

MANAGING DIRECTOR

CHIEF FINANCIAL OFFICER

The attached notes 1 to 44 form part of these consolidated financial statements.

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2011

	Attributable to equity holder of the parent						
	Share capital	Shareholder loan	Retained earnings	Other reserves	Total	Non-controlling interests	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2010	3,500,000	—	5,935,462	3,337,834	12,773,296	2,545,085	15,318,381
Profit for the year	—	—	1,245,187	—	1,245,187	102,986	1,348,173
Other comprehensive income for the year	—	—	—	(517,919)	(517,919)	(34,133)	(552,052)
Total comprehensive income for the year	—	—	1,245,187	(517,919)	727,268	68,853	796,121
Dividends paid to non-controlling shareholders	—	—	—	—	—	(22,136)	(22,136)
Acquisition of additional interest in a subsidiary (Note 3)	—	—	229,798	—	229,798	(459,571)	(229,773)
Recycle of reserves on disposal of interest in a subsidiary (Note 4.1)	—	—	(50,361)	153,448	103,087	(459,802)	(356,715)
Shareholder loan (Note 27)	—	500,000	—	—	500,000	—	500,000
Balance at 31 December 2010	3,500,000	500,000	7,360,086	2,973,363	14,333,449	1,672,429	16,005,878
Profit for the year	—	—	(140,209)	—	(140,209)	184,901	44,692
Other comprehensive income for the year	—	—	—	(2,497,325)	(2,497,325)	(87,922)	(2,585,247)
Total comprehensive income for the year	—	—	(140,209)	(2,497,325)	(2,637,534)	96,979	(2,540,555)
Dividends paid to non-controlling shareholders	—	—	—	—	—	(57,828)	(57,828)
Acquisition of additional interest in a subsidiary (Note 3)	—	—	120,483	—	120,483	(101,141)	19,342
Reserves on disposal group held for sale	—	—	(15,803)	15,803	—	—	—
Recycle of reserves on disposal of interest in a subsidiary (Note 4.2)	—	—	105,203	31,500	136,703	154,275	290,978
Movement in other reserves	—	—	5,343	—	5,343	—	5,343
Shareholder loan (Note 27)	—	500,000	—	—	500,000	—	500,000
Balance at 31 December 2011	**3,500,000**	**1,000,000**	**7,435,103**	**523,341**	**12,458,444**	**1,764,714**	**14,223,158**

The attached notes 1 to 44 form part of these consolidated financial statements.

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2011

	Notes	2011	2010
		US$'000	US$'000
OPERATING ACTIVITIES			
Profit before tax		**469,687**	2,094,098
Adjustments for:			
Depreciation of property, plant and equipment	17	**1,226,855**	544,757
Depreciation of investment properties	20	**230**	69
Amortisation of intangible assets	18	**138,994**	160,156
Impairment of property, plant and equipment	17	**42,358**	37,456
Impairment of investment properties	20	**155,096**	514,810
Impairment of advances on investment properties		**52,581**	—
Impairment of intangible assets	18	**103,197**	3,978
Impairment of goodwill		**50,611**	97,533
Gains on disposals and acquisitions		**(68,767)**	(1,536,032)
Other gains on financial instruments		**1,500,332**	336,851
Finance income		**(803,546)**	(348,663)
Finance expense		**1,475,154**	922,118
Unrealised exchange difference		**(787,088)**	(478,107)
Share of post tax profits of associates and jointly controlled entities		**(1,151,328)**	(743,197)
Other non-cash adjustments		**84,753**	136,282
		2,489,119	1,742,109
Working capital changes:			
Inventories		**(250,431)**	(187,725)
Trade and other receivables		**(454,219)**	(858,327)
Accounts payable and accruals		**819,654**	505,683
Other assets and liabilities		**(256,268)**	(512,781)
		2,347,855	688,959
Income tax paid		**(747,316)**	(171,870)
Net cash from operating activities		**1,600,539**	517,089
INVESTING ACTIVITIES			
Purchase of subsidiaries, net of cash acquired	3	**(4,194,279)**	—
Purchase of financial instruments		**(1,103,393)**	(2,416,185)
Acquisition of associates and jointly controlled entities		**(2,881,529)**	(392,168)
Purchase of property, plant and equipment		**(1,479,114)**	(1,987,882)
Purchase of intangible assets		**(345,771)**	(54,708)
Purchase of derivative financial instruments		**(671,151)**	(550,365)
Purchase of investment properties		**(149,507)**	—
Advances on investment properties		**(519,412)**	(671,732)
Acquisition of additional interest in a subsidiary		**(141,476)**	(229,773)
Advances on acquisition of subsidiaries		**25,822**	—
Proceeds on disposal of a subsidiary		**—**	1,782,318
Proceeds on sale of property, plant and equipment		**40,465**	606,764
Proceeds on sale of investment property		**654**	14,563
Proceeds on sale of financial investments		**235,107**	969,389
Proceeds on disposal of associate		**—**	19,958
Interest received		**230,318**	124,472
Dividend received		**660,637**	311,832
Income tax paid		**—**	(236,443)
Repayment of loan from associates		**95,652**	93,232
Capital contribution to associates		**—**	(282,756)
Payments on other assets		**(95,225)**	(718,172)
Net cash used in investing activities		**(10,292,202)**	(3,617,656)
FINANCING ACTIVITIES			
Proceeds from borrowings		**18,364,941**	15,638,350
Repayments of borrowings		**(6,807,262)**	(11,976,464)
Interest paid		**(944,181)**	(675,812)
Repayment of shareholder loan		**(50,514)**	—
Proceeds from shareholder loan	27	**500,000**	500,000
Dividends paid to non-controlling shareholders		**(57,828)**	(22,136)
Other financing activities		**14,730**	—
Net cash from financing activities		**11,019,886**	3,463,938
INCREASE IN CASH AND CASH EQUIVALENTS		**2,328,223**	363,371
Net foreign exchange difference		**(189,363)**	(102,269)
Cash and cash equivalents at 1 January		**3,150,019**	2,888,917
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**5,288,879**	3,150,019
Analysed as follows:			
Bank balances and cash	25	**4,992,819**	3,150,019
Bank balances and cash from assets held for sale		**296,060**	—
		5,288,879	3,150,019

The attached notes 1 to 44 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

International Petroleum Investment Company PJSC (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 Abu Dhabi. The Company's registered head office is P O 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 strategic projects on behalf of its shareholder. Additionally the Company's subsidiary, Aabar Investment PJS ("Aabar"), undertakes other investing activities in various growth industries.

As of 31 December 2011, the Company had control over six significant operating companies either directly or through its special purpose vehicles: Borealis AG ("Borealis") (based in Austria); Aabar (based in UAE); Falcon Private Bank Ltd ("Falcon Bank") (based in Switzerland), Ferrostaal AG ("Ferrostaal") (based in Germany); Nova Chemicals Corporation ("Nova") (based in Canada) and Compañía Española de Petróleos SA ("CEPSA") (based in Spain). Further, the Group has minority stakes in significant operating companies such as OMV AG ("OMV") (based in Austria), Abu Dhabi Polymers Company Limited ("Borouge") (based in UAE) and RHB Capital Berhard ("RHB") (based in Malaysia).

The Company has classified Ferrostaal as a disposal group held for sale as of 31 December 2011 (see Note 15 for further information).

The principal activities of the Company and its subsidiaries (the "Group") are described in Note 6.

The consolidated financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 3 June 2012.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

The consolidated financial statements are prepared under the historical cost convention basis, except for financial assets at fair value through profit or loss, available-for-sale investments and derivative financial instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges, that would otherwise be carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

2.2 STATEMENT OF COMPLIANCE

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable requirements of the UAE Commercial Companies Law of 1984 (as amended).

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise those of the Company and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences, recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretation as of 1 January 2011:

- IAS 24 *Related Party Disclosures (amendment)* effective 1 January 2011
- IAS 32 *Financial Instruments: Presentation (amendment)* effective 1 February 2010
- IFRIC 14 *Prepayments of a Minimum Funding Requirement (amendment)* effective 1 January 2011
- Improvements to IFRSs (May 2010).

The adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group. However, the adoption of these standards and interpretations resulted in certain disclosures in the consolidated financial statements as described below:

IAS 24 *Related Party Transactions* (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 32 *Financial Instruments: Presentation (Amendment)*

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group.

IFRIC 14 *Prepayments of a Minimum Funding Requirement* (Amendment) The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Group is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Group.

Improvements to IFRS

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

- IFRS 3 *Business Combinations*: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value (see Note 3). The amendments to IFRS 3 are effective for annual periods beginning on or after 1 July 2011. The Group, however, adopted these as of 1 January 2011 and changed its accounting policy accordingly as the amendment was issued to eliminate unintended consequences that may arise from the adoption of IFRS 3.
- IFRS 7 *Financial Instruments—Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Group reflects the revised disclosure requirements in Note 21.
- IAS 1 *Presentation of Financial Statements*: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the consolidated financial statements.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 3 *Business Combinations* (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- IFRS 3 *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)
- IAS 27 *Consolidated and Separate Financial Statements*
- IAS 34 *Interim Financial Statements*

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRIC 13 *Customer Loyalty Programmes* (determining the fair value of award credits)
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IAS 1 *Financial Statement Presentation—Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 12 *Income Taxes—Recovery of Underlying Assets*

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IAS 19 *Employee Benefits* (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently evaluating the impact of adopting this amended standard.

IAS 27 *Separate Financial Statements* (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The Group is currently evaluating the impact of adopting this amended standard.

IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The Group is currently evaluating the impact of adopting this amended standard.

IFRS 7 *Financial Instruments: Disclosures—Enhanced Derecognition Disclosure Requirements*

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

IFRS 9 *Financial Instruments: Classification and Measurement*

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 *Consolidated Financial Statements*

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation—Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013. The Group is currently evaluating the impact of adopting this amended standard.

IFRS 11 *Joint Arrangements*

IFRS 11 replaces IAS 31 *Interests in Joint Ventures and SIC-13 Jointly-controlled Entities—Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The Group already uses the equity method for consolidating JCEs and accordingly the application of this new standard will not impact the financial position of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 *Disclosure of Involvement with Other Entities*

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013. The Group is currently evaluating the impact of adopting this amended standard.

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's 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 significant judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Investments and other financial assets

Financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement (Revised)* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, or available-for-sale investments, as appropriate. The Group determines the classification of its financial assets at initial recognition.

The Group treats available-for-sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment and includes factors such as normal volatility in share price for quoted equities and the future cash flows and discount factors for unquoted equities.

Classification of property

The Group determines whether a property is classified as investment property or property, plant and equipment:

- Investment property comprises land and buildings (principally offices) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Property, plant and equipment comprises property that is kept for own use.

Where a property may be used partly to derive rental income and partly as owner-occupied property, provided the parts of the property could be sold or leased under a finance lease separately, they are accounted for separately. The Group accounts for the separated asset based on the ratio of the gross floor area.

Deferred tax assets

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 level of future taxable profits together with future tax planning strategies. Further details are contained in Note 12.

New feedstock, transportation and storage agreements

Throughout 2011, the Group entered into a number of key agreements, including agreements for additional sources of ethane supply and related pipeline transportation services.

These agreements have been evaluated in relation to various IFRS principles, the most significant of which was International Financial Reporting Interpretations Committee ("IFRIC") 4, *Determining Whether an Arrangement Contains a Lease*. IFRIC 4 requires that determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether:

a) fulfillment of the arrangement is dependent on the use of a specified asset or assets; and

b) the arrangement conveys a right to use the asset

Management has determined that based on evaluation of the terms and conditions of the arrangements that the feedstock and pipeline arrangements do not meet both criteria under IFRIC 4 and therefore do not contain leases, but that a material storage cavern arrangement contains a lease. Currently, there is only one material storage agreement that has been signed and management has determined this to be an operating lease.

Discontinued operations

INEOS Nova Joint Venture

On 31 October 2010, Nova entered into an agreement with an affiliate of INEOS providing for the sale of a 50% interest in the INEOS Nova Joint Venture. The sale closed on 28 February 2011. Associated results of operations and cash flows are separately reported as discontinued operations for all periods presented and the associated financial position is separately reported as assets and liabilities held for sale as of 31 December 2010.

Syntheon

During 2010, the Board of Directors of Nova approved the sale, subject to certain conditions, of Nova's building and construction businesses, collectively known as Syntheon. The sale was initially expected to complete in 2010; however, negotiations with the intended acquirer ended without a sale being completed. Management has since developed a formal plan for the sale of Syntheon assets. Associated results of operations, financial position and cash flows are separately reported as discontinued operations and assets and liabilities held for sale as of and for the year ended December 31, 2011.

Ferrostaal

On 28 November 2011 the Company, IPIC Ferrostaal Holdings GmbH & Co KG (a German limited liability partnership indirectly owned and controlled by the Company) ("IPIC KG"), MAN SE and MAN Ferrostaal Betieligungs GmbH (together with MAN SE, "MAN") signed a settlement agreement whereby the parties agreed that IPIC KG will retransfer to MAN, and MAN will repurchase from IPIC KG, all of IPIC KG's shares in Ferrostaal AG, comprising 70% of Ferrostaal's total issued share capital. In consideration for the retransfer, MAN agreed to pay EUR 350 million to IPIC KG. On 7 March 2012, the parties completed the transfer and jointly instructed the arbitral tribunal to terminate the arbitration proceedings between them. Associated results of operations and cash flows are separately reported as discontinued operations for all periods presented and the associated financial position is separately reported as assets and liabilities held for sale as of 31 December 2011.

For more details of the discontinued operations refer to Note 15.

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:

Business combinations

Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and liabilities, the purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires estimation by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, the useful lives of licenses and other assets and market multiples. The Group's management uses all available information to make these fair value determinations. The Group has, if necessary, up to one year after acquisition closing date to complete these fair value determinations and finalise the purchase price allocation. For more details of the business combinations refer to Note 3.

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.

Carrying value of oil and gas assets

Oil and gas properties are depreciated using the units-of-production ("UOP") method over proved developed and undeveloped reserves.

The calculation of the UOP rate of amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on proved reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves ("2P").

These factors could include:

- Changes in proved reserves
- The effect on proved reserves of differences between actual commodity prices and commodity price assumptions
- Unforeseen operational issues

Useful life of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on projected product lifecycles. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of property, plant and equipment and intangible assets subject to amortisation

Management determines whether there are any indications of impairment to the carrying values of property, plant and equipment and intangible assets with definite lives, on an annual basis. If any such indication exists, the Group estimates the recoverable amount of the asset. This assessment requires an estimation of the value in use of the cash generating units. 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.

Impairment of goodwill

Goodwill is tested for impairment on annual basis, at the reporting date, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit, or group of cash generating units, to which the goodwill is allocated. Where the recoverable amount of the cash-generating units or group of cash generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Where applicable, for the purposes of testing goodwill for impairment, any of the related deferred tax liabilities recognised on acquisition that, led to the creation of goodwill, and remain at the reporting date as estimated by the management are treated as part of the relevant CGU or group of CGUs.

The Group's impairment test for goodwill is based on fair value less costs to sell and/or value in use calculations that use valuation techniques including discounted cash flows models. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Impairment of loans and other banking receivables due from banking customers

An estimate of the collectible amount of loans and other banking receivables due from banking customers is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the consolidated income statement.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the Group's policy for inventory provisioning.

Impairment of trade and other receivables

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the consolidated income statement.

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 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. Further details on taxes are disclosed in Note 12.

Impairment of non financial assets—impairment testing

The Group's impairment testing for non financial assets is based on calculating the recoverable amount of each cash generating unit or group of cash generating units being tested. Recoverable amount is the higher of value in use and fair value less costs to sell. Value in use for relevant cash generating units is derived from projected cash flows as approved by management and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. Fair value less cost to sell for relevant cash generating units is generally derived from discounted cash flow models using market based inputs and assumptions. Recoverable amount is most sensitive to the price assumptions, foreign exchange rate assumptions and discount rates used in the cash flow models.

Impairment of advances on investment properties and investment properties

Investment properties and advances paid against the purchase of properties are assessed for impairment based on an assessment of cash flows on individual cash generating units, when there is indication that those assets have suffered an impairment loss. Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements and estimations over the useful lives of the assets, and are discounted using a range of discounting rates that reflects current market assessments of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any probable impairment.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. The estimates include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Percentage of completion

The Group uses the percentage-of-completion method in accounting for its construction contracts to deliver design services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed.

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 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. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details about the assumptions used are given in Note 30.

Fair value measurement of contingent consideration

Contingent consideration, resulting from business combinations is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a derivative and, thus, a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Development costs

Development costs are capitalised in accordance with the accounting policy of the Group. Initial capitalisation of costs is based on management's estimate that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Provision for environmental and legal expenses

The Group recognises a provision for liabilities associated with environmental and legal exposures in accordance with the Group accounting policy. The Group has made certain assumptions based on historical events and their understanding of the current legal and environmental regulations.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of probability of occurrence of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Decommissioning costs

Abandon and decommissioning costs will be incurred by the Group at the end of the operating life of wells and some of the Group's facilities and properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which are deemed to be an asset or liability will be recognised, in accordance with IAS 39, either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured with appropriate IFRS.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Investments in jointly controlled assets

The Group has interests in jointly controlled assets, whereby the venturers have a contractual arrangement that establishes joint ownership of one or more assets contributed to, or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture. The assets are used to obtain benefits for the venturers. The Group recognises its interest in the jointly controlled assets using a proportionate consolidation method.

The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the jointly controlled assets with similar items, line by line, in its consolidated financial statements. Because the assets, liabilities, income and expenses are recognised in the consolidated financial statements of the Group, no adjustments or consolidation procedures are required in respect of these items when the Group presents consolidated financial statements.

Investment in associates and jointly controlled entities

The Group's investments in its associates and jointly controlled entities are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture, while a jointly controlled entity is one where there is a contractual arrangement between the Group and the other ventures for joint control over the economic activity of the entity.

Under the equity method, investments in associates and jointly controlled entities are carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates and jointly controlled entities. Goodwill relating to the associates and jointly controlled entities is included in the carrying amount of the investments and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the share of the results of operations of the associates and jointly controlled entities. Where there has been a change recognised directly in the equity of the associates and jointly controlled entities, the Group recognises its share of any changes and discloses this, when applicable, in equity. Unrealised gains and losses resulting from transactions between the Group and the associates and jointly controlled entities are eliminated to the extent of the interest in the associates and jointly controlled entities.

The share of profit of associates and jointly controlled entities is shown on the face of the consolidated income statement. This is the profit attributable to the equity holders of the associates and jointly controlled entities and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates and jointly controlled entities.

The financial statements of the associates and the jointly controlled entities are prepared for the same reporting period as the Company, except for Galactic Venture LLC which are prepared as of 31 March each year. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associates and jointly controlled entities, the Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associates and jointly controlled entities upon loss of significant influence, and the fair value of the remaining investment and proceeds from disposal, is recognised in the consolidated income statement.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated income statement.

Once classified as held for sale, property, plant and equipment and intangible assets are not depreciated or amortised.

Foreign currency translation

The Group's consolidated financial statements are presented in US$, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by Group entities using their respective functional currency rates prevailing at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

All differences are taken to the consolidated income statement with the exception of all monetary items that provide an effective hedge of a net investment in a foreign operation and translation of long-term receivables that are considered part of investments in subsidiaries or associated companies. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated income statement. Tax charges and credits attributable to exchange differences on those monetary items are accounted for in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Group companies

The assets and liabilities of foreign operations are translated into US$ at the rate of exchange ruling at the reporting date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Production of oil

Revenue from the sale of oil is recognised when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. This generally occurs when product is physically transferred into a vessel, pipe or other delivery mechanism.

Lifting or off-take arrangements for oil produced by certain of the Group's jointly owned assets are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production is 'underlift' or 'overlift'. Underlift and overlift are valued at market value and included within current assets and current liabilities respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis.

Revenue from the production of oil in which the Group has an interest with other producers is recognized based on the Group's working interest and the terms of the relevant production sharing contracts. Differences between production sold and the Group's share of production are not significant. Where forward sale and purchase contracts for oil or natural gas have been determined to be for trading purposes, the associated sales and purchases are reported net.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and materials contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Commission and fee income

The Group earns commission and fee income from securities and investing activities (asset management, brokerage and custody) and other services rendered, as well as lending activities. Fees earned for the provision of services over a period of time are recognised over that period. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Dividend income

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or 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 is included in finance income in the consolidated income statement.

Rental income

The Group's policy for recognition of revenue from operating leases is described below.

Construction contracts

The Group's policy for recognition of revenue from construction contracts is described below.

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. In single cases, particularly if complex orders are involved, percentage of completion is determined based on surveys of work performed. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income and not in the consolidated income statement. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

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

Deferred income tax liabilities are recognised 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 recognised 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 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
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised 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 reporting 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. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised 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 reporting date.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred income tax items are recognised in correlation to the underlying transactions in other comprehensive income.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- in accordance with the legislation applicable to companies operating in the oil and gas industry, the excise tax on oil and gas sales is recorded as part of the selling price and as an addition to cost under "Revenue" and "Cost of sales", respectively, in the consolidated income statements; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Investment tax credits

Both, investment tax credits related to the acquisition of assets and investment tax credits related to current expenses are included in the determination of income or loss for the period.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term projects, if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated income statement as incurred. The cost of property, plant and equipment acquired in a business combination is stated at fair value as at the date of acquisition.

The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Note 31 for further information about the measurement of the decommissioning provision.

Assets under construction

Capital work in progress is recorded at cost which represents the contractual obligations of the Group for the construction of the asset. Allocated costs directly attributable to the construction of the asset are capitalised. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the above policies when construction of the asset is completed and commissioned.

Depreciation on property, plant and equipment is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Land improvements	20 years
Buildings, structures and production plants	15 to 67 years
Machinery, tools, and technical equipment	3 to 15 years
Information system hardware	3 to 15 years
Motor vehicles	3 to 15 years
Office furniture and fittings	2 to 15 years

Land is not depreciated.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted, if appropriate, at each financial year end.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts, being the higher of their fair value less costs to sell and their value in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year the asset is derecognised.

Oil and Gas properties

Pre-license costs

Pre-license costs are expensed in the period in which they are incurred.

Exploration and production assets

Exploration and production are recognised by the successful efforts method, whereby the accounting treatment of various costs incurred is as follows:

Exploration costs in area with unproven reserves:

Exploration costs are charged to income as incurred. Acquisitions of exploration rights are capitalised and feasibility analyses and impairment tests, if any, are performed periodically on a field-by-field basis based on the results of exploration. Exploration rights are amortised over a period not exceeding the term of contract.

Drilling costs are capitalised temporarily until it is determined whether proven reserves have been discovered. On the contrary, if the results are negative, they are charged to income.

Investments in areas with proven reserves:

Investments relating to the acquisition of proven reserves, the development of fields and construction of production plants, as well as the estimated present value of abandonment costs, are capitalised and depreciated over the estimated life of the field based on the proven and recoverable reserves extracted (unit-of-production method) at the beginning of each year.

With respect to joint production contracts, this calculation is based on the production and reserves assigned to the Company taking account of the estimates based on the contractual clauses.

Impairment tests are performed periodically for each field and any impairment losses are recognised in the income statement.

Oil and gas properties are depreciated on a unit-of-production basis over the proved reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved reserves of the relevant area. The unit-of-production rate for the amortisation of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Investment properties

Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the investment property when such cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are recognised in the consolidated income statement as incurred.

The investment properties' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate at each financial year end. Depreciation on investment properties is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Commercial properties	25 to 67 years

Land is not depreciated.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where carrying values exceed the estimated recoverable amount, the investment properties are written down to their recoverable amounts, being the higher of their fair value less costs to sell and their value in use.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Amounts paid to purchase investment properties are recorded as advances on investment properties and the related capital commitments are disclosed in the commitments and contingencies (refer to Note 39). When the investment property recognition criteria are met, advances on investment properties are reclassified to investment properties.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life on a straight line basis as follows:

Patents and licences	10 to 20 years
Software	3 to 7 years
Development costs	3 to 10 years
Customer contracts	8 years
Other intangible assets	3 to 20 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Intangible assets are assessed for impairment whenever there is an indication that they may be impaired. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Greenhouse gas emissions

In the absence of a current IFRS standard or interpretation on accounting for greenhouse gas emissions, the following principles have been applied:

- emission rights granted free of charge are accounted for at zero carrying amount;
- liabilities resulting from potential differences between available quotas and quotas to be delivered at the end of the compliance period are accounted for as liabilities and measured at acquisition cost;
- spot market transactions are recognized in income at cost

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined as follows:

- for plastics solutions segment, costs of all inventories are determined on first-in first-out (FIFO) basis, except for spare parts determined based on average cost;
- For petrochemical segment, costs of all inventories are determined on average cost;
- For petroleum refinery segment, costs of all inventories are determined on lower of weighted average costs and net realisable value; and
- For industrial engineering services, cost of inventories is determined based on FIFO.

Cost includes purchase cost, freight, insurance and other related expenses incurred in bringing the goods to their present condition and location. Cost also comprises directly attributable productions costs and a proportionate share of fixed and variable overhead production costs. Allocated overhead costs are primarily calculated based on normal capacity utilisation.

Initial cost of inventories includes the transfer, from other comprehensive income, of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials.

The Company assesses the net realisable value of the inventories at the end of each year and recognises the appropriate loss if this value is lower than the carrying amount. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

Individual costs are allocated to refined products in proportion to the selling price thereof (isomargin method) due to the complexity costs to each item.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make sale.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Amounts due from and to banks arising from banking activities are not considered as cash and cash equivalents at the Group level.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. To the extent that the grant is not matched to expenditure in the year, it is subject to potential government claw back, and is recognised as deferred income.

Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Pensions and other post employment benefits

Employees' end of service benefits

The Group provides end of service benefits to certain employees. These benefits are unfunded. The entitlement to these benefits is usually based upon the employees' length of service and the completion of a minimum service year. The expected costs of these benefits are accrued over the years of employment. With respect to its UAE national employees, the Group makes contributions to the Abu Dhabi Retirement Pensions and Benefits Fund calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Defined benefit plans

The Group does not maintain a common pension scheme at the group level. Each entity in the Group operates its own pension and post-employment service schemes. The cost of providing benefits under defined benefit plans is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in other comprehensive income.

The past service cost is recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognised and less the fair value of plan assets out of which the obligations are to be settled. The value of any plan asset is restricted to the sum of any past service costs not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset.

The Group’s financial assets include loans and other banking receivables due from banking customers, due from banks, financial assets at fair value through profit and loss, available-for-sale financial assets, derivative financial instruments, trade and other receivables, cash and short-term deposits and certain other financial assets.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39 *Financial Instruments: Recognition and Measurement.* Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the consolidated statement of financial position at fair value with gains or losses recognised in the consolidated income statement.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognised in the consolidated income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognised in the consolidated income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the consolidated income statement, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the consolidated income statement.

Due from banks and loans and other banking receivables due from banking customers

Due from banks and loans and other banking receivables due from banking customers, include non–derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Group intends to sell immediately or in the near term and those that the Group upon initial recognition designates as at fair value through profit or loss;
- those that the Group, upon initial recognition, designates as available for sale; and,
- those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, amounts due from banks and loans and other banking receivables due from banking customers are subsequently measured at amortised cost using the effective interest rate, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in interest income in the consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement in operational expenses.

The Group may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held-for-trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss.

Where the loan, on drawdown, is expected to be retained by the Group, and not sold in the short term, the commitment is recorded only when the commitment is an onerous contract and it is likely to give rise to a loss (for example, due to a counterparty credit event).

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include customer deposits and other amounts due to banking customers, due to banks, borrowings, derivative financial instruments, trade and other payables and certain other financial liabilities.

Subsequent measurement

Subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39 *Financial Instruments: Recognition and Measurement*. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated income statement.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings, customer deposits and other amounts due to banking customers are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, 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 recognised less cumulative amortisation.

Offsetting of financial instruments

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations without any deduction for transaction costs.

For financial instruments not traded in an active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

Impairment of financial assets

The Group assesses at each reporting 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 the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter 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.

Loans, receivables and advances to customers

For amounts due from loans, receivables and advances to customers carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

Loans, receivables and advances to customers

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to consolidated income statement.

Available-for-sale investments

For available-for-sale financial investments, the Group assesses at each statement of financial position date whether there is objective evidence that an investment or a group of investments is impaired.

In case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement, is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

Derecognition 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 derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised 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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and collar and put options to hedge its foreign exchange risks, interest rate risks and fair value risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the consolidated income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the consolidated income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the consolidated income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the consolidated income statement over the remaining term to maturity. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated income statement.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated income statement.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly other comprehensive income, while any ineffective portion is recognised immediately in the consolidated income statement.

Amounts taken to other comprehensive income are transferred to the consolidated income statement when the hedged transaction affects the consolidated income statement, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in equity until the forecast transaction or firm commitment occurs.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in other comprehensive income is transferred to the consolidated income statement.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future post tax cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses on continuing operations are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets' or cash-generating units' recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement unless the asset is carried at a re-valued amount in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Associates and jointly controlled entities

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss for the Group's investment in its associates and jointly controlled entities. The Group determines at each reporting date whether there is any objective evidence that investments in associates and jointly controlled entities are impaired. If this is the case the Group calculates the amount of impairment as being the difference between the recoverable amount of the associates and the jointly controlled entities and their carrying values and recognises the amount in the consolidated income statement.

Intangible assets

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually as at 31 December, either individually or at the cash generating unit level, as appropriate, and when circumstances indicate that the carrying value may be impaired. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Client and fiduciary assets

Assets under management comprise assets which are placed with the subsidiary Falcon Private Bank Limited ("Falcon Bank") for investment purposes and include discretionary and advisory counterparty assets. Discretionary assets are assets for which the customer fully transfers the discretionary power to Falcon Bank with a management mandate. Advisory assets include assets placed with Falcon Bank where the client is provided access to investment advice but retains discretion over investment decisions.

Falcon Bank provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the Group.

3 BUSINESS COMBINATIONS

The Group made several acquisitions during the year ended 31 December 2011, which are further described below:

3.1 Acquisition of CEPSA

On 16 February 2011, the Company announced a voluntary offer to acquire the entire issued share capital of CEPSA not already owned by the Company, amounting to 141,648,565 shares or 52.9% of the share capital of CEPSA for the price of Euro 28 per share to all CEPSA shareholders. Regulatory controls including merger control approvals by the European Commission were obtained on 5 July 2011 at which date the Company assumed control of CEPSA.

CEPSA is an integrated business group which operates in the oil and gas industry globally and which engages in business activities related to the exploration and extraction of crude oil, the production of petrochemical and energy products, asphalts, lubricants and polymers, distribution and marketing, as well as gas distribution and electricity generation.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of CEPSA as at the date of acquisition were:

	Fair value recognised on acquisition	Fair value recognised on acquisition
	Euro'000	US$'000
Assets		
Property, plant and equipment (Note 17)	5,825,736	**8,430,422**
Inventories	2,574,032	**3,724,882**
Trade receivables	2,726,900	**3,946,097**
Other assets	1,706,161	**2,468,987**
Cash and cash equivalents	1,060,510	**1,534,664**
	13,893,339	**20,105,052**
Liabilities		
Borrowings	(2,714,384)	**(3,927,985)**
Deferred tax liabilities	(967,299)	**(1,399,778)**
Trade payables	(2,017,677)	**(2,919,780)**
Other liabilities	(826,686)	**(1,196,297)**
	(6,526,046)	**(9,443,840)**
Total identifiable net assets at fair value	7,367,293	**10,661,212**
Non-controlling interest measured at fair value	(111,094)	**(160,764)**
Goodwill arising on acquisition (Note 19)	235,901	**341,372**
Cost of business combination	7,492,100	**10,841,820**
Analysed as follows:		
Fair value of existing interests in CEPSA	3,525,940	**5,102,390**
Purchase consideration of additional interest in CEPSA not previously owned	3,966,160	**5,739,430**
	7,492,100	**10,841,820**

The total acquisition costs of 52.9% of the share capital of CEPSA comprised of cash payment of US$ 5,739,430 thousand and costs of US$ 2,580 thousand directly attributable to the acquisition. The acquisition was debt—financed and the transaction costs attributable to raising the debt were US$ 71,163 thousand.

Cash outflow on the acquisition of 52.9% of the share capital is as follows:

	US$'000
Consideration paid	**5,739,430**
Cash acquired with CEPSA	**(1,534,664)**
Net cash outflow	**4,204,766**

The goodwill of US$ 341,372 thousand comprises the value of expected synergies arising from the acquisition. The purchase price allocation was finalized after year end.

From the date of acquisition, CEPSA has contributed US$ 19,102,970 thousand of revenue and US$ 312,214 thousand to net profit before tax (after purchase price allocation adjustments) of the Group. If the combination had taken place at the beginning of the year, revenue contribution from CEPSA would have been US$ 37,443,344 thousand and the profit before tax (after purchase price allocation adjustments) from CEPSA would have been US$ 1,270,558 thousand.

3.2 Acquisition of Oxygen Capital Limited

Effective 1 April 2011, the Group acquired 100% of the net assets and the related business of Oxygen Capital Limited ("OCL") registered in British Virgin Islands from a related party. OCL has investment in XO Jet Inc, United States of America. XO Jet Inc is in the business of providing highly personalized private aviation flight services utilizing new aircraft on a guaranteed availability and on-demand basis.

	Fair value recognised on acquisition
	US$'000
Investments in XO Jet Inc. (associate)	**45,449**
Cash and cash equivalents	**10,488**
Other assets	**123,582**
	179,519
Other liabilities	**(192,961)**
Net deficit acquired	**(13,442)**
Goodwill arising on acquisition (Note 19)	**13,442**
Total acquisition cost	**—**
Cash inflow on acquisitions is as follows:	
Consideration paid	**1**
Cash acquired with OCL	**(10,488)**
Net cash inflow	**(10,487)**

The goodwill of US$ 13,442 thousand was fully impaired as at 31 December 2011.

From the date of acquisition to 31 December 2011, OCL has contributed a profit of US$ 3,372 thousand to the results of the Group. If the combination had taken place at the beginning of the year, the consolidated profit for the year of the Group would have been higher by US$ 769 thousand.

4 DISPOSAL OF INTEREST IN SUBSIDIARIES

There was no disposal of subsidiary during the year ended 31 December 2011. The information below relates to the disposal of Hyundai Oilbank Company Limited ("HDO") by the Group during the year ended 31 December 2010.

4.1 Disposal of Hyundai Oilbank in 2010

Pursuant to an arbitration award dated 12 November 2009, each of Hanocal Holding BV and IPIC International BV (which together held a 70% interest in HDO) were directed to sell their respective interests in HDO to the claimants of the arbitration for a fixed amount of KRW 15,000 per share (number of shares: 171,557,696). The sale was concluded on 12 August 2010 for KRW 2,314 billion (net of taxes and charges). The Group realised a net profit of US$ 771,984 thousand on the sale (note 15).

The results from HDO for the period ended 12 August 2010 is presented below:

	Period from 1 January 2010 to 12 August 2010
	US$'000
Revenue	6,255,969
Cost of sales of goods and services	(5,968,925)
Gross profit	287,044
Other income	436,754
Sales and marketing expenses	(90,039)
General administrative expenses	(48,867)
Other expense	(114,668)
Foreign exchange loss	(17,831)
Finance income	91,604
Finance costs	(88,787)
Profit before tax	455,210
Gain on disposal of discontinued operation	979,737
Tax charge	(274,665)
Profit for the period from a discontinued operation	1,160,282

	US$
Basic and diluted earnings per share from a discontinued operation attributable to equity holder of the parent	306

Cash inflow on sale:

	US$'000
Total consideration received	2,158,970
Less: bank balances and cash disposed of	(376,652)
	1,782,318

The major classes of assets and liabilities of HDO classified as held for sale were as follows:

	12 August 2010
	US$'000
Assets	
Property, plant and equipment	2,395,343
Inventories	1,160,337
Trade and accounts receivables	1,049,814
Other assets	345,101
Cash and short-term deposits	376,652
Assets classified as held for sale	5,327,247
Liabilities	
Borrowings	2,143,669
Trade and accounts payables	828,619
Other current liabilities	915,649
Liabilities directly associated with assets classified as held for sale	3,887,937
Net assets directly associated with disposal group	1,439,310

Included in other comprehensive income

	Period from 1 January 2010 to 12 August 2010
	US$'000
Foreign currency translation reserve	(54,852)
Reserve for cash flow hedge	(17,014)
Reserves of disposal group classified as held for sale	(71,866)

The net cash flows incurred by HDO are as follows:

Operating	114,498
Investing	(165,298)
Financing	90,155
Net cash inflow	39,355

4.2 Derecognition of options over non-controlling interests in Ferrostaal

On 28 November 2011 the Company, IPIC KG, and MAN signed a settlement agreement whereby the parties agreed that IPIC KG will retransfer to MAN, and MAN will repurchase from IPIC KG, all of IPIC KG's shares in Ferrostaal AG, comprising 70% of Ferrostaal's total issued share capital. In consideration for the retransfer, MAN agreed to pay EUR 350,000 thousand to IPIC KG. Accordingly, as a result of the settlement agreement, the put and call options over the 30% interest in Ferrostaal became null and void and therefore the Group, from this date, has derecognised its previous interest in Ferrostaal arising through the put and call options. The derecognition has been recorded within equity as transactions between owners.

5 INTEREST IN JOINTLY CONTROLLED ASSETS

During the year ended 31 December 2011, the Group acquired certain oil and gas exploration and production assets through the acquisition of CEPSA (see note 3), which are accounted for as interests in jointly controlled assets. The breakdown of the main assets and operations are as follows:

Name	Country	Operator	Activity	% of Ownership
Outbound	Algeria	Sonatrach	Exploration and production	39.76%
Timimoun	Algeria	Total Exploration & Production Algeria	Exploration and production	11.25%
Tiple	Colombia	Cepsa Colombia	Exploration	70.00%
Garlbay	Colombia	Cepsa Colombia	Exploration	50.00%
Puntero	Colombia	Cepsa Colombia	Exploration	70.00%
Cabrestero	Colombia	Cepsa Colombia	Exploration	100.00%
Merecure	Colombia	Cepsa Colombia	Exploration	70.00%
El Porton	Colombia	Cepsa Colombia	Exploration	50.00%
Los Ocarros	Colombia	Cepsa Colombia	Exploration	50.00%
Lianos 26	Colombia	Cepsa Colombia	Exploration	80.00%
Lianos 22	Colombia	Cepsa Colombia	Exploration	55.00%
Cebucan	Colombia	Petrobras	Exploration	30.00%
Balay	Colombia	Petrobras	Exploration	30.00%
Cpo 14	Colombia	Metapetroleum	Exploration	37.50%
Cpo 12	Colombia	Metapetroleum	Exploration	30.00%
SJ & RP	Colombia	HOCOL	Exploration	33.33%
PPN (30%)	Colombia	GRAN TIERRA	Exploration	30.00%
Caracara	Colombia	Cepsa Colombia	Exploration and Production	70.00%
CPR Espinal	Colombia	PETROBRAS	Exploration and Production	15.00%
La Canada Norte	Colombia	Ecopetrol	Exploration and Production	16.67%
Block 127	Peru	Cepsa Peru SA	Exploration	80.00%
Block 114	Peru	Cepsa Peru SA	Exploration	60.00%
Block 131	Peru	Cepsa Peru SA	Exploration	70.00%
Block 130	Peru	Cepsa Peru SA	Exploration	100.00%
South Alamein	Egypt	Cepsa Egypt SA, BV	Exploration	50.00% (*)
Rodaballo	Spain	Repsol	Exploration and Production	15.00%
Casablanca	Spain	Repsol	Exploration and Production	7.40%
Montanazo	Spain	Repsol	Exploration and Production	7.25%
Boqueron	Spain	Repsol	Exploration and Production	4.50%

(*) At 31 December 2011 definitive authorization was pending for the sale-purchase agreement for 50% to TRANSGLOBE.

At 31 December 2011 the Group also held a 50% (31 December 2010: 50%) interest in an ethylene plant and a 20% (31 December 2010: 20%) interest in a cogeneration facility located in Alberta, Canada.

The Group's share of the assets and liabilities as at 31 December 2011 and income and expenses of the jointly controlled assets for the year ended 31 December 2011, which are consolidated on a proportionate basis in the consolidated financial statements, are as follows:

	2011	2010
	US$'000	US$'000
Share of the jointly controlled assets' assets and liabilities:		
Non-current assets	**3,170,486**	1,018,698
Current assets	**394,992**	68,760
Current liabilities	**(86,870)**	(13,566)
Non-current liabilities	**(256,915)**	(23,837)
Net assets	**3,221,693**	1,050,055
Share of capital commitments	**344,687**	—
Share of jointly incurred contingent liabilities	**2,871**	—

Share of the jointly controlled assets' revenue and profit:

	2011	2010
	US$'000	US$'000
Revenue	**1,146,710**	364,142
Cost of sales	**(484,856)**	(233,675)
Administrative expenses	**(280,708)**	(19,606)
Profit before income tax	**381,146**	110,861
Income tax expense	**(249,224)**	(31,429)
Profit for the year from continuing operations	**131,922**	79,432
Share of other comprehensive loss, net	**(488)**	—

6 OPERATING SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products, services and location and has seven reportable operating segments as follows:

Plastic solutions—Europe

This segment is engaged in providing plastics solutions based on polyolefin and developing its base chemical business which comprises phenol, acetone, melamine and agrochemicals.

Plastic solutions—North America

This segment is engaged in providing plastic solutions based on ethylene and polyethylene and performance styrenic polymers. This segment also produces plastics and chemicals and develops value-added products and technology for customers worldwide that produce consumer, industrial and packaging products.

Petrochemicals

This segment is engaged in production and sale of petroleum products.

Industrial engineering services

This segment is engaged in building large-scale plants and providing industrial solutions worldwide.

Integrated oil and gas businesses

This segment is engaged in oil and gas exploration and production. 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.

Diversified investments

This segment is engaged in investment advisory and asset management services.

Corporate and others

This segment holds investments in various operating entities and segments and provides financing for the Company.

No operating segments have been aggregated to form the above reportable operating segments.

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

The following table presents revenue, results and certain asset and liability information regarding the Group's business segments:

	Plastic solutions Europe	Plastic solutions North America	Petrochemicals	Industrial engineering services	Diversified investments	Integrated oil and gas	Corporate and Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Year ended 31 December 2011								
Results								
Revenue from external customers	9,881,120	5,241,163	—	—	93,156	19,102,970	—	34,318,409
Share of post tax profits of associates and jointly controlled entities	464,253	—	—	—	(23,267)	32,716	571,812	1,045,514
Depreciation for the year	(324,795)	(233,016)	—	—	(3,145)	(624,751)	(257)	(1,185,964)
Amortisation for the year	(29,249)	(32,098)	—	—	(14,020)	(22,533)	—	(97,900)
Impairment for the year of long lived-assets	(41,291)	(6,114)	—	—	(217,674)	(85,235)	—	(350,314)
Finance income	10,875	3,211	—	—	430,445	38,390	282,188	765,109
Finance costs	(87,417)	(168,860)	—	—	(504,749)	(43,685)	(647,538)	(1,452,249)
Gains on acquisitions and disposals	—	(626)	—	—	(1,975)	19,323	33,417	50,139
Other losses on financial instruments	(16,820)	—	—	—	(1,475,725)	(10,824)	12,943	(1,490,426)
Tax expense	(71,330)	(214,998)	—	—	95,628	(221,532)	—	(412,232)
Profit for the year from continuing operations	705,272	607,982	—	—	(1,647,499)	90,683	784,127	540,565
Profit for the year from discontinuing operations	—	7,201	—	(503,074)	—	—	—	(495,873)
Profit for the year	705,272	615,183	—	(503,074)	(1,647,499)	90,683	784,127	44,692
Assets and liabilities								
Investments in associates and jointly controlled entities	1,790,719	—	—	—	2,498,544	604,609	4,013,122	8,906,994
Assets included in disposal groups held for sale	—	22,167	—	2,747,936	—	—	—	2,770,103
Other segment assets	6,185,747	6,185,795	—	—	15,099,750	17,922,013	8,193,462	53,586,767
Total assets	7,976,466	6,207,962	—	2,747,936	17,598,294	18,526,622	12,206,584	65,263,864
Liabilities included in disposal groups held for sale	—	7,281	—	2,276,786	—	—	—	2,284,067
Segment liabilities	3,681,392	3,820,938	—	—	13,010,986	8,720,228	19,523,095	48,756,639
Total liabilities	3,681,392	3,828,219	—	2,276,786	13,010,986	8,720,228	19,523,095	51,040,706
Other segment information								
Additions during the year								
Property, plant and equipment	334,625	237,606	—	12,693	1,773	423,238	574,399	1,584,334
Investment properties *	—	—	—	—	157,930	—	—	157,930
Intangible assets	102,703	1,988	—	689	929	290,753	—	397,062

* At 31 December 2011 the balance of advances made on investment properties amounted to US$ 869,281 thousand (31 December 2010: US$ 1,000,108 thousand), which are reported under other assets as disclosed in Note 23.

	Plastic solutions Europe	Plastic solutions North America	Petrochemicals	Industrial engineering services	Diversified investments	Integrated oil and gas	Corporate and Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Year ended 31 December 2010								
Results								
Revenue from external customers	8,324,538	4,590,003	—	—	74,990	—	—	12,989,531
Share of post tax profits of associates and jointly controlled entities	159,716	(507)	—	—	(18,473)	—	517,863	658,599
Depreciation for the year	(292,096)	(214,508)	—	—	(2,839)	—	(395)	(509,838)
Amortisation for the year	(40,212)	(32,388)	—	—	(20,644)	—	—	(93,244)
Impairment for the year of long lived-assets	(14,232)	(20,300)	—	—	(514,900)	—	—	(549,432)
Finance income	10,733	6,059	—	—	36,368	—	167,994	221,154
Finance costs	(75,728)	(200,760)	—	—	(156,649)	—	(374,405)	(807,542)
Gains on acquisitions and disposals	—	(3,544)	—	—	122,487	—	13,571	132,514
Other losses on financial instruments	(15,581)	(8,000)	—	—	(84,574)	—	(209,610)	(317,765)
Tax expense	(95,706)	(123,181)	—	—	(161,222)	—	(28,690)	(408,799)
Profit for the year from continuing operations	442,792	223,426	—	—	(904,385)	—	356,592	118,425
Profit for the year from discontinuing operations	—	38,756	1,160,282	30,710	—	—	—	1,229,748
Profit for the year	442,792	262,182	1,160,282	30,710	(904,385)	—	356,592	1,348,173
Assets and liabilities								
Investments in associates and jointly controlled entities	1,340,162	3,885	—	570,902	447,393	—	8,560,294	10,922,636
Assets included in disposal groups held for sale	—	59,179	—	—	—	—	—	59,179
Other segment assets	6,220,795	5,513,860	—	2,512,814	14,877,946	—	7,771,347	36,896,762
Total assets	7,560,957	5,576,924	—	3,083,716	15,325,339	—	16,331,641	47,878,577
Liabilities included in disposal groups held for sale	—	—	—	—	—	—	—	—
Segment liabilities	3,651,601	3,604,074	—	2,113,903	12,167,323	—	10,335,798	31,872,699
Total liabilities	3,651,601	3,604,074	—	2,113,903	12,167,323	—	10,335,798	31,872,699
Other segment information								
Additions during the year								
Property, plant and equipment	162,110	148,474	—	23,346	2,157	—	980,812	1,316,899
Investment properties *	—	—	—	—	—	—	—	—
Intangible assets	117,730	5,072	—	1,405	8,071	—	—	132,278

* At 31 December 2010 the balance of advances made on investment properties amounted to US$ 1,000,108 thousand (31 December 2009: US$ 2,128,513 thousand), which are reported under other assets as disclosed in Note 23.

Geographical information

The following tables present geographical information on revenue and certain non-current assets:

	UAE	Europe	North America	Rest of the World	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
*Revenue from external customers **					
Year ended 31 December 2011	**201,865**	**24,306,076**	**6,175,102**	**3,635,366**	**34,318,409**
Year ended 31 December 2010	271,806	7,009,674	4,577,752	1,130,299	12,989,531
2011					
Non-current assets					
Property, plant and equipment	**3,238,562**	**8,482,963**	**3,457,113**	**2,103,833**	**17,282,471**
Intangible assets	**326,554**	**1,452,418**	**406,386**	**275,707**	**2,461,065**
Investment properties	**1,937,370**	**—**	**—**	**—**	**1,937,370**
2010					
Non-current assets					
Property, plant and equipment	2,834,558	3,460,782	3,467,325	80,095	9,842,760
Intangible assets	—	895,873	434,164	865	1,330,902
Investment properties	1,285,328	7,246	—	—	1,292,574

* The revenue information above is based on the location of the customer.

7 INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

	2011	2010
	US$'000	US$'000
Share of net assets:		
Associates	**8,738,387**	10,361,587
Jointly controlled entities	**168,607**	561,049
	8,906,994	10,922,636

	2011	2010
	US$'000	US$'000 Reclassified
Share of post tax profits from continuing operations		
Associates	**1,041,224**	660,049
Jointly controlled entities	**4,290**	(1,450)
	1,045,514	658,599

7.1 Investments in associates

The Group has the following significant investments in associates:

Name of company	Country of incorporation	Percentage holding 2011	2010
Abu Dhabi Polymers Company Limited ("Borouge")	UAE	**40%**	40%
Borouge Pte Ltd	Singapore	**50%**	50%
Speciality Polymers Antwerp NV	Belgium	**33%**	33%
Borealis Financial Services Ltd	Jersey	**25%**	25%
Pak-Arab Refinery Limited ("PARCO")	Pakistan	**40%**	40%
Gulf Energy Maritime PJSC ("GEM")	UAE	**30%**	30%
CEPSA Maghreb SA	Morocco	**50%**	50%
Oasis International Power LLC	UAE	**36%**	36%
Ferro VAZ Gesellsch für Export, Import und Engineering mbH	Germany	**50%****	50%
SCG SILS Centre Gliwice Spzoo	Poland	**50%****	50%
Bank Zweiplus	Switzerland	**42.50%**	42.50%
Mercedes GP Ltd	England	**40%**	30%
Solar Power Group GmbH	Germany	**42.80%****	42.80%
Intermesa Group	Brazil	**42.80%****	42.80%
Abu Dhabi National Chemicals Company ("ChemaWEyaat")	UAE	**40%**	40%
Compañia Española de Petróleoş SA ("CEPSA")	Spain	**—** *	47.06%
OMV AG	Austria	**24.90%**	20.01%
Falah Growth Fund (GP) Ltd	British Virgin Islands	**50%**	50%
Falah Growth Fund LP	British Virgin Islands	**50%**	50%
Dead Sea Resorts PSC	Jordan	**45%**	45%
XO Jet Inc.	USA	**40%**	—
RHB Capital Berhad	Malaysia	**24.75%**	—
Aabar-SRC Strategic Resources Limited	British Virgin Islands	**50%**	—
Galactic Ventures LLC ("Virgin Galactic")	British Virgin Islands	**37.80%**	31.80%
Qatar and Abu Dhabi Investment Company QSC ("QADIC")	Qatar	**50%**	50%
Compañia Logistica de hiddrocarbon CLH, S.A	Spain	**14.15%***	—
Medgaz	Spain	**20%***	—
Societat Catalana De Petrolis, S.A (Petrocat)	Spain	**45%***	—

* In July 2011, the Company finalised its acquisition of 100% of CEPSA by successfully completing its public offer and subsequent squeeze out and delisting of CEPSA. As a result the Company's stake has increased from 47.1% to 100%, and these companies now form part of CEPSA Group as subsidiary.

** These companies form part of Ferrostaal Group, which has been reclassified as disposal group held for sale (Note 15)

	2011 US$'000	2010 US$'000
Share of the associates' statements of financial position		
Assets	**28,229,922**	21,405,523
Liabilities	**(20,744,137)**	(11,567,280)
	7,485,785	9,838,243
Goodwill	**1,264,280**	529,587
Impairment	**(11,678)**	(6,243)
Net assets	**8,738,387**	10,361,587

	2011 US$'000	2010 US$'000 Reclassified
Share of the associates' revenues and profits from continuing operations		
Revenue	**22,705,118**	22,264,797
Net profit before impairment	**1,054,390**	660,049
Net other comprehensive income (loss)	**101,917**	(523,775)
Impairment recognised during the year	**(13,166)**	—

7.2 Investments in jointly controlled entities

The Group has the following significant investments in jointly controlled entities**:**

Name of company	Country of incorporation	Percentage holding 2011	Percentage holding 2010
INEOS Nova Joint Venture	North America/Europe	**— (a)**	50%
NOVIDESA Joint Venture	Mexico	**50% (b)**	50%
Consolidated Energy Limited	Trinidad and Tobago	**45% (c)**	45%
Coutinho & Ferrostaal GmbH & Co KG	Germany	**33% (c)**	33%
MAN Solar Millennium GmbH	Germany	**25% (c)**	25%
MAN Solar Millennium LLC	United States of America	**50% (c)**	50%
Solar Trust of America LLC	United States of America	**30% (c)**	30%
ABAG Aktiengesellschaft	Austria	**— (d)**	66.67%
Asfaltos Espanoles S.A. (Asesa)	Spain	**50%**	—
CEPSA Gas Commercializardora S.A	Spain	**35%**	—
CEPSA Chimie Montreal L.P.	Canada	**51%**	—
CEPSA Chimie Becancour Inc.	Canada	**51%**	—
Nueva Generadora Del Sur S.A	Spain	**50%**	—

(a) INEOS Nova Joint Venture had been classified as a disposal group held for sale at 31 December 2010. On February 28, 2011, the Group completed the sale of its 50% interest in the INEOS Nova Joint Venture.
(b) The NOVIDESA Joint Venture has been classified as discontinued operations as part of the Syntheon business (Note 15)
(c) These companies form part of Ferrostaal Group, which has been reclassified as held for sale (Note 15)
(d) The investment in ABAG Aktiengesellschaft, registered in Austria, was sold during 2011.

	2011 US$'000	2010 US$'000
Share of the jointly controlled entities' statements of financial position		
Current assets	**288,804**	311,419
Non-current assets	**353,716**	492,698
Current liabilities	**(333,152)**	(214,425)
Non-current liabilities	**(140,761)**	(23,773)
	168,607	565,919
Accumulated impairment	**—**	(4,870)
	168,607	561,049
Share of the jointly controlled entities' capital commitments	**10,207**	—

	2011 US$'000	2010 US$'000 Reclassified
Share of the jointly controlled entities' revenues and profits from continuing operations		
Revenue	**675,400**	18,882
Cost of sales	**(232,859)**	(18,495)
	442,541	387
Operating expenses	**(31,891)**	(2,273)
Other (expense) income	**(426,612)**	10
Impairment recognised during the year	**30,494**	—
Income tax (expense) credit	**(10,242)**	426
Net profit (loss)	**4,290**	(1,450)
Share of the jointly controlled entities' other comprehensive income	**2,559**	—

8 FINANCE INCOME

	2011 US$'000	2010 US$'000 Reclassified
Dividend income	**359,207**	77,845
Interest income	**405,902**	143,309
	765,109	221,154

Included in interest income is an amount of US$ 47,566 thousand which relates to the interest income receivable from cross-currency swaps counterparties. In March 2011, the Company entered into cross currency fixed for fixed GBP/EUR swaps for notional amounts of GBP 550,000 thousand.

9 FINANCE COSTS

	2011 US$'000	2010 US$'000 Reclassified
Interest expense	**(1,315,830)**	(713,215)
Amortisation of arrangement fees on financing	**(136,419)**	(94,327)
	(1,452,249)	(807,542)

Included in interest expense is an amount of US$ 47,566 thousand which relates to the interest expense payable to the bondholders. In March 2011, the Company entered into cross currency fixed for fixed GBP/EUR swaps for notional amounts of GBP 550,000 thousand.

10 GAINS ON ACQUISITIONS AND DISPOSALS

	2011 US$'000	2010 US$'000 Reclassified
Gain on disposal of associates	**—**	13,571
Gain on disposal of property, plant and equipment	**18,835**	2,646
Gain on disposal of investment property	**—**	1,616
Gain on disposal of available-for-sale financial instruments (i)	**—**	93,620
Gain on disposal of financial instrument sat fair value through profit or loss (ii)	**—**	21,061
Fair value adjustments on acquisition of subsidiary (iii)	**35,033**	—
Other losses	**(3,729)**	—
	50,139	132,514

(i) In 2010, gain on disposal of available-for-sale financial instruments mainly relates to gain on disposal of financial instruments of Atlantia SpA by Aabar amounting to US$ 93,549 thousand.
(ii) In 2010, gain on disposal of financial instruments at fair value through profit or loss amounting to US$ 21,061 thousand relates to gain on disposal of financial instruments of Banco Santander by Aabar.
(iii) The fair value adjustments relate to the net effect of (i) the re-measurement of the previously held equity investment in CEPSA at the assumed acquisition fair value and (ii) the recycling of existing reserves arising from the accounting of the previously held interest in CEPSA which represents the reversal of the cumulative changes in fair value of CEPSA recognised during the period prior to 31 July 2009, i.e. prior to CEPSA being accounted for as an investment in associate and the reversal of the cumulative reserves of CEPSA recognised during the period 1 August 2009 to 30 June 2011, i.e. the period during which CEPSA was accounted for as an investment in associate.

11 OTHER LOSSES ON FINANCIAL INSTRUMENTS

	2011	2010
	US$'000	US$'000 Reclassified
Fair value (loss) gain on non-derivative financial instruments at fair value through profit or loss (i)	**(3,440,993)**	1,097,047
Fair value gain (loss) on derivative financial instruments (ii)	**1,951,174**	(1,148,888)
Impairment loss on financial instruments at amortised cost	**—**	(8,000)
Impairment loss on available-for-sale financial instruments	**—**	(257,924)
Other gains on financial instruments	**(607)**	—
	(1,490,426)	(317,765)

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

	2011	2010
	US$'000	US$'000
Fair value (loss) gain on Daimler AG shares	**(2,249,459)**	1,338,954
Fair value loss on Unicredit SpA shares	**(1,174,529)**	(239,315)

(ii) The analysis of the fair value gains (loss) on derivative financial instruments during the year is as follows:

	2011	2010
	US$'000	US$'000
Collars and put options on Daimler AG shares (note a)	**1,858,171**	(1,371,646)
Call and put options on Unicredit SpA (note a)	**953,697**	199,384
Embedded derivatives on exchangeable bonds of Daimler AG shares (note b)	**71,912**	—
Call spreads on Daimler AG shares (note c)	**(920,998)**	—
CASHES of Unicredit SpA	**—**	(33,228)
Interest rate swaps	**(5,567)**	—
Call and put options on Atlantia SpA shares	**—**	12,643

(a) Aabar entered into funded collar transactions upon purchase of equity shares in both Daimler AG and 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 restrict the revaluation gains and losses on the Daimler AG and Unicredit SpA shares within a certain range. However, Aabar still maintains significant exposure to the share price on both the investments. See Note 36 for the Group position at 31 December 2011.
(b) Aabar has recognised the embedded derivative in its exchangeable bonds issued during the year. The holders of the bonds have the option to exchange their bonds into Daimler AG shares on exercise of exchange rights, however the Group has the option to deliver either shares or cash.
(c) Aabar holds long-term derivative contracts to further participate in the upside of Daimler AG tied to both the exchangeable bonds and Aabar's underlying equity position in Daimler.

12 TAX EXPENSE

The major components of tax expense for the years ended 31 December 2011 and 2010 are:

	2011 US$'000	2010 US$'000 Reclassified
Consolidated income statement		
Current income tax expense:		
Corporation tax	**(572,112)**	(195,641)
Prior year charge	**(2,742)**	(5,772)
Total current income tax expense	**(574,854)**	(201,413)
Deferred tax credit (charge):		
Origination and reversal of temporary differences *	**155,649**	(209,145)
Impact of change in tax laws	**6,973**	1,759
Total deferred tax credit (charge)	**162,622**	(207,386)
Tax expense reported in the consolidated income statement relating to continuing operations	**(412,232)**	(408,799)

* Included in deferred tax charge for the year is an amount of US$ 70,890 thousand (2010: US$ 163,720 thousand) relating to deferred tax liabilities on capital gains relating to the Group's net investment gains on Daimler AG shares, after considering the offsetting impact of the collar arrangements, which economically hedge a portion of the investment, in accordance with the requirements of IAS 12 Income Taxes. The recognition of such deferred tax liabilities are highly judgmental because they depend on the manner in which management expects, at the end of the reporting period, to recover or settle the carrying amounts of the financial instruments.

	2011 US$'000	2010 US$'000 Reclassified
Accounting profit before tax from continuing operations	**952,797**	527,224
At average income tax rate of 30% (2010: 28%)	**(285,840)**	(147,623)
Expenses not deductible for tax purposes	**(18,307)**	(4,517)
Effect of share from the profit of investment accounted under equity method	**313,655**	184,408
Non-taxable net loss) income	**(349,356)**	(386,114)
Higher taxes on overseas earnings	**(116,838)**	(5,545)
Unrecognised tax losses	**(3,968)**	(5,247)
Tax credit previously not recognised	**—**	1,760
Impact of changes in tax laws	**6,973**	—
Prior year charge	**(2,742)**	(5,772)
Difference in tax rates	**23,024**	(23,033)
Others	**21,167**	(17,116)
Income tax charge for the year	**(412,232)**	(408,799)

	2011 US$'000	2010 US$'000
Consolidated statement of other comprehensive income		
Deferred tax related to items charged or credited directly to equity during the year:		
Cash flow hedges	**48,805**	(19,804)
Defined benefit pension scheme	**39,698**	15,457
Available-for-sale investments	**(499)**	(114)
Net loss (gains) on hedge of net investments	**3,636**	(6,780)
Income tax charged directly to equity	**91,640**	(11,241)

Deferred tax

Deferred tax assets relate to the following:

	1 January 2010	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions and disposals	Transfers	Exchange differences	31 December 2010	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions and disposals	Transfers	Exchange differences	31 December 2011
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Derivative contracts	6,213	(9,825)	(20,431)	—	—	(647)	(24,690)	**29,472**	**24,825**	**579**	**3,031**	**(13,115)**	**20,102**
Impairment	5,471	11,492	—	—	—	(320)	16,643	**(12,480)**	**—**	**13,853**	**29,507**	**(35,768)**	**11,755**
Other timing differences	3,029	(12,333)	(6,142)	—	(2,092)	2,961	(14,577)	**(26,996)**	**3,638**	**970**	**1,200**	**1,680**	**(34,085)**
Pension and post-employment medical benefits	55,186	(2,004)	15,331	—	495	(2,635)	66,373	**(4,374)**	**(1,002)**	**5,314**	**27,306**	**(55,522)**	**38,095**
Tax losses carried forward	237,719	5,501	—	—	—	(16,496)	226,724	**(1,555)**	**—**	**23,433**	**(1,813)**	**(10,621)**	**236,168**
Provisions	15,458	(13,733)	—	—	(5,606)	(5,301)	(9,182)	**28,377**	**—**	**25,398**	**5,189**	**(24,848)**	**24,934**
Others	73,027	(2,663)	1	—	4,644	(909)	74,100	**3,658**	**(2)**	**36,344**	**(28,977)**	**(16,519)**	**68,604**
	396,103	(23,565)	(11,241)	—	(2,559)	(23,347)	335,391	**16,102**	**27,459**	**105,891**	**35,443**	**(154,713)**	**365,573**

Deferred tax liabilities relate to the following:

	1 January 2010	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions and disposals	Transfers	Exchange differences	31 December 2010	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions and disposals	Transfers	Exchange differences	31 December 2011
Accelerated capital allowances	(1,235,128)	114,564	—	—	—	(2,731)	(1,123,295)	**17,499**	**—**	**(426,786)**	**—**	**54,676**	**(1,477,906)**
Acquisition fair value adjustment on intangibles	(63,185)	(81,623)	—	(8,301)	—	4,037	(149,072)	**54,100**	**—**	**(237,882)**	**(12,774)**	**59,753**	**(285,875)**
Acquisition fair value adjustment on property, plant and equipment	(35,922)	3,863	—	—	—	2,485	(29,574)	**38,727**	**—**	**(518,290)**	**—**	**68,189**	**(440,948)**
Gain (loss) on revaluation of other assets	(11,054)	(2,163)	—	—	—	783	(12,434)	**65,318**	**—**	**(92,707)**	**5,565**	**5,935**	**(28,323)**
Gain (loss) on revaluation of non-derivative financial instruments	—	(156,245)	—	—	—	—	(156,245)	**88,357**	**—**	**—**	**—**	**—**	**(67,888)**
Inventories	(46,568)	28,457	—	—	(4,946)	3,512	(19,545)	**(13,310)**	**—**	**(5,869)**	**31,340**	**2,127**	**(5,257)**
Other timing differences	(41,256)	2,746	—	—	—	1,828	(36,682)	**4,739**	**(415)**	**(19,364)**	**(1,200)**	**1,760**	**(51,162)**
Temporary differences on accrued expenses	39,800	29,658	—	—	—	—	69,458	**(28,127)**	**—**	**—**	**—**	**—**	**41,331**
Uncertain tax provisions	22,480	(63,323)	—	—	—	—	(40,843)	**(6,328)**	**—**	**—**	**—**	**—**	**(47,171)**
Others	(28,158)	(26,327)	—	—	25,759	1,290	(27,436)	**(59,068)**	**64,596**	**(98,870)**	**44,877**	**15,058**	**(60,843)**
	(1,398,991)	(150,393)	—	(8,301)	20,813	11,204	(1,525,668)	**161,907**	**64,181**	**(1,399,768)**	**67,808**	**207,498**	**(2,424,042)**

Note: Recognised in profit or loss during 2011 is a net amount of US$ 15,387 thousand (2010: US$ 33,428 thousand) relating to deferred tax charge for the year on disposal group held for sale. Additionally, transfers in 2011 include deferred tax balances reclassified to disposal group held for sale

Unrecognised deferred tax assets

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority. Deferred tax assets and liabilities listed, relate to income tax levied by different tax authorities.

Certain deferred tax assets have not been recognized in respect of cumulative tax losses on the basis that the Group considers it not to be prudent to recognize such losses until such time as profits against which the losses may be utilized can be anticipated with certainty. The Group has cumulative tax losses in some jurisdictions amounting to US$ 196,858 thousand (31 December 2010: US$ 206,134 thousand). However, these losses do not expire and may not be used to offset taxable income elsewhere in the Group.

Unrecognised deferred tax liabilities

The temporary differences associated with investments in associates and subsidiaries, for which a deferred tax liability has not been recognised, aggregate to US$ 1,419,867 thousand (31 December 2010: US$ 900,868 thousand).

13 REVENUE

	2011 US$'000	2010 US$'000 Reclassified
Polyolefins	**8,830,790**	7,569,895
Base chemicals	**3,088,665**	2,527,125
Olefins	**2,691,068**	2,076,165
Performance styrenics	**310,002**	231,270
Financial services	**93,156**	74,990
Exploration and production	**631,392**	—
Refining and distribution	**14,035,418**	—
Petrochemicals	**2,096,414**	—
Gas and power	**813,324**	—
	32,590,229	12,479,445
Excise tax on oil and gas	**1,526,421**	—
Others	**201,759**	510,086
	34,318,409	12,989,531

14 PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Profit for the year from **continuing operations** is reached after charging the following:

	2011	2010
	US$'000	US$'000 Reclassified
Included in cost of sales		
Costs of inventories recognised as an expense	**25,206,527**	8,715,972
Staff costs	**784,383**	514,218
Depreciation of property, plant and equipment	**999,167**	454,825
Impairment of property, plant and equipment	**39,022**	27,793
Amortisation of intangible assets	**34,234**	39,850
Impairment of intangible assets	**83,046**	—
Excise tax on oil and gas	**1,528,122**	—
Included in selling and distribution costs		
Staff costs	**267,681**	150,041
Distribution and transportation costs	**669,963**	402,163
Rent	**89,526**	31,143
Commission and fees	**158,057**	9,692
Packaging	**68,511**	59,244
Depreciation of property, plant and equipment	**91,393**	17,656
Impairment of property, plant and equipment	**1,295**	—
Amortisation of intangible assets	**12,186**	—
Impairment of intangible assets	**1,785**	—
Included in general and administrative expenses		
Staff costs	**421,228**	339,894
Consultancy and advisory costs	**104,526**	102,257
Rent	**37,404**	23,118
Depreciation of property, plant and equipment	**24,720**	22,820
Amortisation of intangible assets	**45,871**	39,330
Impairment of property, plant and equipment	**375**	2,851
Impairment of intangible assets	**10,873**	3,978
Included in research and development expenses		
Staff costs	**99,924**	88,528
Depreciation of property, plant and equipment	**70,454**	14,468
Amortisation of intangible assets	**5,609**	14,064
Impairment of intangible assets	**7,493**	—
Included in other expenses		
Impairment of investment properties	**155,814**	514,810
Impairment of advances on investment properties	**52,581**	—
Impairment of goodwill	**50,611**	—
Net provisions	**16,168**	70,241

15 DISCONTINUED OPERATIONS

	2011 US$'000	2010 US$'000
Included in the consolidated statement of financial position:		
INEOS Nova Joint Venture (note a)		
Total assets	**—**	59,179
Total liabilities	**—**	—
Syntheon (note b)		
Total assets	**22,167**	—
Total liabilities	**(7,281)**	—
Ferrostaal (note c)		
Total assets	**2,747,936**	—
Total liabilities	**(2,276,786)**	—
Classified as:		
Assets included in disposal groups held for sale	**2,770,103**	59,179
Liabilities included in disposal groups held for sale	**(2,284,067)**	—
Included in the consolidated income statement:		
Profit from HDO operations	**—**	388,298
Profit on disposal of HDO	**—**	771,984
Loss on Syntheon	**(10,856)**	—
(Loss) profit from Ferrostaal operations	**(503,074)**	30,710
	(513,930)	1,190,992
Share of profit of INEOS Nova Joint Venture	**18,057**	38,756
	(495,873)	1,229,748

(a) On February 28, 2011, the Group completed the sale of its 50% interest in the INEOS Nova Joint Venture to INEOS for a total consideration of US$ 55 million.

(b) The Board of Directors of Nova has approved the sale, subject to certain conditions, of Nova's building and construction businesses, collectively known as Syntheon. Management has since developed a formal plan for the sale of Syntheon assets. Associated results of operations, financial position and cash flows are separately reported as discontinued operations and assets and liabilities held for sale as of and for the year ended December 31, 2011.

(c) On 28 November 2011 the Company, IPIC KG and MAN signed a settlement agreement whereby the parties agreed that IPIC KG will retransfer to MAN, and MAN will repurchase from IPIC KG, all of IPIC KG's shares in Ferrostaal AG, comprising 70% of Ferrostaal's total issued share capital. In consideration for the retransfer, MAN agreed to pay EUR 350,000 thousand to IPIC KG. On 7 March 2012, the parties completed the transfer and jointly instructed the arbitral tribunal to terminate the arbitration proceedings between them.

The results of Ferrostaal for the years ended 31 December are presented below:

	2011	2010
	US$'000	US$'000
Revenues	**1,176,970**	2,377,421
Cost of sales	**(1,113,229)**	(1,951,814)
Gross profit	**63,741**	425,607
Share of post tax profits of associates and jointly controlled entities	**87,757**	45,842
Selling and distribution costs	**(143,593)**	(186,662)
General and administrative expenses	**(165,950)**	(209,865)
Operating (loss) profit	**(158,045)**	74,922
Net foreign exchange (loss) gain	**(4,904)**	4,693
Finance income	**38,437**	35,905
Finance costs	**(22,905)**	(25,789)
Other income	**93,751**	97,659
Other expenses	**(445,367)**	(79,757)
Gains on acquisitions and disposals	**18,628**	4,624
Other (losses) gains on financial instruments	**(9,906)**	(19,086)
(Loss) profit before tax	**(490,311)**	93,171
Tax expense	**(12,763)**	(62,461)
(Loss) profit for the year	**(503,074)**	30,710

The results of Ferrostaal for the years ended 31 December are presented below:

	2011	2010
	US$'000	US$'000
(Loss) profit for the year attributable to:		
Equity holder of the parent	**(500,533)**	21,606
Non-controlling interests	**(2,541)**	9,104
	(503,074)	30,710

The major classes of assets and liabilities of Ferrostaal classified as held for sale as at 31 December are as follows:

	2011	2010
	US$'000	US$'000
Assets		
Property, plant and equipment	**200,356**	—
Intangible assets	**80,020**	—
Investment properties	**6,987**	—
Investments in associates and jointly controlled entities	**516,008**	—
Deferred tax assets	**71,083**	—
Investments in financial instruments	**40,116**	—
Trade and other receivables	**392,043**	—
Inventories	**457,706**	—
Other assets	**687,557**	—
Cash and short-term deposits	**296,060**	—
Assets classified as held for sale	**2,747,936**	—
Liabilities		
Borrowings	**50,906**	—
Defined benefit plan deficit	**72,791**	—
Deferred tax liabilities	**132,068**	—
Derivative financial liabilities	**18,591**	—
Provisions	**286,837**	—
Trade and other payables	**624,085**	—
Other liabilities	**1,091,508**	—
Liabilities directly associated with assets classified as held for sale	**2,276,786**	—
Net assets directly associated with disposal group	**471,150**	—

Included in other comprehensive income

	2011	2010
	US$'000	US$'000
Foreign currency translation reserve	**(7,406)**	—
Reserve for actuarial losses on defined benefit plans	**(349)**	—
Reserve for cash flow hedges	**(4,258)**	—
Reserves of disposal group classified as held for sale	**(12,013)**	—

The net cash flows incurred by Ferrostaal are as follows:

	2011	2010
	US$'000	US$'000
Operating	**(553,266)**	(254,396)
Investing	**124,614**	(6,138)
Financing	**14,735**	28,670
Net cash outflows	**(413,917)**	(231,864)

16 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

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

	2011	2010
	US$'000	US$'000 Reclassified
Net profit attributable to ordinary equity holders of the parent from continuing operations	**353,123**	113,972
(Loss) profit attributable to ordinary equity holders of the parent from discontinued operations	**(493,332)**	1,131,215
Net profit attributable to ordinary equity holders of the parent for basic earnings	**(140,209)**	1,245,187
Weighted average number of ordinary shares for basic earnings per share (in thousands)	**3,500**	3,500
	US$	US$
Basic and diluted earnings per share	**(40)**	356
Basic and diluted earnings per share from continuing operations	**101**	33

17 PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings, structures and production plants	Machinery, tools and technical equipment	Information system hardware	Motor vehicles	Office furniture and fittings	Assets under construction	Oil and gas properties	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2011									
Cost:									
At 1 January 2011	602,848	10,254,710	247,552	42,610	19,129	54,131	3,059,089	—	14,280,069
Additions	1,099	151,380	16,664	5,443	4,097	7,340	1,221,898	176,413	1,584,334
Acquired through business combination	496,224	4,778,839	81,541	43,265	388,099	19,633	517,862	2,104,959	8,430,422
Classified as held for sale	(42,068)	(161,201)	(66,650)	(3,757)	(9,526)	(39,376)	(163)	—	(322,741)
Disposals	(1,429)	(63,952)	(8,854)	(156)	(4,005)	(5,194)	(521)	(2,316)	(86,427)
Transfers (note e)	(3,292)	595,221	12,723	885	1,165	3,599	(788,230)	6,967	(170,962)
Exchange adjustments	(67,056)	(739,789)	(17,331)	(30,129)	(40,683)	(5,062)	(60,967)	(146,286)	(1,107,303)
At 31 December 2011	**986,326**	**14,815,208**	**265,645**	**58,161**	**358,276**	**35,071**	**3,948,968**	**2,139,737**	**22,607,392**
Depreciation:									
At 1 January 2011	188,880	4,069,609	147,990	11,886	3,489	15,455	—	—	4,437,309
Charge for the year	17,663	804,470	39,990	8,507	18,105	12,573	—	325,547	1,226,855
Impairment	—	41,983	—	375	—	—	—	—	42,358
Reversal of impairment	—	(1,666)	—	—	(7)	—	—	—	(1,673)
Classified as held for sale	(1,089)	(58,560)	(35,388)	(2,324)	(5,136)	(14,529)	—	—	(117,026)
Disposals	—	(60,352)	(7,718)	(32)	(2,302)	(4,294)	—	—	(74,698)
Transfers	—	(340)	—	366	42	(68)	—	—	—
Exchange adjustments	(3,016)	(149,051)	(8,318)	(5,084)	(1,024)	(1,499)	—	(20,212)	(188,204)
At 31 December 2011	**202,438**	**4,646,093**	**136,556**	**13,694**	**13,167**	**7,638**	**—**	**305,335**	**5,324,921**
Net carrying amount:									
At 31 December 2011	**783,888**	**10,169,115**	**129,089**	**44,467**	**345,109**	**27,433**	**3,948,968**	**1,834,402**	**17,282,471**

	Land and land improvements	Buildings, structures and production plants	Machinery, tools and technical equipment	Information system hardware	Motor vehicles	Office furniture and fittings	Assets under construction	Oil and gas properties	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2010									
Cost:									
At 1 January 2010	514,579	9,515,969	261,850	38,145	17,958	56,441	2,658,271	—	13,063,213
Additions	211	104,547	11,956	3,799	3,135	6,898	1,186,353	—	1,316,899
Disposals	(13,307)	(77,558)	(12,803)	(71)	(918)	(4,583)	(494)	—	(109,734)
Transfers	80,985	753,383	8,192	761	35	1,242	(801,793)	—	42,805
Exchange adjustments	20,380	(41,631)	(21,643)	(24)	(1,081)	(5,867)	16,752	—	(33,114)
At 31 December 2010	602,848	10,254,710	247,552	42,610	19,129	54,131	3,059,089	—	14,280,069
Depreciation:									
At 1 January 2010	149,542	3,478,612	144,135	6,589	1,857	10,505	—	—	3,791,240
Charge for the year	13,496	487,898	25,449	5,170	2,553	10,191	—	—	544,757
Impairment	709	36,672	—	68	—	7	—	—	37,456
Reversal of impairment	—	(918)	—	—	—	—	—	—	(918)
Disposals	(741)	(38,575)	(10,096)	(53)	(682)	(3,835)	—	—	(53,982)
Transfers	(717)	39,010	2,334	3	(3)	185	—	—	40,812
Exchange adjustments	26,591	66,910	(13,832)	109	(236)	(1,598)	—	—	77,944
At 31 December 2010	188,880	4,069,609	147,990	11,886	3,489	15,455	—	—	4,437,309
Net carrying amount:									
At 31 December 2010	413,968	6,185,101	99,562	30,724	15,640	38,676	3,059,089	—	9,842,760

In 2008, the Group has received a plot of land from the Municipality of Abu Dhabi at no cost and has recorded this parcel at a nominal value of AED 1. Effective 1 January 2011 the plot was transferred to investment property.

a) Additions in assets under construction include an amount of US$ 471,288 thousand (2010: US$ 910,686 thousand) relating to the construction of an oil pipeline (ADCOP project).

b) The amount of borrowing costs capitalised during the year ended 31 December 2011 was US$ 49,981 thousand (2010: US$ 72,455 thousand). The rate used to determine the amount of borrowing costs eligible for capitalisation was 2.2% (2010: 2.1%).

c) The carrying value of plant and equipment held under finance leases at 31 December 2011 was US$ 48,111 thousand (31 December 2010: US$ 4,588 thousand). Leased assets are pledged as security for the related finance lease liabilities.

d) Property, plant and equipment with a book value of US$ 2,242,312 thousand (31 December 2010: US$ 2,358,924 thousand) have been pledged as security for related borrowings and mortgages.

e) At 31 December 2011, IPIC transferred an amount of US$ 170,962 thousand to investment properties under development, relating to the portion of IPIC Building which is not for owner-occupied use

f) Depreciation charge for the year is reflected in the consolidated income statement as follows:

	2011 US$'000	2010 US$'000 Reclassified
Continuing operations	**1,185,734**	509,769
Discontinued operations	**41,121**	34,988
	1,226,855	544,757

18 INTANGIBLE ASSETS

	Software	Concessions patents and licences	Developments costs	Brands	Customer and flagging contracts	Customer lists	Goodwill	Other	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2011									
Cost:									
At 1 January 2011	96,462	333,420	244,206	—	77,239	—	464,224	578,585	1,794,136
Additions	26,719	70,956	32,784	—	1,397	—	—	265,206	397,062
Acquisitions through business combination	42,559	10,531	2,004	553,082	92,036	—	354,654	233,627	1,288,493
Impairment of goodwill	—	—	—	—	—	—	(50,611)	—	(50,611)
Classified as held for sale	(13,892)	(27,935)	—	—	(41,579)	—	—	(191,778)	(275,184)
Disposals	(27,693)	(60,878)	(1,297)	—	(24,615)	—	—	—	(114,483)
Exchange adjustments	2,814	(3,663)	(9,711)	(57,751)	(5,966)	—	(35,799)	(15,488)	(125,564)
At 31 December 2011	**126,969**	**322,431**	**267,986**	**495,331**	**98,512**	**—**	**732,468**	**870,152**	**2,913,849**
Amortisation:									
At 1 January 2011	60,837	111,092	94,248	—	35,469	—	—	161,588	463,234
Charge for the year	22,790	12,978	15,474	—	14,449	—	—	73,303	138,994
Impairment	449	—	17,917	—	—	—	—	84,831	103,197
Classified as held for sale	(12,448)	—	—	—	(14,046)	—	—	(167,690)	(194,184)
Disposals	(27,549)	—	(469)	—	(24,602)	—	—	—	(52,620)
Exchange adjustments	7,698	(3,402)	(4,890)	—	(295)	—	—	(4,948)	(5,837)
At 31 December 2011	**51,777**	**120,668**	**122,280**	**—**	**10,975**	**—**	**—**	**147,084**	**452,784**
Net carrying amount:									
At 31 December 2011	**75,192**	**201,763**	**145,706**	**495,331**	**87,537**	**—**	**732,468**	**723,068**	**2,461,065**

	Software	Concessions patents and licences	Developments costs	Brands	Customer and flagging contracts	Customer lists	Goodwill	Other	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2010									
Cost:									
At 1 January 2010	98,973	309,620	225,056	—	60,393	1,000	613,380	568,488	1,876,910
Additions	12,673	50,188	61,116	—	—	—	—	—	123,977
Acquisitions through business combination	—	—	—	—	—	—	8,301	—	8,301
Impairment of goodwill	—	—	—	—	—	—	(97,533)	—	(97,533)
Disposals	(10,686)	(40,212)	(4,612)	—	—	(1,000)	—	—	(56,510)
Transfers	253	24,793	(25,544)	—	30,004	—	(39,526)	9,522	(498)
Exchange adjustments	(4,751)	(10,969)	(11,810)	—	(13,158)	—	(20,398)	575	(60,511)
At 31 December 2010	**96,462**	**333,420**	**244,206**	**—**	**77,239**	**—**	**464,224**	**578,585**	**1,794,136**
Amortisation:									
At 1 January 2010	55,567	100,676	77,065	—	11,490	1,000	—	82,566	328,364
Charge for the year	17,310	15,780	21,820	—	22,778	—	—	82,468	160,156
Impairment	15	1,591	2,372	—	—	—	—	—	3,978
Disposals	(9,311)	—	(4,195)	—	—	(1,000)	—	—	(14,506)
Transfers	11	—	(11)	—	—	—	—	—	—
Exchange adjustments	(2,755)	(6,955)	(2,803)	—	1,201	—	—	(3,446)	(14,758)
At 31 December 2010	**60,837**	**111,092**	**94,248**	**—**	**35,469**	**—**	**—**	**161,588**	**463,234**
Net carrying amount:									
At 31 December 2010	**35,625**	**222,328**	**149,958**	**—**	**41,770**	**—**	**464,224**	**416,997**	**1,330,902**

Amortisation charge for the year is reflected in the consolidated income statement as follows:

	2011	2010
	US$'000	US$'000 Reclassified
Continuing operations	**97,900**	93,244
Discontinued operations	**41,094**	66,912
	138,994	160,156

19 IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations has been allocated to the following cash generating units, for impairment testing purposes:

Carrying amount of goodwill allocated to each of the cash-generating units:

	Plastics solutions Europe	Diversified investments	Private banking	Unallocated	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Carrying amount at 31 December 2010	74,850	326,554	62,820	—	464,224
Additions during the year from business combinations	—	—	—	354,814	354,814
Impairment during the year	—	—	(37,169)	(13,442)	(50,611)
Exchange difference	(1,716)	—	1,401	(35,644)	(35,959)
Carrying amount at 31 December 2011	**73,134**	**326,554**	**27,052**	**305,728**	**732,468**

Plastics solutions—Europe

Goodwill within the plastics solutions operating segment has been allocated to Borealis, which constitutes the lowest aggregation of assets that generate largely independent cash inflows.

The recoverable amount of Borealis has been determined based on a fair value less cost to sell calculation. The fair valuation was conducted by an independent appraiser. Borouge, a significant associate of Borealis was valued separately for this purpose. The post-tax discount rate applied to cash flow projections is 9.2% for Borealis and 10.6% for Borouge using an average growth rate of 2% and 2.5% respectively.

Key assumptions used in fair value less cost to sell calculations

The calculation of fair value less cost to sell is most sensitive to the following assumptions:

Terminal value: Sustainable earnings include a terminal growth rate of 2.0% which was derived on basis of analyses of sustainable GDP growth of Borealis' key sales regions and long term growth expectations for the end market industries for Polyolefin, Infrastructure, Automotive, and Advanced Packaging.

Discount rates: Market and peer group data were utilized in addition to the specific financing conditions prevailing at Borealis to obtain WACC.

Sensitivity to changes in assumptions

With regard to the assessment of fair value less cost to sell, management assessed that no reasonably possible change in any of the above key assumptions would cause the carrying value of Borealis to materiality exceed its recoverable amount.

Diversified investments

Goodwill within the diversified investments segment has been allocated to Aabar, which constitutes the lowest aggregation of assets that generate largely independent cash inflows.

The recoverable amount of Aabar has been determined based on a fair value less cost to sell calculation based on the over-the-counter market price that the Company is continuously buying the minority shares of Aabar.

Private banking

Goodwill within the private banking business has been allocated to Falcon Private Bank, a subsidiary of Aabar.

The Group performed its annual impairment test as at 31 December each year. At 31 December 2011, the recoverable amount of Falcon Bank has been determined based on a value in use calculation derived from financial budgets covering a 5 year period. Terminal value was derived accordingly. The pre-tax discount rate applied to cash flow projections is 10%. As a result, management identified an impairment of US$ 37,169 thousand of goodwill.

Key assumptions used in value in use calculation

The calculation of value in use is most sensitive to the following assumptions:

- Discount rate: The discount rate represents the current market assessment of the risks specific to Falcon Bank.
- Growth rate to determine increase in assets under management—assets under management increase was assumed at 8% for the years 2011 to 2015 and is based on management expectations and industry research.
- Terminal value

Sensitivity to changes in assumptions

With regard to the assessment of value in use, management assessed that no reasonably possible change in any of the above key assumptions would cause the carrying value of Falcon Bank to materiality exceed its recoverable amount.

Unallocated goodwill

The allocation of the cost of the business combinations (Note 3) relating to the acquisition of CEPSA Group and Oxygen Capital Limited to the different assets, liabilities and contingent liabilities was completed after 31 December 2011 but within a period of twelve months of the acquisition date, and before the issuance of these consolidated financial statements. Accordingly, the fair values were recorded in these consolidated financial statements. Goodwill arising on the acquisition of CEPSA and Oxygen Capital was US$ 341,372 thousand and US$ 13,442 thousand respectively. However, because the initial accounting for the business combinations determined provisionally at 31 December 2011, the Group has not been able to complete the initial allocation of the goodwill to cash generating units ("CGUs") or groups of CGUs for impairment purposes before the end of the annual period in which the combination was effected. In addition, as the Group is only required to allocate the goodwill to CGUs by the end of the financial year following the year of acquisitions, it will do so by December 2012.

At the date of these consolidated financial statements, the goodwill arising from the acquisition of CEPSA has not been allocated to the CGUs; however, the Group has reviewed the unallocated goodwill and did not identify any indicators of impairment in respect of the goodwill arising on the acquisition of CEPSA. Given that Oxygen Capital Limited does not generate sufficient cash flows, is in a net assets deficit position and is currently loss-making the goodwill in Oxygen Capital has been fully impaired.

20 INVESTMENT PROPERTIES

	Land	Commercial	Under development	Total
	US$'000	US$'000	US$'000	US$'000
2011				
Cost:				
At 1 January 2011	1,804,472	6,235	—	1,810,707
Additions	64,638	—	93,292	157,930
Classified as held for sale	—	(9,272)	—	(9,272)
Disposals	(1,143)	—	—	(1,143)
Transfers (see note below)	293,343	—	356,583	649,926
Exchange adjustments	(3,191)	3,037	—	(154)
At 31 December 2011	**2,158,119**	**—**	**449,875**	**2,607,994**
Accumulated depreciation:				
At 1 January 2011	514,810	3,323	—	518,133
Charge for the year	—	230	—	230
Impairment	54,536	—	100,560	155,096
Classified as held for sale	—	(5,580)	—	(5,580)
Disposals	(893)	—	—	(893)
Exchange adjustments	1,611	2,027	—	3,638
At 31 December 2011	**570,064**	**—**	**100,560**	**670,624**
Net carrying amount:				
At 31 December 2011	**1,588,055**	**—**	**349,315**	**1,937,370**
2010				
Cost:				
At 1 January 2010	4,614	14,355	—	18,969
Transfers	1,804,444	(2,313)	—	1,802,131
Disposals	(5,122)	(5,511)	—	(10,633)
Exchange adjustments	536	(296)	—	240
At 31 December 2010	1,804,472	6,235	—	1,810,707
Accumulated depreciation:				
At 1 January 2010	—	422	—	422
Charge for the year	—	69	—	69
Transfers	—	3,747	—	3,747
Impairment	514,810	—	—	514,810
Disposals	—	(265)	—	(265)
Exchange adjustments	—	(650)	—	(650)
At 31 December 2010	514,810	3,323	—	518,133
Net carrying amount:				
At 31 December 2010	1,289,662	2,912	—	1,292,574

Properties with a carrying amount of US$ 478,964 thousand (31 December 2010: US$ 1,804,444 thousand), prior to impairment charges, have been transferred from advances made on investment properties under other assets to investment properties and investment properties under development. Also included in investment property under development is an amount of US$ 170,962 thousand relating to the portion of the IPIC Building which is not for owner-occupied use and which has been reclassified from capital work in progress in property, plant and equipment to investment property under development.

Effective 1 January 2011, a plot of land (received in 2008 from the Municipality of Abu Dhabi at no cost and recorded at a nominal value of AED 1) was transferred from property and equipment to investment property as a result of change in use.

Investment properties with a book value of US$ 204,221 thousand (31 December 2010: US$ 204,221 thousand) have been pledged as security for related borrowings and mortgages.

In reviewing investment properties, the Group has considered whether the value of any of its investment properties is impaired. The recoverable amounts have been determined as the higher of the fair value less costs to sell, and value in use.

Value in use assessments have been performed based on valuation models.

The fair value of investment property under development has been based on valuations performed by accredited independent valuer, as at 31 December 2011. The fair value of the property has not been determined on transactions observable in the market because of the nature of the property and the lack of comparable data. Instead, a valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied. The combined fair value of investment properties at 31 December 2011 amounted to US$ 1,542,250 thousand (31 December 2010: US$ 941,548 thousand).

Key assumptions used for value in use assessments:

- Inflation during the development period—assumed as running at 5% per annum during the development period
- Lease capitalization multiples—assumed an average multiple of 9 (determined by reference to current expectations in the market)
- Construction costs—based upon management's estimations for the development of the projects
- Rental incomes—based upon current rental rates being experienced for properties of a similar nature within the local market

Key assumptions used for fair value assessments:

- Inflation during the development period—assumed as running at 5% per annum during the development period
- Lease capitalization multiples—assumed an average multiple of 9 (determined by reference to current expectations in the market)
- Construction costs—based upon management's estimations for the development of the projects.
- Developers profit margin—assumed as 15%
- Rental incomes—based upon current rental rates being experienced for properties of a similar nature within the local market.

No rental income was recognised on investment properties during 2011 (2010: Nil).

21 INVESTMENTS IN FINANCIAL INSTRUMENTS

	2011 US$'000	2010 US$'000
Non-derivative financial instruments:		
Held-to-maturity financial assets (Note 21.1)	—	240,256
Financial assets at fair value through profit or loss (Note 21.2)	**5,366,287**	8,673,887
Available-for-sale financial assets (Note 21.3)	**2,208,057**	1,526,183
	7,574,344	10,440,326
Derivative financial instruments (Note 34)	**2,130,131**	805,175
	9,704,475	11,245,501
Non-current	**2,650,288**	10,819,947
Current	**7,054,187**	425,554
	9,704,475	11,245,501

21.1 HELD-TO-MATURITY FINANCIAL ASSETS

During 2011, held-to-maturity financial assets of US$ 85,996 thousand have been sold and US$ 151,587 thousand have been reclassified to available-for-sale financial investments. The balance at 31 December 2010 represents mainly investments in Government treasury securities and corporate bonds. They were predominantly denominated in CHF and were investment grade assets.

21.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011	2010
	US$'000	US$'000
Daimler AG shares (i)	**4,234,333**	6,483,793
CASHES of Unicredit SpA. (ii)	**29,739**	40,581
Unicredit SpA (iii)	**799,698**	1,974,228
Others (iv)	**302,517**	175,285
	5,366,287	8,673,887
Non-current	**43,455**	8,517,201
Current	**5,322,832**	156,686
	5,366,287	8,673,887

i) This represents an investment in Daimler AG shares. In June 2010, the Group terminated one of the two collar and put option agreements and replaced it with another agreement that fixes the floor and cap price for movements in the share price of Daimler AG that expires between 1 October 2012 and 19 November 2012. The other collar and put option agreement is scheduled to expire on 24 September 2012. Shares in Daimler AG are pledged as collateral against term loans.

ii) This represents an investment in the Convertible and Subordinated Hybrid Equity-Linked Securities of UniCredit SpA, an Italian bank. These convertible bonds, due on 15 December 2050 are exchangeable into ordinary shares of UniCredit SpA. If at any time, between 23 February 2016 and 15 December 2050, the exchange security price of UniCredit SpA shares, for 20 out of 30 consecutive trading days, exceeds 150% of the exchange price (Euro 30.83 after the reverse stock split as described in iii) below), the bonds will be automatically redeemed.

iii) This represents an investment in UniCredit SpA. The Group acquired a 4.99% stake in UniCredit SpA in 2010. During 2011, the number of shares has decreased from 962,000,000 to 96,200,000 due to a reverse stock split, whereby the shareholders received 1 new ordinary share for every 10 existing ordinary shares already held. The Group has taken collar and put options to fix the floor and cap price for movements in the share price of UniCredit SpA that expire between 3 April 2013 and 12 June 2013. Shares in UniCredit SpA are pledged as collateral against term loans.

iv) This balance includes an investment made in July 2010 of US$ 18.9 million into two investment funds: Blue Orchard Private Equity Funds SCA and Oasis Fund SCA with a commitment to invest a further US$ 35.3 million at a later date. The remaining balance represents mainly investments in government treasury securities and corporate bonds. These are investment grade assets predominantly denominated in CHF.

21.3 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011	2010
	US$'000	US$'000
Quoted investments	**1,771,562**	1,163,503
Unquoted investments at fair value	**399,790**	362,680
Unquoted investments carried at cost	**36,705**	—
	2,208,057	1,526,183

Quoted investments

The fair value of the quoted investments is determined by reference to published price quotations in an active market. On 18 May 2011, the Group acquired a 1.4% shareholding in Glencore International Plc ("Glencore") and at 31 December 2011, market value of the investment was US$ 601,510 thousand.

Unquoted investments

The fair value of the majority of unquoted investments has been estimated using a valuation technique 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. See Note 35 for the Group's valuation hierarchy.

22 TRADE AND OTHER RECEIVABLES

	2011	2010
	US$'000	US$'000
Trade receivables	**4,088,219**	1,206,983
Loans and other amounts due from banking customers	**1,335,335**	1,083,184
Due from banks	**405,335**	161,636
Balance due from related parties	**617,374**	360,659
Receivable from construction contracts	**—**	102,786
Other receivables	**1,067**	5,982
	6,447,330	2,921,230
Non-current	**11,331**	74,063
Current	**6,435,999**	2,847,167
	6,447,330	2,921,230

At 31 December 2011, trade and other receivables amounting to US$ 209,406 thousand (31 December 2010: US$ 147,075 thousand) were impaired and fully provided for.

See Note 36 for ageing analysis and movements in the provision for impairment of trade and other receivables.

23 OTHER ASSETS

	2011	2010
	US$'000	US$'000
Long term receivable (i)	**1,768,869**	1,858,432
Taxes receivable	**439,210**	279,516
Loans to related parties	**1,253,814**	48,963
Other assets receivable from related parties	**118,714**	—
Restricted cash	**85,000**	85,000
Loans and notes receivable	**207,966**	529,409
Advances made on investment properties	**869,281**	1,000,108
Advances made on investments	**80,926**	516,497
Other advances and deposits paid (ii)	**238,930**	16,625
Prepaid expense	**37,967**	35,011
Accrued interest receivable (iii)	**49,918**	29,523
Other assets and receivables	**119,526**	325,867
	5,270,121	4,724,951
Non-current	**4,231,247**	3,981,649
Current	**1,038,874**	743,302
	5,270,121	4,724,951

(i) In 2009, the Company acquired an investment in mandatorily exchangeable bonds (the "Bonds") of Independent Public Business Corporation of Papua New Guinea. Upon maturity in March 2014, the Bonds may be exchanged into 196,604,177 shares of Oil Search Limited, a company listed on the Australian Stock Exchange. The Company has determined that the Bonds contain embedded derivatives and accordingly, the derivative components, amounting to US$ 87,528 thousand (31 December 2010: US$ 106,059 thousand), have been separated from the host contract and disclosed as derivative financial instruments in the consolidated financial statements (see Note 34).

The long term receivable represents the carrying value of the host contract at 31 December 2011, and is carried at amortised cost.

(ii) Includes an amount of US$ 135,478 thousand relating to Fujairah land reclamation. This cost is expected to be set off against the future rental payments of the land.

(iii) Includes an amount of US$ 47,566 thousand interest receivable in respect of GBP/EUR cross currency swaps which the Company undertook in March 2011.

24 INVENTORIES

	2011	2010
	US$'000	US$'000
Raw materials	**1,769,860**	437,045
Spare parts	**185,600**	57,065
Consumables	**258,699**	—
Work in progress	**11,395**	403,835
Finished goods	**2,779,732**	1,152,796
Consignments	**41,293**	—
In transit	**105,479**	25,371
	5,152,058	2,076,112
Allowance for obsolescence	**(26,515)**	(23,590)
	5,125,543	2,052,522

25 CASH AND CASH EQUIVALENTS

	2011	2010
	US$'000	US$'000
Cash and short term deposits	**4,992,819**	3,150,931
Bank overdrafts	**—**	(912)
	4,992,819	3,150,019

Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Bank overdrafts carried interest at floating rates and were unsecured.

26 SHARE CAPITAL

	Authorised		Issued and fully paid	
	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000
Ordinary shares of US$ 1,000 each	**5,000,000**	5,000,000	**3,500,000**	3,500,000

27 SHAREHOLDER LOAN

In 2010, the Company received US$ 500 million and received a further US$ 500 million in December 2011 from the Department of Finance on behalf of the Government of Abu Dhabi. The funds are to be used to meet the Company's obligations in its investment in Qatar and Abu Dhabi Investment Company QSC ("QADIC"). An amount of US$ 50 million was injected in QADIC in July 2010.

The funds received are 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 funds as a shareholder loan within equity.

28 OTHER RESERVES

	Cumulative changes in fair value of available for-sale investments	Foreign currency translation reserve	Reserve for cash flow hedges	Reserve for actuarial gains and losses	Reserves for disposal group held for sale	Share of reserves of associates	Other reserves	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2010	3,097,967	138,196	(21,630)	(2,866)	(81,580)	104,138	103,609	3,337,834
Other comprehensive income for the year	244,029	(134,140)	18,983	(121,746)	—	(520,196)	(4,849)	(517,919)
Recycle of reserve on disposal of interest in a subsidiary	—	167,038	(11,297)	—	(2,293)	—	—	153,448
Reserves for disposal group held for sale	—	(112,186)	28,313	—	83,873	—	—	—
Balance at 31 December 2010	3,341,996	58,908	14,369	(124,612)	—	(416,058)	98,760	2,973,363
Other comprehensive income for the year	(1,120,103)	(1,249,799)	(102,390)	(129,509)	—	104,476	—	(2,497,325)
Recycle of reserves on disposal of interest in a subsidiary	—	15,329	37	16,134	—	—	—	31,500
Reserves for disposal group held for sale	—	(6,485)	(4,258)	(349)	26,895	—	—	15,803
Balance at 31 December 2011	**2,221,893**	**(1,182,047)**	**(92,242)**	**(238,336)**	**26,895**	**(311,582)**	**98,760**	**523,341**

29 BORROWINGS

	2011	2010
	US$'000	US$'000
Overdrafts	**433,750**	39,941
Obligations under finance leases and hire purchase contracts	**8,541**	11,435
Listed notes and other borrowing instruments	**13,546,976**	4,241,470
Unlisted borrowings	**21,790,544**	16,748,395
	35,779,811	21,041,241
Non-current	**26,182,633**	19,161,098
Current	**9,597,178**	1,880,143
	35,779,811	21,041,241

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

	2011 US$'000	2010 US$'000
The Parent	**19,198,777**	10,040,024
Aabar	**9,733,156**	7,772,109
Nova	**1,741,109**	1,695,277
Borealis	**1,604,564**	1,497,186
Ferrostaal	**—**	36,645
CEPSA	**3,502,205**	—
	35,779,811	21,041,241

As of 31 December 2011 and 2010, the Company has not guaranteed the borrowings of any of the Group companies.

Details of the group borrowings are as follows:

Listed notes and other borrowing instruments

	Maturity	Currency	Interest rate	2011 US$'000	2010 US$'000
IPIC—Bond 1	2020	US$	5.000%	**1,482,717**	1,480,728
IPIC—Bond 2	2015	US$	3.125%	**994,084**	992,524
IPIC—Bond 3	2021	EUR	5.875%	**1,587,890**	—
IPIC—Bond 4	2016	EUR	4.875%	**1,600,849**	—
IPIC—Bond 5	2026	GBP	6.875%	**844,285**	—
IPIC—Bond 6	2022	US$	5.500%	**1,489,948**	—
IPIC—Bond 7	2017	US$	3.750%	**1,490,935**	—
IPIC—Bond 8	2041	US$	6.875%	**740,471**	—
Aabar—Exchangeable bond (see note below)	2016	EUR	Fixed rate	**1,527,110**	—
Borealis—Bond 1	2017	EUR	Fixed rate	**259,200**	267,320
Nova—Bond 1	2012	US$	6.50%	**399,532**	388,495
Nova—Bond 2	2013	US$	6m LIBOR + 3.13%	**369,345**	354,988
Nova—Bond 3	2016	US$	8.38%	**342,156**	340,867
Nova—Bond 4	2019	US$	8.63%	**341,433**	340,201
Nova—Bond 5	2025	US$	7.88%	**77,021**	76,347
				13,546,976	4,241,470

Aabar—Exchangeable bond

On 27 May 2011, Aabar issued EUR 1,250,000 thousand 4% 5 year senior unsecured exchangeable bonds, which are exchangeable into Daimler AG shares (the "exchangeable bonds"). The exchangeable bonds are hybrid securities consisting of a straight bond and an embedded call option with a fixed strike price to exchange the bond for either shares in Daimler AG or cash of an equivalent value at the option of Aabar.

All bonds of the Group are unsecured, and repayable as bullet payment on maturity.

Unlisted borrowings

	Maturity (Year)	Currency	Interest rate	2011	2010
				US$'000	US$'000
IPIC - Loan 1	2013	Euro	EURIBOR + Margin	**191,160**	295,723
IPIC - Loan 2 *	2013	GBP	LIBOR + Margin	**227,481**	226,689
IPIC - Loan 3	2013	JPY	LIBOR + Margin	**874,600**	827,729
IPIC - Loan 4 *	2012	US$ & AED	LIBOR + Margin	**849,232**	844,925
IPIC - Loan 5	2013	US$, Euro & AED	LIBOR /EURIBOR /EIBOR + Margin	**—**	3,541,405
IPIC - Loan 6 *	2013	AED	EIBOR + Margin	**268,784**	266,436
IPIC - Loan 7	2011	US$	LIBOR + Margin	**—**	147,724
IPIC - Loan 8	2026	AED	EIBOR + Margin	**272,294**	—
IPIC - Loan 9	2012	US$	LIBOR + Margin	**1,497,805**	—
IPIC - Loan 10	2014	US$	LIBOR + Margin	**1,390,527**	—
IPIC - Loan 11	2013	AED	EIBOR + Margin	**1,994,661**	—
IPIC - Loan 12	On demand	US$	LIBOR + Margin	**1,401,054**	1,415,229
Aabar - Loan 1	2012	AED	EIBOR + Margin	**204,221**	204,221
Aabar - Loan 2	2012	EUR	Fixed rate	**1,608,697**	1,608,599
Aabar - Loan 3	2013	US$	LIBOR + Margin	**1,321,971**	1,427,437
Aabar - Loan 4	2013	EUR	EURIBOR + Margin	**208,096**	304,305
Aabar - Loan 5	2013	AED	EIBOR + Margin	**103,162**	246,867
Aabar - Loan 6	2012	EUR	Fixed rate	**1,498,512**	1,510,830
Aabar - Loan 7	2013	EUR	Fixed rate	**2,256,290**	2,266,672
Aabar - Loan 8	2011	EUR	EURIBOR + Margin	**—**	203,179
Aabar - Loan 9	2014	EUR	EURIBOR + Margin	**254,873**	—
Aabar - Loan 10	2012	US$	LIBOR + Margin	**750,225**	—
Others - Fixed	2019 - 2025	Various	Fixed rate	**915,768**	783,555
Others - Floating	2012 - 2022	Various	Base rate + Margin	**3,701,131**	626,870
				21,790,544	16,748,395

* Term loan (4) has been refinanced in March 2012, with new maturity date of March 2014 and Term loans (2) and (6) have been repaid in full in April 2012 (see Note 41)

Others—Fixed include approximately 15 individual loans and Others—Floating include approximately 50 individual loans.

All IPIC loans and Aabar loans are unsecured, except for Aabar—Loan 1, 2, 6 and 7 which are secured through pledges on land mortgage, Daimler AG shares and UniCredit SpA shares respectively. All loans within Others — Fixed are unsecured except for an amount of US$ 19,789 thousand (31 December 2010: US$ 20,403 thousand) which is secured on property, plant and equipment. All loans within Others—Floating are unsecured.

See Note 36 for the maturity analysis of borrowings (under liquidity risk disclosure).

Included in borrowings are obligations under finance leases as follows:

	2011	2010
	US$'000	US$'000
Payable in one year	**7,544**	10,224
Payable between 1 to 5 years	**1,018**	1,346
Payable beyond 5 years	**12**	21
	8,574	11,591
Amounts representing finance charges	**(33)**	(156)
	8,541	11,435

30 EMPLOYEES' BENEFIT LIABILITIES

The following table summarises the component of employees' related expense recognised in the consolidated income statement under continuing operations:

	2011 US$'000	2010 US$'000 Reclassified
Wages and salaries	**1,263,039**	870,741
Defined contribution plans	**49,312**	26,223
Defined benefit plans	**62,631**	53,739
Bonuses	**120,008**	92,891
Others	**78,226**	49,087
	1,573,216	1,092,681

Employees' benefit liabilities recognised in the consolidated statement of financial position are as follows:

	2011 US$'000	2010 US$'000
Employee end of service benefits	**3,661**	2,084
Pensions	**769,051**	721,515
	772,712	723,599

Most group companies have benefit plans. The forms and benefits vary with conditions and practices in the countries concerned. The plans include both defined contribution plans and plans that provide defined benefits based on years of service and estimated salary at retirement.

The following table summarises the components of net defined benefit expense recognised in the consolidated income statement:

	2011 US$'000	2010 US$'000 Reclassified
Current service cost	**38,667**	36,375
Interest cost on benefit obligation	**65,579**	66,439
Expected return on plan assets	**(48,718)**	(46,478)
Past service cost	**(25)**	1,307
Others	**7,128**	(3,904)
Net defined benefit expense	**62,631**	53,739

The following table summarises the amounts recognised in the consolidated statement of financial position:

	2011 US$'000	2010 US$'000
Defined benefit obligation	**(1,530,734)**	(1,812,568)
Fair value of plan assets	**762,025**	1,042,620
	(768,709)	(769,948)
Unrecognised past service cost	**(342)**	48,433
Benefit liability	**(769,051)**	(721,515)

Changes in the present value of the defined benefit obligation are as follows:

	2011	2010
	US$'000	US$'000
Benefit obligation at beginning of year	**(1,812,568)**	(1,628,107)
Benefit obligation of disposal group classified as held for sale	**373,498**	—
Current service costs *	**(38,667)**	(41,125)
Current interest costs *	**(65,579)**	(82,759)
Contributions by employees	**(5,103)**	(3,300)
Past service cost-vested immediately	**—**	1,392
Actuarial gains on obligation	**(95,612)**	(185,013)
Disposal of business	**(645)**	114
Reduction in liabilities resulting from curtailments	**—**	208
Benefits paid from plan	**84,159**	118,039
Liabilities extinguished on settlements	**1,480**	9,148
Foreign exchange differences	**28,303**	(1,165)
Benefit obligation at end of the year	**(1,530,734)**	(1,812,568)

* Included in current service costs and current interest costs in 2010 is an amount of US$ 4,750 thousand and US$ 16,320 thousand relating to disposal group classified as held for sale.

Changes in the fair value of plan assets are as follows:

	2011	2010
	US$'000	US$'000
Fair value of plan assets at beginning of year	**1,042,620**	986,139
Fair value of plan assets of disposal group classified as held for sale	**(293,373)**	—
Expected return on plan assets *	**48,718**	60,559
Contributions by employees	**5,103**	7,945
Employer contribution	**89,331**	84,916
Actuarial (losses) gains	**(41,518)**	25,623
Benefits paid from plan	**(84,159)**	(118,039)
Assets distributed on settlement	**—**	(6,211)
Foreign exchange differences	**(4,697)**	1,688
Fair value of plan assets at end of year	**762,025**	1,042,620

* Included in expected return on plan assets in 2010 is an amount of US$ 14,081 relating to disposal group classified as held for sale.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2011	2010
	%	%
Equities	**49.3%**	41.0%
Fixed income securities (inc. bonds)	**41.0%**	52.0%
Insurance contracts	**8.0%**	7.0%
Others	**1.7%**	0.0%

The overall expected return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled. These are reflected below in the principal assumptions used in determining pension and post-employment medical obligations for the Group's plans are shown below:

	2011	2010
	%	%
Rate of salary increases	**2.5% - 4.0%**	2.5% - 3.5%
Rate of increase in pensions payments	**0.3% - 2.1%**	0.3% - 2.1%
Discount rate	**2.8% - 4.4%**	3.3% - 5.1%
Expected rate of return on plan assets *	**3.4% - 6.9%**	3.4% - 7.4%

* The Group established an appropriate long-term rate of return of each plan's assets which reflects asset allocations within each plan as well as independent views of long-term rate of return expectations for each asset class.

Amounts for the current and previous periods are as follows:

	2011	2010	2009	2008	2007
	US$'000	US$'000	US$'000	US$'000	US$'000
Fair value of scheme assets	**762,025**	1,042,620	986,139	121,589	110,349
Present value of defined benefit obligation	**(1,530,734)**	(1,812,568)	(1,628,107)	(353,062)	(381,720)
Deficit in the scheme	**(768,709)**	(769,948)	(641,968)	(231,473)	(271,371)
Experience adjustments arising on plan liabilities	**610**	(136,547)	(6,488)	581	12,190
Experience adjustments arising on plan assets	**46,398**	23,578	(10,141)	6,014	(13,394)

31 PROVISIONS

	Restructuring	Decommissioning	Legal disputes	Environmental	Other	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2011	55,539	78,780	168,045	6,412	290,322	599,098
Additions	26,376	(3,849)	26,908	5,262	162,537	217,234
Transferred to disposal group	(47,341)		(29,402)	506	(209,199)	(285,436)
Through business combinations	—	—	—	—	1,226	1,226
Interest expenses	—	4,628	(178)		454	4,904
Utilised	(22,443)	(5,175)	(23,910)	(2,070)	(109,730)	(163,328)
Reversed	(2,969)	(2,334)	(8,259)	(3,272)	(84,937)	(101,771)
Exchange adjustments	(614)	90,214	20,551	18,955	96,650	225,756
Balance at 31 December 2011	**8,548**	**162,264**	**153,755**	**25,793**	**147,323**	**497,683**

	2011	2010
	US$'000	US$'000
Classified as:		
Non-current	**376,447**	321,527
Current	**121,236**	277,571
	497,683	599,098

(i) Provision for restructuring relates mainly to ongoing restructuring programmes of the Group companies.

(ii) Provision for decommissioning mainly relates to asset retirement obligations of the Group and expected costs to be incurred upon termination of operations and the closure of active manufacturing plant facilities.

(iii) Environmental provision includes the estimated amounts 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.

(iv) 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. The majority of the legal provision relates to Nova litigation cases (note 40).

(v) Other provisions mainly cover risk and warranty provisions under construction contracts and contingencies for the abandonment of crude oil production fields once the recoverable reserves have been extracted. The amounts also cover contingencies arising from the Group's ordinary operations that might give rise to actual liabilities with their dealings with third parties.

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

32 TRADE AND OTHER PAYABLES

	2011 US$'000	2010 US$'000
Trade payables	**3,716,559**	1,676,006
Customer deposits and other amounts due to banking customers	**1,452,438**	1,201,420
Balance due to related parties	**552,523**	184,027
Due to banks	**307,411**	258,616
Other payables	**65,972**	42,320
	6,094,903	3,362,389
Non-current	**46,295**	48,249
Current	**6,048,608**	3,314,140
	6,094,903	3,362,389

33 OTHER LIABILITIES

	2011 US$'000	2010 US$'000
Advances received (i)	**21,715**	507,972
Advances due on investment properties	**—**	118,695
Income tax and other taxes payable	**539,526**	256,694
Interest and other accruals (ii)	**741,039**	615,489
Loan from related parties	**50,298**	70,290
Other payable to related parties	**279,832**	—
Government grant (iii)	**34,034**	46,399
Payables on investments	**16,812**	140,745
Other liabilities and payables	**245,710**	113,336
	1,928,966	1,869,620
Classified as:		
Non- current	**278,223**	148,940
Current	**1,650,743**	1,720,680
	1,928,966	1,869,620

(i) Advances received mainly relate to advances received on construction contracts.

(ii) Includes amount of US$ 47,566 thousand interest payable in respect of GBP/EUR cross currency swaps which the Company undertook in March 2011.

(iii) The Group received government grants for the investment in new production plants, CO_2 emission allowances and research and development which are being deferred and recognised in the consolidated income statement.

34 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group.

Over-the-counter derivatives may expose the Group to the risks associated with the absence of an exchange market on which to close out an open position.

The Group does not operate a centralised treasury and funding department. Each company within the Group has its own financial risk management function, which aims to minimise the effects related to foreign exchange, interest rate, liquidity, credit, commodity price and refinancing risks.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities as of 31 December:

	Assets 2011 US$'000	Liabilities 2011 US$'000	Assets 2010 US$'000	Liabilities 2010 US$'000
Derivatives held-for-trading				
Interest rate swaps	**898**	**444,019**	—	3,104
Currency forwards	**30,567**	**29,897**	68,668	70,053
Currency swaps	**30,581**	**—**	—	—
Currency futures	**705**	**703**	65	68
Currency options	**1,129**	**1,129**	421	421
Equity options (see Note 11 (ii))	**1,954,900**	**710,638**	547,346	2,605,099
Commodity swaps	**6,793**	**786**	19,214	26,210
Commodity futures	**1,855**	**—**	—	—
Embedded derivative (see Note 23 (i))	**87,528**	**30**	106,059	—
	2,114,956	**1,187,202**	741,773	2,704,955
Derivatives used as fair value hedges				
Currency forwards	**—**	**—**	544	10,732
Commodity swaps	**—**	**—**	—	3,837
	—	**—**	544	14,569
Derivatives used as cash flow hedges				
Interest rate swaps	**—**	**14,168**	—	25,856
Currency forwards	**2,571**	**16,849**	6,199	—
Commodity swaps	**10,045**	**6,491**	1,257	5,451
Other swap arrangements	**2,559**	**33,812**	55,402	253
	15,175	**71,320**	62,858	31,560
	2,130,131	**1,258,522**	805,175	2,751,084
Non-current	**398,776**	**323,434**	653,079	2,377,638
Current	**1,731,355**	**935,088**	152,096	373,446
	2,130,131	**1,258,522**	805,175	2,751,084

Derivative financial instruments held or issued for trading purposes

Some of the Group's derivative trading activities relate to deals with customers which are normally offset by transactions with other counterparties. The Group may also take positions with the expectation of profiting from favourable movements in prices, rates or indices. Also included under this heading are any derivatives entered into for economic hedging purposes which do not meet hedge accounting criteria.

Forwards and futures

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk. The Group has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the cash margin requirements of the exchanges help ensure that these contracts are honoured. Forward contracts are settled gross and are therefore considered to bear a higher liquidity risk than the futures contracts which are settled on a net basis. Both types of contracts result in market risk exposure.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Group with other financial institutions in which the Group either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross settled.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The Group purchases and sells options through regulated exchanges and in the over-the-counter markets. Options purchased by the Group provide the Group with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written by the Group provide the purchaser the opportunity to purchase from, or sell to, the Group, the underlying asset at an agreed-upon value either on or before the expiration of the option.

The table below summarises the maturity profile of the Group's derivatives based on contractual undiscounted payments.

	0-3 months	3-12 months	1-3 years	3-5 years	>5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2011						
Cash outflow						
Trading derivatives and economic hedges	**(373,307)**	**(842,990)**	**(280,133)**	**(15,238)**	**—**	**(1,511,668)**
Derivatives for cash flow hedges	**(333,018)**	**(433,619)**	**(431,977)**	**(240,365)**	**—**	**(1,438,979)**
Derivatives for fair value hedges	**—**	**—**	**—**	**—**	**—**	**—**
	(706,325)	**(1,276,609)**	**(712,110)**	**(255,603)**	**—**	**(2,950,647)**
Cash inflow						
Trading derivatives and economic hedges	**363,800**	**179,603**	**1,585,734**	**279,803**	**30,581**	**2,439,521**
Derivatives for cash flow hedges	**324,687**	**407,861**	**408,755**	**238,076**	**—**	**1,379,379**
Derivatives for fair value hedges	**—**	**—**	**—**	**—**	**—**	**—**
	688,487	**587,464**	**1,994,489**	**517,879**	**30,581**	**3,818,900**
	(17,838)	**(689,145)**	**1,282,379**	**262,276**	**30,581**	**868,253**
2010						
Cash outflow						
Trading derivatives and economic hedges	(596,428)	(278,339)	(2,380,227)	(54,350)	—	(3,309,344)
Derivatives for cash flow hedges	(96,102)	(386,195)	(660,316)	(423,330)	(54,832)	(1,620,775)
Derivatives for fair value hedges	(13,770)	(17,726)	(50,927)	(6,941)	(883)	(90,247)
	(706,300)	(682,260)	(3,091,470)	(484,621)	(55,715)	(5,020,366)
Cash inflow						
Trading derivatives and economic hedges	569,676	24,880	546,997	159,578	—	1,301,131
Derivatives for cash flow hedges	113,980	397,474	651,519	421,540	51,650	1,636,163
Derivatives for fair value hedges	6,229	2,596	4,574	—	—	13,399
	689,885	424,950	1,203,090	581,118	51,650	2,950,693
	(16,415)	(257,310)	(1,888,380)	96,497	(4,065)	(2,069,673)

35 FINANCIAL INSTRUMENTS

Fair values

The fair values of the financial assets and liabilities of the Group are not materially different from their carrying amounts at the reporting date. Borrowings had a fair value of US$ 35,937,974 thousand compared to a carrying amount of US$ 35,779,811 thousand as 31 December 2011 (31 December 2010: fair value of US$ 20,913,746 thousand and carrying amount of US$ 21,041,241 thousand).

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments 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.

As at 31 December 2011 and 2010, the Group held the following financial instruments measured at fair value:

	31 December 2011	Level 1	Level 2	Level 3
	US$'000	US$'000	US$'000	US$'000
Assets measured at fair value				
Available-for-sale financial assets	**2,171,352**	1,771,562	31,801	367,989
Derivative financial assets	**2,130,131**	1,825	2,097,725	30,581
Financial assets at fair value through profit or loss	**5,366,287**	5,322,832	29,739	13,716
	9,667,770	7,096,219	2,159,265	412,286
Liabilities measured at fair value				
Derivative financial liabilities	**1,258,522**	—	1,258,522	—
	1,258,522	—	1,258,522	—

	31 December 2010	Level 1	Level 2	Level 3
	US$'000	US$'000	US$'000	US$'000
Assets measured at fair value				
Available-for-sale financial assets	1,526,183	1,163,503	19,978	342,702
Derivative financial assets	805,175	—	805,175	—
Financial assets at fair value through profit or loss	8,673,887	8,614,707	59,180	—
	11,005,245	9,778,210	884,333	342,702
Liabilities measured at fair value				
Derivative financial liabilities	2,751,084	—	2,751,084	—
	2,751,084	—	2,751,084	—

Management reconsidered the classification of investments in micro-funds and transferred them from level 2 to level 3 of the fair value hierarchy effective 31 December 2011.

There were no transfers between level 1 and 2.

Reconciliation of fair value measurements of Level 3 financial instruments

The Group carries unquoted equity shares as available-for-sale financial instruments classified as Level 3 within the fair value hierarchy. For fair value measurements in Level 3 of the fair value hierarchy, reconciliation from beginning balances to ending balances, disclosing separately changes during the year attributable, is as follows:

	Opening balance	Transfers from Level 2	Transfers to assets held-for-sale	Additions	Disposals	Fair value gain (loss)	Exchange difference	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Available-for-sale investments	**342,702**	**—**	**(42,702)**	**440**	**(20,598)**	**36,000**	**52,147**	**367,989**
Financial assets at fair value through profit or loss	**—**	**18,599**	**—**	**4,081**	**—**	**(8,964)**	**—**	**13,716**
Derivative financial instruments	**—**	**—**	**—**	**30,581**	**—**	**—**	**—**	**30,581**
31 December 2011	**342,702**	**18,599**	**(42,702)**	**35,102**	**(20,598)**	**27,036**	**52,147**	**412,286**
Available-for-sale investments	408,872	—	—	22,443	(23,593)	(4,594)	(60,426)	342,702
31 December 2010	408,872	—	—	22,443	(23,593)	(4,594)	(60,426)	342,702

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise borrowings, trade and other payables and certain other financial liabilities. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial assets, trade and other receivables, cash and short-term deposits and certain other financial assets, which arise directly from its operations.

The Group enters into derivative transactions including equity derivatives, interest rate swap and forward currency contracts. The purpose is to manage the equity price, interest rate and currency risks arising from the Group's operations and sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, commodity price risk, equity price risk, liquidity risk and credit risk. The Board of Directors of each company within the Group reviews and agrees policies for managing 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 risk comprises: interest rate risk, foreign currency risk, commodity price risk, equity price risk and other price risk. Financial instruments affected by market risk include financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments, short-term deposits, borrowings and certain other financial instruments.

The sensitivity analyses in the following sections relate to the positions as at 31 December 2011 and 2010.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2011.

The analyses exclude the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and non-financial assets and liabilities of foreign operations.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

To manage this, the Group sometimes enters into interest rate swaps, 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. These swaps are designated to hedge underlying debt obligations.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit (through the impact on all floating rate borrowings).

The sensitivity analysis excludes all fixed rate financial instruments carried at amortised cost. Currency and commodity based derivatives have not been included in the sensitivity analysis below as they are not considered to be exposed to interest rate risk.

	Decrease in basis points	Effect on profit before tax	Effect on equity
		US$'000	US$'000
2011			
US$	**50 bps**	**35,774**	**143**
AED	**50 bps**	**15,368**	**—**
EUR	**50 bps**	**12,763**	**(422)**
JPY	**50 bps**	**4,384**	**—**
Others	**50 bps**	**3,416**	**—**
		71,705	**(279)**
2010			
US$	50 bps	28,863	340
AED	50 bps	8,663	—
EUR	50 bps	123	2,214
JPY	50 bps	4,157	—
Other	50 bps	2,774	—
		44,580	2,554

The effect of increases in interest rates is expected to be equal and opposite to the effect of the decreases shown.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, on the Group's profit and equity. The impact of translating the net assets of foreign operations into US$ is excluded from the sensitivity analysis.

	Change	Effect on profit before tax	Effect on equity
	%	US$'000	US$'000
2011			
CHF	**+10%**	**7,723**	**7,302**
EUR	**+10%**	**(268,230)**	**1,504,156**
JPY	**+10%**	**(80,814)**	**49,207**
CAD	**+10%**	**(64,269)**	**(27,947)**
GBP	**+10%**	**(107,165)**	**60,151**
Others	**+10%**	**(47,879)**	**(6,055)**
		(560,634)	**1,586,814**
2010			
CHF	+10%	(5,890)	—
EUR	+10%	112,866	49,420
JPY	+10%	(83,367)	(52,420)
CAD	+10%	(53,111)	(16,125)
Others	+10%	119,205	(7)
		89,703	(19,132)

The effect of decreases in foreign currency rates is expected to be equal and opposite to the effect of the increases shown.

Commodity price risk

The Group is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase and manufacturing of mainly petrochemical feedstock. Due to the significant volatility of the price of the underlying, the Group's management has developed and enacted a risk management strategy regarding commodity price risk and its mitigation.

The following table shows the effect of price changes after the impact of hedge accounting:

		2011		2010	
	Change	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
		US$'000	US$'000	US$'000	US$'000
Crude oil	**+10%**	**(5,155)**	**—**	(59,824)	—
Natural gas	**+10%**	**(16,237)**	**(2,360)**	(22,190)	(1,334)
Electricity	**+10%**	**(2,095)**	**(27,490)**	(2,330)	(15,103)
Propylene	**+10%**	**(24,748)**	**—**	(119,038)	—
Polyethelene	**+10%**	**806,040**	**—**	687,289	—
Other petrochemical feedstock *	**+10%**	**(211,383)**	**—**	(294,240)	—

* Other petrochemical feedstock includes products such as ethane, naphtha, ethylene, propane butane and others.

The effect of decreases in commodity prices is expected to be equal and opposite to the effect of the increases shown.

Equity price risk

Equity price risk is the risk that changes in equity prices will affect future cash flows or the fair values of financial instruments. The Group's exposure to the risk of changes in equity prices relates primarily to the Group's listed and unlisted equity securities. The Group's board of directors reviews and approves all significant investment decisions and the Group's management monitors positions on a regular basis. Economic hedging strategies are sometimes used to ensure positions are maintained within acceptable limits.

The following table demonstrates the sensitivity to reasonably possible changes in equity prices, with all other variables held constant, on the Group's income statement and equity:

		2011		2010	
	Change	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
		US$'000	US$'000	US$'000	US$'000
Europe	**+10%**	**507,749**	**106,157**	162,058	49,435
Middle East (excluding UAE)	**+10%**	**—**	**33,600**	—	30,000
North America	**+10%**	**—**	**9,271**	—	7,964
Asia and Pacific	**+10%**	**17,875**	**51,580**	17,726	57,662
Africa	**+10%**	**—**	**3,670**	—	—

The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown, except for certain investments in Europe where there are economic hedges in place (see notes 11 and 21). In this case a decrease of 10% in equity price will result in appositive effect of US$ 65,584 on profit before tax (2010: negative effect of US$ 7,030 thousand.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group's exposure to credit risk relates primarily to its operating and investing activities. The Group companies trade only with recognised, creditworthy third parties. There are no significant concentrations of credit risk within the Group unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represented by their carrying values as at the reporting date.

Trade and other receivables

The Group has established procedures to minimise the risk of default by trade debtors by using credit verification in order to be able to trade on credit terms and set mandatory credit limits for each customer. Furthermore, receivable balances are monitored on an aged basis which helps mitigate the exposure to bad debts.

Financial instruments and cash deposits

The Group's exposure to credit risk arises from defaults of counterparties, with maximum exposure equal to carrying amounts of these instruments. The Group seeks to limit its counterparty credit risk by dealing with only reputable banks and financial institutions.

The following tables show the maximum exposure to credit risk for the components of the consolidated statement of financial position, including derivatives, by geography and by industry. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Risk concentrations: maximum exposure to credit risk

	2011		2010	
	Carrying value	Maximum credit exposure	Carrying value	Maximum credit exposure
	US$'000	US$'000	US$'000	US$'000
On balance sheet				
Held-to-maturity financial assets	**—**	**—**	240,256	240,256
Loans and other amounts due from banking customers	**1,335,335**	**2,330,455**	1,083,184	1,887,341
Derivative financial assets	**2,130,131**	**2,130,131**	805,175	805,175
Trade and other receivables	**4,706,660**	**4,643,507**	1,676,410	1,676,410
Other assets	**5,270,121**	**5,059,577**	4,724,951	4,724,951
Due from banks	**405,335**	**432,405**	161,636	252,075
Cash and short-term deposits	**4,992,819**	**4,992,819**	3,150,931	3,150,931
	18,840,401	**19,588,894**	11,842,543	12,737,139

The following table shows concentrations of credit risk by geographical region:

	UAE	Europe	America	America	North Asia	South New Zealand	Others	Australia Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2011								
Loans and other amounts due from banking customers	**382,277**	**289,652**	**253,371**	**13,167**	**387,759**	**3**	**9,106**	**1,335,335**
Derivative financial instruments	**—**	**2,037,646**	**4,957**	**—**	**—**	**87,528**	**—**	**2,130,131**
Trade and other receivables	**2,157**	**3,811,263**	**596,989**	**151,684**	**67,263**	**1,530**	**75,774**	**4,706,660**
Other assets	**1,025,705**	**931,609**	**1,422,113**	**95,349**	**4,436**	**1,719,010**	**71,899**	**5,270,121**
Due from banks	**137,090**	**255,475**	**1**	**—**	**9,397**	**3,290**	**82**	**405,335**
Cash and short-term deposits	**1,723,136**	**2,148,730**	**954,489**	**97,668**	**67,525**	**—**	**1,271**	**4,992,819**
	3,270,365	**9,474,375**	**3,231,920**	**357,868**	**536,380**	**1,811,361**	**158,132**	**18,840,401**
2010								
Held-to-maturity financial assets	—	174,002	—	—	66,254	—	—	240,256
Loans and other amounts due from banking customers	278,367	340,244	175,687	3,043	276,836	—	9,007	1,083,184
Derivative financial instruments	—	692,348	6,768	—	—	106,059	—	805,175
Trade and other receivables	1,068	1,077,937	475,997	99,321	9,551	8,511	4,025	1,676,410
Other assets	1,098,606	1,040,972	734,207	54,517	18,232	1,726,940	51,477	4,724,951
Due from banks	2,707	120,988	34,222	—	—	3,625	94	161,636
Cash and short-term deposits	484,026	1,779,381	298,058	103,413	478,197	3,189	4,667	3,150,931
	1,864,774	5,225,872	1,724,939	260,294	849,070	1,848,324	69,270	11,842,543

The following table shows concentrations of credit risk by industry sector:

	Consumer	Government	Banking	Energy	Chemicals	Real Estate	Other	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2011								
Loans and other amounts due from banking customers	**1,335,335**	**—**	**—**	**—**	**—**	**—**	**—**	**1,335,335**
Derivative financial instruments	**—**	**87,528**	**1,564,732**	**1,570**	**20,660**	**—**	**455,641**	**2,130,131**
Trade and other receivables	**—**	**20,633**	**240**	**1,862,496**	**1,961,100**	**—**	**862,191**	**4,706,660**
Other assets	**—**	**2,113,929**	**1,002**	**201,636**	**713,620**	**1,506,698**	**733,236**	**5,270,121**
Due from banks	**—**	**—**	**405,335**	**—**	**—**	**—**	**—**	**405,335**
Cash and short-term deposits	**—**	**180,011**	**3,701,674**	**—**	**1,083,798**	**—**	**27,336**	**4,992,819**
	1,335,335	**2,402,101**	**5,672,983**	**2,065,702**	**3,779,178**	**1,506,698**	**2,078,404**	**18,840,401**
2010								
Held-to-maturity financial assets	23,756	64,036	115,759	—	24,733	—	11,972	240,256
Loans and other amounts due from banking customers	1,083,184	—	—	—	—	—	—	1,083,184
Derivative financial instruments	—	106,059	615,896	—	82,072	—	1,148	805,175
Trade and other receivables	—	—	—	59,945	1,292,552	—	323,913	1,676,410
Other assets	—	1,726,359	—	32,709	721,946	1,649,585	594,352	4,724,951
Due from banks	—	—	161,636	—	—	—	—	161,636
Cash and short-term deposits	—	91,028	1,894,503	50,360	515,722	—	599,318	3,150,931
	1,106,940	1,987,482	2,787,794	143,014	2,637,025	1,649,585	1,530,703	11,842,543

Credit quality by class of financial assets

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system. The amounts presented are net of impairment allowances:

	High	Medium	Low	Non classified	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
31 December 2011					
Loans and other amounts due from banking customers	**1,311,829**	**—**	**23,506**	**—**	**1,335,335**
Derivative financial instruments	**1,996,319**	**—**	**—**	**133,812**	**2,130,131**
Trade and other receivables	**3,006,255**	**693,721**	**268,170**	**738,514**	**4,706,660**
Other assets	**2,652,521**	**1,478**	**1,435**	**2,614,687**	**5,270,121**
Due from banks	**405,240**	**95**	**—**	**—**	**405,335**
Cash and short-term deposits	**3,379,777**	**585**	**—**	**1,612,457**	**4,992,819**
	12,751,941	**695,879**	**293,111**	**5,099,470**	**18,840,401**
31 December 2010					
Held-to-maturity financial assets	237,583	—	—	2,673	240,256
Loans and other amounts due from banking customers	1,079,471	—	3,713	—	1,083,184
Derivative financial instruments	622,663	—	—	182,512	805,175
Trade and other receivables	452,947	333,464	260,537	629,462	1,676,410
Other assets	1,903,378	—	—	2,821,573	4,724,951
Due from banks	161,542	94	—	—	161,636
Cash and short-term deposits	703,768	—	—	2,447,163	3,150,931
	5,161,352	333,558	264,250	6,083,383	11,842,543

Credit quality levels are defined based on estimated default probabilities.

As at 31 December, the ageing of unimpaired financial assets is as follows

	Neither past due nor impaired	Past due up to 1 month	Past due 1-3 months	Past due 3-6 months	Past due longer than 6 months	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2011						
Loans and other amounts due from banking customers	**1,335,335**	**—**	**—**	**—**	**—**	**1,335,335**
Derivative financial instruments	**2,130,131**	**—**	**—**	**—**	**—**	**2,130,131**
Trade and other receivables	**3,906,573**	**378,865**	**336,021**	**63,222**	**21,979**	**4,706,660**
Other assets	**5,264,131**	**517**	**3,689**	**1,030**	**754**	**5,270,121**
Due from banks	**405,335**	**—**	**—**	**—**	**—**	**405,335**
Cash and short-term deposits	**4,992,819**	**—**	**—**	**—**	**—**	**4,992,819**
	18,034,324	**379,382**	**339,710**	**64,252**	**22,733**	**18,840,401**
2010						
Held-to-maturity financial assets	240,256	—	—	—	—	240,256
Loans and other amounts due from banking customers	1,083,184	—	—	—	—	1,083,184
Derivative financial instruments	805,175	—	—	—	—	805,175
Trade and other receivables	1,371,540	109,985	29,418	19,554	145,913	1,676,410
Other assets	4,449,425	153,729	160	143	121,494	4,724,951
Due from banks	161,636	—	—	—	—	161,636
Cash and short-term deposits	3,150,931	—	—	—	—	3,150,931
	11,262,147	263,714	29,578	19,697	267,407	11,842,543

Movements in allowance for impairment are as follows:

	Opening	Additions/ acquired	Transfers	Interest	Written-off	Recoveries	Exchange difference	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
On balance sheet								
2011								
Loans and other banking receivables	**13,905**	**12,884**	**—**	**1,396**	**(3,710)**	**—**	**(969)**	**23,506**
Trade and other receivables	**133,170**	**283,693**	**(114,376)**	**—**	**(939)**	**(47,390)**	**(44,752)**	**209,406**
Other assets	**107,877**	**70,039**	**(115,255)**	**—**	**(8,027)**	**(19,308)**	**(7,888)**	**27,438**
	254,952	**366,616**	**(229,631)**	**1,396**	**(12,676)**	**(66,698)**	**(53,609)**	**260,350**
2010								
Loans and other banking receivables	129	10,193	3,939	—	(1,001)	—	645	13,905
Trade and other receivables	14,497	35,562	116,424	—	(20,851)	(4,916)	(7,546)	133,170
Other assets	—	9,534	111,305	—	(6,232)	(2,138)	(4,592)	107,877
	14,626	55,289	231,668	—	(28,084)	(7,054)	(11,493)	254,952

Collateral and other credit enhancements

Falcon Bank, the Company's private banking subsidiary, actively uses collateral to reduce its credit risk.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained include cash, securities, mortgages over real estate and other. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

Liquidity risk

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. The Group's policy is 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 financial liabilities excluding derivative financial instruments at 31 December, on a **contractual undiscounted basis**. The maturity profile of derivatives financial instruments are disclosed in Note 34. 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	0-3 months	3-12 months	1-3 years	3-5 years	>5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2011							
Other liabilities	**107,595**	**1,046,794**	**477,526**	**197,010**	**1,410**	**86,982**	**1,917,317**
Trade and other payables	**179,062**	**4,134,650**	**2,875**	**642**	**3,709**	**2,255**	**4,323,193**
Borrowings	**1,415,229**	**1,728,367**	**7,372,687**	**12,377,525**	**7,173,556**	**12,602,154**	**42,669,518**
Customer deposits and other amounts due to banking customers	**1,009,928**	**355,060**	**87,450**	**—**	**—**	**—**	**1,452,438**
Due to banks	**94,374**	**105,062**	**61,679**	**—**	**43,013**	**—**	**304,128**
	2,806,188	**7,369,933**	**8,002,217**	**12,575,177**	**7,221,688**	**12,691,391**	**50,666,594**
Off balance sheet items	**—**	**32,775**	**134,716**	**63**	**—**	**—**	**167,554**
2010							
Other liabilities	170,842	966,874	537,291	78,643	253	115,717	1,869,620
Trade and other payables	192,584	1,383,108	336,017	22,590	—	4,368	1,938,667
Borrowings	1,416,140	98,121	752,612	15,344,329	1,969,633	3,661,661	23,242,496
Customer deposits and other amounts due to banking customers	736,982	286,163	277,858	459	—	—	1,301,462
Due to banks	79,150	111,678	19,998	—	43,013	—	253,839
	2,595,698	2,845,944	1,923,776	15,446,021	2,012,899	3,781,746	28,606,084
Off balance sheet items	—	9,141	28,608	35,790	—	—	73,539

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. There are no regulatory imposed requirements on the level of share capital which the Group has not met. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio within a range to meet the business needs of the Group. The Group includes within net debt, interest bearing loans and borrowings, less cash and cash equivalents. Capital includes total equity including non-controlling interest.

	2011	2010
	US$'000	US$'000
Interest bearing loans and borrowings (Note 29)	**35,779,811**	21,041,241
Less cash and short term deposits	**(4,992,819)**	(3,150,931)
Net debt	**30,786,992**	17,890,310
Total equity	**14,223,158**	16,005,578
Equity and net debt	**45,010,150**	33,895,888
Gearing ratio	**68%**	53%

37 OTHER RISK MANAGEMENT OBJECTIVES AND POLICIES

Risks relating to changes in the legislation applicable to activities and/or the industry

The activities carried on by the Group are subject to various legislation. The changes that might arise could affect the structure under which activities are performed and the results generated by operations.

Industrial risks, prevention and safety

The safety control system applied is in accordance with international specifications. Also in place are action procedures that reflect the standards developed in accordance with best practices, which ensure the maximum possible level of safety, paying special attention to the elimination of risk at source. The objective of this system is ongoing improvement in risk reduction, focused on various activities, such as work planning, the analysis and monitoring of corrective actions derived from incidents and accidents, internal audits, periodic inspections of the facilities and supervision of maintenance work and operations.

Environmental risks

Certain activities of companies within the Group, for instance CEPSA, have identified the environmental matters that may give rise to an impact on the environment through emissions into the air, water, soil and ground water and also through the handling and treatment of waste. In this connection, the Group ensures that all its industrial plants are awarded their Integrated Environmental Permits, which involve rigorous control over their processes with the aim of minimising impact on the environment. Nevertheless, one of Group longstanding primary objectives has been to minimise the impact of its activities on the environment in which it operates its industrial plants, which is reflected in its internal environmental protection policies and is regulated by the Basic Environmental Standards.

A summary of the measures adopted by the Group in order to minimise impacts, by area, is as follows, by vectors:

Atmosphere—The best available techniques are used in order to obtain optimal energy efficiency in the functioning of processes which, in turn, lead to a decrease in fuel consumption and, consequently, a decrease in atmospheric emissions. One such example is the adaptation of the furnaces to switch over to fuels that have a low sulphur content, the installation of low NOx burners and the initiatives taken to eliminate atmospheric emissions of volatile organic compounds (VOCs).

For instance, the combustion facilities housed in the extension of the La Rábida refinery and of the new combined heat and power plant which entered service in 2010, were designed to operate using natural gas, a fuel producing scant or no CO_2 atmospheric emissions. Additionally, internal procedures for the management and control of the impacts are implemented, and measuring devices have been established, both for emission and immission. Data is sent in real time to the competent authorities.

Discharges into waterways—the CEPSA Group has industrial waste treatment plants at all of its facilities which allow waste discharged into waterways to be rigourously controlled and minimizes the impact on the environment. As in the case of air emissions, the data relating to the parameters of industrial waste are sent in real time to the competent authority and environmental controls are also performed on both the waterways and sediments.

Soil/ground water—All the facilities are equipped with piezometric control networks which show the state of the soil and groundwater at any given time and allow prompt measures to be taken in the event of an incident, thus minimising the impact on this area.

Waste—In its activities, the CEPSA Group has established a preventative policy regarding the production of waste, encouraging its reduction, reuse, recycling and recovery with the aim of protecting the environment and human health.

Protection against Accidental Marine Pollution—The CEPSA Group carries out all the actions geared towards compliance with the provisions of the Domestic Contingency Plan for Accidental Marine Pollution and those specified in internal procedures for the prevention and solution of this type of pollution. The CEPSA Group carries out all the actions required to improve the operations of the maritime terminals or facilities, minimising the risk arising from activities.

Exploration and crude oil production—In its operations in Algeria, Colombia, Egypt and Peru, the CEPSA Group applies strict environmental criteria in order to minimise the impact of its activities with the utmost respect for the natural environments in which it operates and the indigenous communities in these areas.

The CEPSA Group carries out analyses and assessments of the environmental risks of its activities with the aim of managing and controlling them in order to reduce possible incidents which could lead to significant impacts on the environment or biodiversity. In this connection, the aforementioned analyses were carried out at various CEPSA plants which were adapted to UNE 150008:2009 standard on Analysis and Assessment of Environmental Risks, a benchmark standard in Spain.

Also, all of Group's large industrial plants are equipped with environmental management systems certified by external entities. The primary objective is to obtain certification for the few activities which are still uncertified.

In this connection, claims may be filed against the Group by affected parties for environmental damage caused by its operations inside or outside of its facilities. As far as it is currently aware, management considers that the accounting provisions recognised in this connection and the insurance policies arranged will cover all possible outcomes. Management has yet to determine, on the basis of the related legislation to be enacted, the amount of the financial guarantees that could be required as a result of the application of the regulation partially implementing the Environmental Liability Law at certain of the Group's plants.

The amounts of the financial guarantees will be determined as soon as the regulations implementing the law and the environmental liability regulations are enacted.

Additionally, certain of CEPSA's production facilities must comply with the requirements of the regulations affecting greenhouse gas emissions. In last few years, the emissions from the plants affected by this regulation, verified by AENOR, were, overall, slightly less than the allowances granted under the National Allocation Plan, due mainly to the implementation of the energy efficiency and savings' projects.

38 ASSETS UNDER MANAGEMENT

	2011	2010
	US$'000	US$'000
Real estate (including mutual funds)	**2,559,021**	2,840,760
Cash and cash equivalents	**2,077,125**	2,113,153
Fixed income instruments (bonds, loans and mutual funds)	**1,263,508**	1,094,987
Equities (stocks and mutual funds)	**3,810,726**	3,597,425
Assets under management and custody by the Group	**9,710,380**	9,646,325
Assets not in the custody of the Group	**2,373,023**	3,076,185
	12,083,403	12,722,510

These amounts are not reported in the consolidated financial statements, as they are not assets of the Group. The Group has no client assets which are held for custody only. For all of the assets listed above, additional services are provided, which go beyond pure custody services.

Of the assets not within the custody of the Group, US$ 2,255 million (31 December 2010: US$ 2,605 million) are related to client assets held by Bank Zweiplus, which is an associate of the Group. The client assets considered in this note equal 42.5% (the Group's share) of the total client assets reported by Bank Zweiplus. Earnings from managing or custody services with respect to these client assets are not included in the revenue of the Group but are captured in the share of profit of associate in the consolidated income statement.

39 COMMITMENTS AND CONTINGENCIES

	2011	2010
	US$'000	US$'000
Guarantees		
Guarantees and letters of credit	**1,622,700**	357,701
Guarantees in favour of associated companies	**112,226**	88,379
	1,734,926	446,080
Feedstock purchase commitments		
Up to 1 year	**1,997,625**	1,294,000
1 to 5 years	**7,045,151**	2,242,000
Beyond 5 years	**10,935,404**	1,669,992
	19,978,180	5,205,992
Operating lease commitments		
Up to 1 year	**289,030**	74,513
1 to 5 years	**721,542**	201,195
Beyond 5 years	**516,323**	177,107
	1,526,895	452,815
Capital commitments		
Property, plant and equipment	**1,331,615**	1,262,478
Investment property	**522,904**	1,907,297
Investments in equity instruments (see below)	**1,668,473**	138,948
Intangible assets	**6,665**	—
	3,529,657	3,308,723

Investment commitments

a) In July 2010, Aabar committed to invest US$ 54.2 million into two global base pyramid investment funds, Blue Orchard Private Equity Funds SCA and Oasis Fund SCA. As of 31 December 2011, Aabar has contributed US$ 23.0 million. The remaining US$ 31 million will be paid upon subsequent capital calls.

b) On 3 March 2010, pursuant to an announcement on 10 August 2009, Aabar signed a shareholders' agreement and articles of association in relation to the creation of a joint venture with the Government of Algeria and others to build the first of three vehicle and engine manufacturing plants in Algeria. Aabar's stake in the joint venture is 24.5% of the share capital for which it plans to make an initial capital contribution of approximately EUR 4 million.

c) On 21 June 2011, Aabar entered into a sale and purchase agreement to acquire property, plant and equipment for consideration of US$ 400 million from which a deposit of US$ 100 million has been paid as at 31 December 2011.

d) Aabar has entered into joint venture agreement with SRC International (Malaysia) Limited whereby it agreed to commit US$ 500 million in total from time to time with the primary objective of investing in projects associated with the exploration, extraction, processing, logistics and trading of conventional and renewable energy resources, natural resources and minerals and other related activities and other investments. As of 31 December 2011, Aabar has funded US$ 60 million. The remaining US$ 440 million will be paid upon each subsequent capital call.

e) Aabar is a member of a joint venture along with other investors and the Ministry of Tourism of the Kingdom of Morocco whereby it has a framework commitment of EUR 500 million. Precise commitments will be determined on a project by project basis and only upon acceptance of particular projects within the framework. The joint venture is dedicated to invest in the growing tourism sector in the Kingdom of Morocco.

f) Aabar has provided a credit facility to XO Jet Inc. for US$ 500 million. The Group holds 28.88% equity stake in XOJET Inc. As of 31 December 2011, Aabar has funded US$ 410 million. The remaining US$ 90 million will be paid upon each subsequent capital call.

40 LITIGATIONS

Nova litigations

Nova and Dow Chemical Canada ULC ("Dow Canada") are involved in litigation in relation to the third ethylene plant at Joffre, Alberta. Dow Canada's claim is for approximately US$ 300 million, and Nova's counterclaim is for approximately US$ 700 million. In addition, in 2005 Dow Chemical Company ("Dow") filed a statement of claim in the Federal District Court in Delaware alleging certain grades of Nova's polyethylene film infringed Dow patents. In 2010, Dow was awarded damages totaling approximately US$ 107 million for alleged patent infringement. Nova's appeal to the Court of Appeals for the Federal Circuit ("CAFC") was rejected in a 2-1 decision, and Nova's appeal for a review by the full panel of the CAFC was rejected on 27 March 2012. Nova intends to appeal the decision of the CAFC to the US Supreme Court. Dow has also filed a statement of claim in the Federal Court in Canada alleging patent infringement, and Nova has filed a counterclaim. It is expected that the trial will commence in January 2013.

41 EVENTS AFTER THE REPORTING PERIOD

i) In January 2012, Nova Chemicals ("Nova") amended its Canadian accounts receivable securitisation program to extend the expiration date from February 2012 to February 2015. In February 2012, Nova amended its U.S accounts receivable securitisation program to extend the expiration date from February 2012 to January 2014 and increase its maximum funding from US$ 100 million to US$ 125 million.

ii) On 17 January 2012, Nova repaid its $400 million 6.5% notes using cash-on-hand.

iii) On 31 January 2012, Borealis has acquired PEC-Rhin in Ottmarsheim, France from GPN in Nanterre, France, a 100% subsidiary of Total in Paris, France.

iv) In January 2012, Aabar restructured the maturity of collar for 63.6 million shares tied to Daimler AG shares. This extends the maturity of the collar to January 2015.

v) In 2005, Dow Chemical filed a complaint against Nova for alleged patent infringement in the U.S. In January 2012, a panel of three United States Court of Appeals Circuit ("CAFC") judges affirmed the District Court ruling in a 2-1 non-precedential disposition in favor of Dow Chemical. In February 2012, Nova petitioned CAFC for an *en banc* (all members of CAFC) review of the panel decision and have not yet received a response.

vi) Aabar and its special purpose vehicles have entered into a series of transactions for the acquisition of subscription rights in additional shares in UniCredit SpA which would lead to Aabar's interest in UniCredit SpA reaching approximately 6.5% on a fully diluted basis.

vii) Aabar has bought a 21.57% stake in Arabtec Holding PJSC which is a leading construction company in the UAE for a total consideration of AED 827.6 million.

viii) Aabar has signed a non-binding agreement with China State Construction Engineering Corporation to develop property projects worth US$ 2 billion and identify potential joint projects including those in which Arabtec Holding PJSC may be involved. The funding for this agreement will be provided by Industrial and Commercial Bank of China.

ix) On 1 March 2012, the Company entered into a two year dual currency facility of US$ 170 million and EUR 505 million with an interest rate of Libor/Euribor + Margin respectively. The new facility repaid US$ 600 million and AED 917 million under the Company's dual currency facility dated 27 February 2009.

x) On 7 March 2012, the Company and MAN completed the transfer of Ferrostaal and jointly instructed the arbitral tribunal to terminate the arbitration proceedings between them.

xi) On 30 April 2012, the Company has made an early repayment of its AED 1,000 million existing facility which would have matured on July 2013.

xii) On April 30, 2012, the Company made an early repayment of its GBP 150 million existing facility which would have matured on November 2013.

xiii) The Company has provided an unconditional and irrevocable guarantee on a joint and several basis together with 1Malaysia Development Berhad, a company wholly owned by the Government of Malaysia, of U.S.$1.75 billion guaranteed notes due 2022 issued by 1MDB Energy Limited.

42 RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	2011	2010
	US$'000	US$'000
Short-term benefits	**5,288**	5,938
Board of directors' remuneration	**1,307**	1,471
	6,595	7,409

Business relationship	Goods and services					Financing				
	Purchases from	Sales to	Receivables from	Payables to	Other assets	Other payables	Loans	Borrowings	Interest received	Interest paid
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2011										
Associates	**2,592,623**	**1,762,271**	**420,660**	**488,447**	**—**	**—**	**443,618**	**1,594**	**9,692**	**862**
Joint ventures	**389,401**	**872,293**	**67,275**	**47,935**	**—**	**—**	**262,857**	**30,780**	**4,340**	**1,232**
Other related parties	**67,911**	**1,219,637**	**129,439**	**16,141**	**118,714**	**279,832**	**547,339**	**17,924**	**145,883**	**311**
	3,049,935	**3,854,201**	**617,374**	**552,523**	**118,714**	**279,832**	**1,253,814**	**50,298**	**159,915**	**2,405**
2010										
Jointly controlled entities	140,190	356,005	48,905	2,076	—	—	48,963	22,028	2,481	—
Associates	1,981,150	861,698	311,754	181,951	—	—	—	48,262	—	789
	2,121,340	1,217,703	360,659	184,027	—	—	48,963	70,290	2,481	789

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2011, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2010: US$ nil). This assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the related party operates.

43 SUBSIDIARIES

The consolidated financial statements include financial statements of the Company and each of its subsidiaries as at 31 December 2011. The significant subsidiaries are listed in the following table:

Name of company	Country of incorporation	Percentage holding 2011	Percentage holding 2010
Aabar	UAE	**95.35%**	86.17%
CEPSA (note a)	Spain	**100%**	47.06%
Nova	Canada	**100%**	100%
Borealis	Austria	**64%**	64%
Ferrostaal (Note 15)	Germany	**70%**	70%

Note a
In July 2011, the Company finalised its acquisition of 100% of CEPSA by successfully completing its public offer and subsequent squeeze out and delisting of CEPSA. As a result the Company's stake has increased from 47.1% to 100%.

44 COMPARATIVE FIGURES

In accordance with IFRS 5, the 2010 numbers of Ferrostaal for the consolidated income statement have been reclassified as discontinued operations. Accordingly, the comparative figures for the related disclosure notes have also been reclassified. Certain figures will therefore not agree with the 2010 consolidated financial statements. The reclassification did not have any impact on the equity or the profit for the year.

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

INTERNATIONAL PETROLEUM INVESTMENT COMPANY PJSC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of International Petroleum Investment Company PJSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of the Company and the UAE Commercial Companies Law of 1984 (as amended), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

ERNST & YOUNG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2010 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Company; proper books of account have been kept by the Company; and the contents of the Chairman's report relating to these consolidated financial statements are consistent with the books of account. We further report that we have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended), or the articles of association of the Company, have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Ernst & Young

Signed by
Bassam E Hage
Partner
Ernst & Young
Registration No 258

12 May 2011
Abu Dhabi

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2010

	Notes	2010	2009
		US$'000	US$'000 Reclassified *
CONTINUING OPERATIONS			
Revenues		**15,366,952**	9,917,370
Cost of sales	11	**(12,468,481)**	(8,392,547)
Gross profit		**2,898,471**	1,524,823
Share of post tax profits of associates and jointly controlled entities	5	**704,441**	140,965
Selling and distribution costs	11	**(940,154)**	(810,508)
General and administrative expenses	11	**(916,877)**	(613,260)
Research and development expenses	11	**(149,737)**	(128,276)
Operating profit		**1,596,144**	113,744
Net foreign exchange gain (loss)		**345,663**	(108,971)
Finance income	6	**257,059**	613,984
Finance costs	7	**(833,331)**	(715,610)
Other income		**146,972**	185,007
Other expenses	11	**(692,399)**	(32,272)
Gains on acquisitions and disposals	8	**137,138**	3,119,182
Other (losses) gains on financial instruments	9	**(336,851)**	727,503
Profit before tax from continuing operations		**620,395**	3,902,567
Tax expense	10	**(471,260)**	(37,893)
Profit for the year from continuing operations		**149,135**	3,864,674
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	12	**1,199,038**	284,592
PROFIT FOR THE YEAR		**1,348,173**	4,149,266
Profit for the year attributable to:			
Equity holder of the parent		**1,245,187**	3,828,797
Non-controlling interests		**102,986**	320,469
		1,348,173	4,149,266
		US$	US$
Basic and diluted earnings per share attributable to equity holder of the parent	13	**356**	1,094
Basic and diluted earnings per share from continuing operations attributable to equity holder of the parent	13	**39**	1,037

* Certain amounts shown here do not correspond to the 2009 consolidated financial statements, as disclosed in Note 41.

The attached notes 1 to 41 form part of these consolidated financial statements.

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2010

	2010 US$'000	2009 US$'000
PROFIT FOR THE YEAR	**1,348,173**	4,149,266
Exchange (loss) gain on translation of foreign operations	**(162,108)**	261,658
Gains arising during the year on hedge of net investment	**11,459**	18,796
Reclassification during the year to the consolidated income statement	**8,130**	—
Deferred tax expense from hedge of net investment	**(6,780)**	(5,316)
	12,809	13,480
Actuarial losses on defined benefit plans	**(148,557)**	(25,799)
Deferred tax credit from defined benefit plans	**15,457**	12,736
	(133,100)	(13,063)
Gains (losses) arising during the year on cash flow hedges	**492**	(81,513)
Reclassification during the year to the consolidated income statement	**48,142**	64,295
Deferred tax (expense) credit from cash flow hedges	**(19,804)**	509
	28,830	(16,709)
Gains (losses) arising during the year on available-for-sale financial assets	**319,025**	(30,145)
Reclassification during the year to the consolidated income statement	**(93,619)**	—
Deferred tax expense from available-for-sale financial assets	**(114)**	—
	225,292	(30,145)
Share of other comprehensive (loss) income of associates and jointly controlled entities	**(523,775)**	108,987
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	**(552,052)**	324,208
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**796,121**	4,473,474
Total comprehensive income for the year attributable to:		
Equity holder of the parent	**727,268**	4,050,239
Non-controlling interests	**68,853**	423,235
	796,121	4,473,474

The attached notes 1 to 41 form part of these consolidated financial statements.

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2010

	Notes	At 31 December 2010	At 31 December 2009	At 1 January 2009
		US$'000	US$'000 Reclassified *	US$'000 Reclassified *
ASSETS				
Non-current assets				
Property, plant and equipment	14	**9,842,760**	9,271,973	5,265,478
Intangible assets	15	**1,330,902**	1,548,546	324,523
Investment properties	17	**1,292,574**	18,547	—
Investments in associates and jointly controlled entities	5	**10,922,636**	10,300,463	1,115,351
Deferred tax assets	10	**335,391**	396,103	281,168
Investments in financial instruments	18	**10,819,947**	7,924,380	5,382,811
Trade and other receivables	19	**74,063**	71,429	—
Other non-current assets	20	**3,981,649**	3,992,192	262,777
		38,599,922	33,523,633	12,632,108
Current assets				
Inventories	21	**2,052,522**	2,346,665	1,760,865
Trade and other receivables	19	**2,847,167**	2,219,727	882,421
Investments in financial instruments	18	**425,554**	48,892	5,072,281
Other current assets	20	**743,302**	760,422	940,061
Cash and short-term deposits	22	**3,150,931**	2,533,118	1,957,868
		9,219,476	7,908,824	10,613,496
Assets included in disposal groups held-for-sale	12	**59,179**	4,838,944	22,496
TOTAL ASSETS		**47,878,577**	46,271,401	23,268,100
EQUITY AND LIABILITIES				
Equity attributable to equity holder of the parent				
Share capital	23	**3,500,000**	3,500,000	3,500,000
Shareholder loan	24	**500,000**	—	—
Retained earnings		**7,360,086**	5,935,462	2,122,073
Other reserves	25	**2,973,363**	3,337,834	3,100,984
		14,333,449	12,773,296	8,723,057
Non-controlling interests		**1,672,429**	2,545,085	1,530,673
Total equity		**16,005,878**	15,318,381	10,253,730

* Certain amounts shown here do not correspond to the 2009 consolidated financial statements, as disclosed in Note 41.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued
At 31 December 2010

	Notes	At 31 December 2010 US $ '000	At 31 December 2009 US $ '000 Reclassified*	At 1 January 2009 US $ '000 Reclassified*
EQUITY AND LIABILITIES continued				
Non-current liabilities				
Borrowings	26	**19,161,098**	10,382,235	2,840,603
Defined benefit plan deficit	27	**723,599**	654,882	264,459
Deferred tax liabilities	10	**1,525,668**	1,398,991	461,441
Derivative financial liabilities	31	**2,377,638**	1,192,325	-
Provisions	28	**321,527**	177,876	104,758
Trade and other payables	29	**48,249**	70,487	-
Other non-current liabilities	30	**148,940**	157,531	89,234
		24,306,719	14,034,327	3,760,495
Current liabilities				
Trade and other payables	29	**3,314,140**	3,025,713	1,088,541
Borrowings	26	**1,880,143**	7,052,681	6,889,000
Other current liabilities	30	**1,720,680**	2,582,353	1,059,435
Derivative financial liabilities	31	**373,446**	393,688	159,914
Provisions	28	**277,571**	395,490	35,895
		7,565,980	13,449,925	9,232,785
Liabilities included in disposal groups held-for-sale	12	**-**	3,468,768	21,090
Total liabilities		**31,872,699**	30,953,020	13,014,370
TOTAL EQUITY AND LIABILITIES		**47,878,577**	46,271,401	23,268,100

CHAIRMAN DEPUTY CHAIRMAN MANAGING DIRECTOR

* Certain amounts shown here do not correspond to the 2009 consolidated financial statements, as disclosed in Note 41.

The attached notes 1 to 41 form part of these consolidated financial statements.

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2010

	Attributable to equity holder of the parent					Non-controlling interests	Total
	Share capital	Shareholder loan	Retained earnings	Other reserves	Total		
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2009	3,500,000	—	2,122,073	3,100,984	8,723,057	1,530,673	10,253,730
Profit for the year	—	—	3,828,797	—	3,828,797	320,469	4,149,266
Other comprehensive income for the year	—	—	—	221,442	221,442	102,766	324,208
Total comprehensive income for the year	—	—	3,828,797	221,442	4,050,239	423,235	4,473,474
Movement in other reserves	—	—	(15,408)	15,408	—	—	—
Share capital increase	—	—	—	—	—	1,848	1,848
Dividends paid to non-controlling shareholders	—	—	—	—	—	(13,977)	(13,977)
Acquisition of interest in a subsidiary	—	—	—	—	—	603,306	603,306
Balance at 31 December 2009	3,500,000	—	5,935,462	3,337,834	12,773,296	2,545,085	15,318,381
Profit for the year	—	—	1,245,187	—	1,245,187	102,986	1,348,173
Other comprehensive loss for the year	—	—	—	(517,919)	(517,919)	(34,133)	(552,052)
Total comprehensive income for the year	—	—	1,245,187	(517,919)	727,268	68,853	796,121
Dividends paid to non-controlling shareholders	—	—	—	—	—	(22,136)	(22,136)
Acquisition of additional interest in a subsidiary	—	—	229,798	—	229,798	(459,571)	(229,773)
Disposal of interest in a subsidiary (Note 38)	—	—	(50,361)	153,448	103,087	(459,802)	(356,715)
Shareholder loan	—	500,000	—	—	500,000	—	500,000
Balance at 31 December 2010	**3,500,000**	**500,000**	**7,360,086**	**2,973,363**	**14,333,449**	**1,672,429**	**16,005,878**

The attached notes 1 to 41 form part of these consolidated financial statements.

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2010

	Notes	2010 US$'000	2009 US$'000 Reclassified *
OPERATING ACTIVITIES			
Profit before tax		**2,094,098**	4,116,714
Adjustments for:			
Depreciation of property, plant and equipment	14	**544,757**	564,272
Depreciation of investment properties	17	**69**	747
Amortisation of intangible assets	15	**160,156**	141,738
Impairment of property, plant and equipment		**37,456**	774
Impairment of investment properties		**514,810**	50
Impairment of intangible assets		**3,978**	7,378
Impairment of goodwill		**97,533**	—
Gains on disposals and acquisitions		**(1,536,032)**	(3,119,182)
Other gains (losses) on financial instruments		**336,851**	(727,503)
Finance income		**(348,663)**	(613,984)
Finance expense		**922,118**	715,610
Unrealised exchange difference		**(478,107)**	17,657
Share of post tax profits of associates and jointly controlled entities		**(743,197)**	(140,965)
Other non-cash adjustments		**136,282**	1,630
		1,742,109	964,936
Working capital changes:			
Inventories		**(187,725)**	(185,389)
Trade and other receivables		**(858,327)**	(401,764)
Accounts payable and accruals		**505,683**	597,787
Other assets and liabilities		**(512,781)**	(489,230)
		688,959	486,340
Income tax paid		**(171,870)**	(10,560)
Net cash from operating activities		**517,089**	475,780
INVESTING ACTIVITIES			
Purchase of subsidiaries, net of cash acquired		**—**	(1,771,758)
Purchase of financial investments		**(2,416,185)**	(1,473,058)
Acquisition of associates and jointly controlled entities		**(392,168)**	(4,865,363)
Purchase of property, plant and equipment		**(1,987,882)**	(2,367,955)
Purchase of intangible assets		**(54,708)**	(56,206)
Purchase of derivative financial instruments		**(550,365)**	(627,701)
Advances on investment properties		**(671,732)**	(1,377,672)
Acquisition of additional interest in a subsidiary		**(229,773)**	—
Proceeds on disposal of a subsidiary		**1,782,318**	—
Proceeds on the sale of property, plant and equipment		**606,764**	58,013
Proceeds on the sale of investment property		**14,563**	—
Proceeds on the sale of financial investments		**969,389**	7,148,994
Proceeds on disposal of and associate		**19,958**	—
Interest received		**124,472**	399,048
Dividend received		**311,832**	278,261
Income tax paid		**(236,443)**	—
Repayment of loan from associates		**93,232**	—
Capital contribution to associates		**(282,756)**	—
Payments on other assets		**(718,172)**	—
Other investing activities		**—**	1,796
Net cash used in investing activities		**(3,617,656)**	(4,653,601)
FINANCING ACTIVITIES			
Proceeds from borrowings		**15,638,350**	15,361,258
Repayments of borrowings		**(11,976,464)**	(9,775,521)
Interest paid		**(675,812)**	(533,404)
Proceeds from issue of share capital		**—**	1,848
Proceeds from shareholder loan		**500,000**	—
Dividends paid to minority interests		**(22,136)**	(13,977)
Net cash from financing activities		**3,463,938**	5,040,204
INCREASE IN CASH AND CASH EQUIVALENTS		**363,371**	862,383
Net foreign exchange difference		**(102,269)**	68,666
Cash and cash equivalents at 1 January		**2,888,917**	1,957,868
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	22	**3,150,019**	2,888,917
Analysed as follows:			
Bank balances and cash		**3,150,019**	2,533,118
Bank balances and cash from assets held-for-sale		**—**	355,799
		3,150,019	2,888,917

* Certain amounts shown here do not correspond to the 2009 consolidated financial statements, see Note 41

The attached notes 1 to 41 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2010

1 CORPORATE INFORMATION

International Petroleum Investment Company PJSC (the "Company") is a public joint stock company established on 24 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 Abu Dhabi. The Company's registered head office is P O 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 companies concentrating on petroleum refining and related upstream and downstream distribution and service networks. The Company has control over Aabar Investments PJS ("Aabar"), which is engaged in investing activities in various growth industries.

As of 31 December 2010, the Company had control over four significant operating companies either directly or through its special purpose vehicles: Borealis AG ("Borealis") (based in Austria); Aabar (based in UAE); Ferrostaal AG ("Ferrostaal") (based in Germany); and Nova Chemicals Corporation ("Nova") (based in Canada). Further, the Company has minority stakes in two other significant operating companies: OMV AG ("OMV") (based in Austria); and Compañía Española de Petróleos SA ("CEPSA") (based in Spain). On 16 February 2011, the Company made a voluntary offer to acquire the entire share capital of CEPSA not already owned by the Company (see Note 36 for further information).

On 12 August 2010, the Company disposed of its investment in Hyundai Oilbank Company Ltd ("HDO") (based in South Korea) (see Note 38 for further information).

The principal activities of the Company and its subsidiaries (the "Group") are described in Note 4.

The consolidated financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 12 May 2011.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

The consolidated financial statements are prepared under the historical cost convention basis, except for financial assets at fair value through profit or loss, available-for-sale investments and derivative financial instruments. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, that would otherwise be carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

2.2 STATEMENT OF COMPLIANCE

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable requirements of the UAE Commercial Companies Law of 1984 (as amended).

2.3 BASIS OF CONSOLIDATION

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise those of the Company and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved where the Company has, directly or indirectly through its subsidiaries, the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences, recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 1 January 2010 has not been restated.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretation as of 1 January 2010:

- IFRS 2 *Shared-based Payment: Group Cash-settled Share-based Payment Transactions* effective 1 January 2010
- IFRS 3 *Business Combinations (Revised)* and IAS 27 *Consolidated and Separate Financial Statements (Amended)* effective 1 July 2009 including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31, and IAS 39
- IAS 24 *Related Party Disclosures (Amendment)* effective 1 January 2011 (early adopted for partial exemption)
- IAS 39 *Financial Instruments: Recognition and Measurement—Eligible Hedged Items* effective 1 July 2009
- IFRIC 17 *Distribution of Non-cash Assets to Owner*s effective 1 July 2009
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009)

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES continued

The adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group. However, the adoption of certain standards and interpretations resulted in certain disclosures in the consolidated financial statements as described below:

IFRS 2 Share-based Payment (Revised)

This amendment clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2010. The adoption of this change had no material impact on the financial position or performance of the Group.

IFRS 3 Business Combinations (Revised) and IAS 27 *Consolidated and Separate Financial Statements (Amended)*

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after 1 January 2010. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010. The adoption of these changes had no material impact on the financial position or performance of the Group.

IAS 24 Related Party Disclosures (Amendment)

This amendment clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard. The Group has adopted the amendment in 2010 for the partial exemption for government related entities in advance of its effective date.

IAS 39 Financial Instruments: Recognition and Measurement—Eligible Hedged Items

This amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC 17 Distribution of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The adoption of this change had no material impact on the financial position or performance of the Group.

Improvements to IFRS

In May 2008 and April 2009, the IASB issued various amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES continued

Improvements to IFRS continued

Issued in May 2008:

IFRS 5 Non-current Assets Held-for-Sale and Discontinued Operations

The adoption of these changes had no material impact on the financial position or performance of the Group.

Issued in April 2009:

- IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations*
- IFRS 8 *Operating Segments*
- IAS 7 *Statement of Cash Flows*
- IAS 36 *Impairment of Assets*

The adoption of these changes had no material impact on the financial position or performance of the Group.

Other changes, resulting from improvements to IFRS, included:

Issued in April 2009:

- IFRS 2 *Share-based Payment*
- IAS 1 *Presentation of Financial Statements*
- IAS 17 *Leases*
- IAS 34 *Interim Financial Reporting*
- IAS 38 *Intangible Assets*
- IAS 39 *Financial Instruments: Recognition and Measurement*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 16 *Hedge of a Net Investment in a Foreign Operation*

The adoption of these changes had no material impact on the financial position or performance of the Group.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below.

- IAS 32 *Financial Instruments: Presentation—Classification of Rights Issues (Amendment) effective 1 February 2010*
- IFRS 9 *Financial Instruments effective 1 January 2013*
- IFRIC 14 *Prepayments of a Minimum Funding Requirement (Amendment) effective 1 January 2011*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments effective 1 July 2010*
- Improvements to IFRSs (May 2010)

Management is currently assessing the impact of adoption of the above standards, on the consolidated financial position and performance of the Group, including the following:

IAS 32 Financial Instruments: Presentation—Classification of Rights Issues (Amendment) effective 1 February 2010

This amendment changed the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

IFRS 9 Financial Instruments: Classification and Measurement

This standard introduces new requirements for the classification and measurement of financial assets and is effective from 1 January 2013, with early adoption permitted. New requirements for classification and measurement of financial liabilities, derecognition of financial instruments, impairment and hedge accounting are to be added to IFRS 9 *Financial Instruments*. The standard retains a mixed-measurement model, with some assets measured at amortised cost and others at fair value. The distinction between the two models is based on the business model of each entity and a requirement to assess whether the cash flows of the instrument are only principal and interest.

All recognised financial assets that are in the scope of IAS 39 *Financial Instruments: Recognition and Measurement* will be measured at either amortised cost or fair value. The standard contains only the two primary measurement categories for financial assets, unlike IAS 39 *Financial Instruments: Recognition and Measurement* where there were multiple measurement categories. Thus the existing IAS 39 *Financial Instruments: Recognition and Measurement* categories of held-to-maturity, loans and receivables and available-for-sale are eliminated, as are the tainting provisions of the standard. IFRS 9 *Financial Instruments* contains an option to classify financial assets that meet the amortised cost criteria as financial assets at fair value through profit or loss if doing so eliminates or reduces an accounting mismatch.

All equity investments within the scope of IFRS 9 *Financial Instruments* are to be measured in the consolidated statement of financial position at fair value with the default recognition of gains and losses in profit or loss. Only if the equity investment is not held for trading can an irrevocable election be made at initial recognition to measure it at fair value through other comprehensive income with only dividend income recognised in profit or loss. The amounts recognised in other comprehensive income are not recycled to profit or loss on disposal of the investment although they may be reclassified in equity.

All derivatives within the scope of IFRS 9 *Financial Instruments* are required to be measured at fair value. IFRS 9 *Financial Instruments* does not retain IAS 39 *Financial Instruments: Recognition and Measurement* approach to accounting for embedded derivatives. Consequently, embedded derivatives that would have been separately accounted for as financial assets at fair value through profit or loss under IAS 39 *Financial Instruments: Recognition and Measurement* because they were not closely related to the financial asset host will no longer be separated. Instead, the contractual cash flows of the financial asset are assessed as a whole and are measured as financial assets at fair value through profit or loss if any of its cash flows do not represent payments of principal and interest. Some financial assets that are currently disaggregated into host financial assets that are not financial assets at fair value through profit or loss will instead be measured as financial assets at fair value through profit or loss in their entirety. Assets that are classified as held-to-maturity are likely to continue to be measured at amortised cost as they are held to collect the contractual cash flows and often give rise to only payments of principal and interest.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

This amendment is effective for annual periods beginning on or after 1 January 2011 with retrospective application. This amendment provides guidance on assessing the recoverable amount of a net pension asset and permits an entity to treat the prepayment of a minimum funding requirement as an asset.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

This interpretation is effective for annual periods beginning on or after 1 July 2010. This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this cannot be reliably measured, the financial instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss.

Improvements to IFRSs

In May 2010, the IASB issued various amendments to its standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011.

- IFRS 3 *Business Combinations*
- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Presentation of Financial Statements*
- IAS 27 *Consolidated and Separate Financial Statements*
- IFRIC 13 *Customer Loyalty Programmes*

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's 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 significant judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Investments and other financial assets

Financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement (Revised)* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, or available-for-sale investments, as appropriate. The Group determines the classification of its financial assets at initial recognition.

The Group treats available-for-sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment and includes factors such as normal volatility in share price for quoted equities and the future cash flows and discount factors for unquoted equities.

Deferred tax assets

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 level of future taxable profits together with future tax planning strategies. Further details are contained in Note 10.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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:

Business combinations

Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and liabilities, the purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires estimation by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, the useful lives of licenses and other assets and market multiples. The Group's management uses all available information to make these fair value determinations. The Group has, if necessary, up to one year after acquisition closing date to complete these fair value determinations and finalise the purchase price allocation. For more details of the business combinations refer to Note 37.

Fair value measurement of contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. Where the contingent consideration meets the definition of a derivative, and thus a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is determined using valuation techniques including discounted cash flows models. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on projected product lifecycles. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of non financial assets

The Group's impairment testing for non financial assets is based on calculating the recoverable amount of each cash generating unit or group of cash generating units being tested. Recoverable amount is the higher of value in use and fair value less costs to sell. Value in use for relevant cash generating units is derived from projected cash flows as approved by management and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. Fair value less cost to sell for relevant cash generating units is generally derived from discounted cash flow models using market based inputs and assumptions. Recoverable amount is most sensitive to the price assumptions, foreign exchange rate assumptions and discount rates used in the cash flow models.

Impairment of goodwill

The Group's impairment test for goodwill is based on value in use calculations that use valuation techniques including discounted cash flows models. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the Group's policy for inventory provisioning.

Impairment of trade and other receivables

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the consolidated income statement.

Impairment of advances on investment properties and investment properties

Investment properties and advances paid against the purchase of properties are assessed for impairment based on an assessment of cash flows on individual cash generating units, when there is indication that those assets have suffered an impairment loss. Cash flows are determined with reference to recent market conditions, prices existing at the end of the reporting period, contractual agreements and estimations over the useful lives of the assets, and are discounted using a range of discounting rates that reflects current market assessments of the time value of money and the risks specific to the asset. The net present values are compared to the carrying amounts to assess any probable impairment.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. The estimates include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Percentage of completion

The Group uses the percentage-of-completion method in accounting for its construction contracts to deliver design services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed.

Pensions and other post employment benefits

The cost of defined benefit pension plans and other post employment medical benefits as well as the present value of pension obligations is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates of return on plan assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuations, significant judgments regarding the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Further details of key assumptions are given in Note 27.

Development costs

Development costs are capitalised in accordance with the accounting policy of the Group. Initial capitalisation of costs is based on management's estimate that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Provision for environmental and legal expenses

The Group recognises a provision for liabilities associated with environmental and legal exposures in accordance with the Group accounting policy. The Group has made certain assumptions based on historical events and their understanding of the current legal and environmental regulations.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of probability of occurrence of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which are deemed to be an asset or liability will be recognised, in accordance with IAS 39, either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Business combinations prior to 1 January 2010

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Investments in jointly controlled assets

The Group has interests in jointly controlled assets, whereby the venturers have a contractual arrangement that establishes joint ownership of one or more assets contributed to, or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture. The assets are used to obtain benefits for the venturers. The Group recognises its interest in the jointly controlled assets using the proportionate consolidation method.

The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the jointly controlled assets with similar items, line by line, in its consolidated financial statements. Because the assets, liabilities, income and expenses are recognised in the consolidated financial statements of the Group, no adjustments or consolidation procedures are required in respect of these items when the Group presents consolidated financial statements.

Investment in associates and jointly controlled entities

The Group's investments in its associates and jointly controlled entities are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture, while a jointly controlled entity is one where there is a contractual arrangement between the Group and the other venturers for joint control over the economic activity of the entity.

Under the equity method, investments in associates and jointly controlled entities are carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates and jointly controlled entities. Goodwill relating to the associates and jointly controlled entities is included in the carrying amount of the investments and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the share of the results of operations of the associates and jointly controlled entities. Where there has been a change recognised directly in the equity of the associates and jointly controlled entities, the Group recognises its share of any changes and discloses this, when applicable, in equity. Unrealised gains and losses resulting from transactions between the Group and the associates and jointly controlled entities are eliminated to the extent of the interest in the associates and jointly controlled entities.

The share of profit of associates and jointly controlled entities is shown on the face of the consolidated income statement. This is the profit attributable to the equity holders of the associates and jointly controlled entities and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates and jointly controlled entities.

The financial statements of the associates and the jointly controlled entities are prepared for the same reporting period as the Company, except for MFH Holding GesmbH and MAN Solar Millennium GmbH which are prepared as of 31 October each year, and Coutinho & Ferrostaal GmbH & Co KG which are prepared as of 30 September each year. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associates and jointly controlled entities, the Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associates and jointly controlled entities upon loss of significant influence, and the fair value of the remaining investment and proceeds from disposal, is recognised in the consolidated income statement.

Non-current assets held-for-sale and discontinued operations

Non-current assets and disposal groups classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held-for-sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated income statement.

Once classified as held-for-sale, property, plant and equipment and intangible assets are not depreciated or amortised.

Foreign currency translation

The Group's consolidated financial statements are presented in US$, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by Group entities using their respective functional currency rates prevailing at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

All differences are taken to the consolidated income statement with the exception of all monetary items that provide an effective hedge of a net investment in a foreign operation and translation of long-term receivables that are considered part of investments in subsidiaries or associated companies. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated income statement. Tax charges and credits attributable to exchange differences on those borrowings are accounted for in equity.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies

The assets and liabilities of foreign operations are translated into US$ at the rate of exchange ruling at the reporting date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and materials contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Commission and fee income

The Group earns commission and fee income from securities and investing activities (asset management, brokerage and custody) and other services rendered, as well as lending activities. Fees earned for the provision of services over a period of time are recognised over that period. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Dividend income

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or 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 is included in finance income in the consolidated income statement.

Rental income

The Group's policy for recognition of revenue from operating leases is below.

Construction contracts

The Group's policy for recognition of revenue from construction contracts is described below.

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. In single cases, particularly if complex orders are involved, percentage of completion is determined based on surveys of work performed. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income and not in the consolidated income statement. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

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

Deferred income tax liabilities are recognised 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 venture, 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 recognised 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 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
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint venture, deferred income tax assets are recognised 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 reporting 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. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised 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 reporting date.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred income tax items are recognised in correlation to the underlying transactions in other comprehensive income.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Investment tax credits

The Group accounts for investment tax credits using the cost-reduction approach. Investment tax credits related to the acquisition of assets are deducted from the related assets with depreciation calculated on the net amount. Investment tax credits related to current expenses are included in the determination of income or loss for the period.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term projects, if the recognition criteria are met. All other repair and maintenance costs are recognised in the consolidated income statement as incurred. The cost of property, plant and equipment acquired in a business combination is fair value as at the date of acquisition.

The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Note 28 for further information about the measurement of the decommissioning provision.

Depreciation on property, plant and equipment is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Land improvements	20 years
Buildings, structures and production plants	15 to 67 years
Machinery, tools, and technical equipment	3 to 15 years
Information system hardware	3 to 15 years
Motor vehicles	3 to 15 years
Furniture and fittings	2 to 15 years

Land is not depreciated.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted, if appropriate, at each financial year end.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts, being the higher of their fair value less costs to sell and their value in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year the asset is derecognised.

Assets under construction

Capital work in progress is recorded at cost which represents the contractual obligations of the Group for the construction of the asset. Allocated costs directly attributable to the construction of the asset are capitalised. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the above policies when construction of the asset is completed and commissioned.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Investment properties

Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the investment property when such cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are recognised in the consolidated income statement as incurred.

The investment properties' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate at each financial year end. Depreciation on investment properties is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Commercial properties	25 to 67 years

Land is not depreciated.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where carrying values exceed the estimated recoverable amount, the investment properties are written down to their recoverable amounts, being the higher of their fair value less costs to sell and their value in use.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Amounts paid to purchase investment properties are recorded as advances on investment properties and the related capital commitments are disclosed in the commitments and contingencies (refer to Note 35). When the investment property recognition criteria are met, advances on investment properties are reclassified to investment properties.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life on a straight line basis as follows:

Patents and licences	10 to 20 years
Software	3 to 7 years
Development costs	3 to 10 years
Customer contracts	8 years
Other intangible assets	3 to 20 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Intangible assets are assessed for impairment whenever there is an indication that they may be impaired. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually as at 31 December, either individually or at the cash generating unit level, as appropriate, and when circumstances indicate that the carrying value may be impaired. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined as follows:

- for plastics solutions segment, costs of all inventories are determined on first-in first-out (FIFO) basis, except for spare parts determined based on average cost;
- For petroleum refinery segment, costs of all inventories are determined on average cost; and
- For industrial engineering services, cost of inventories is determined based on FIFO.

Cost includes purchase cost, freight, insurance and other related expenses incurred in bringing the goods to their present condition and location. Cost also comprises directly attributable productions costs and a proportionate share of fixed and variable overhead production costs. Allocated overhead costs are primarily calculated based on normal capacity utilisation.

Initial cost of inventories includes the transfer, from other comprehensive income, of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make sale.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Amounts due from and to banks arising from banking activities are not considered as cash and cash equivalents at the Group level.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. To the extent that the grant is not matched to expenditure in the year, it is subject to potential government claw back, and is recognised as deferred income.

Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Pensions and other post employment benefits

Employees' end of service benefits

The Group provides end of service benefits to certain employees. These benefits are unfunded. The entitlement to these benefits is usually based upon the employees' length of service and the completion of a minimum service year. The expected costs of these benefits are accrued over the years of employment. With respect to its UAE national employees, the Group makes contributions to the Abu Dhabi Retirement Pensions and Benefits Fund calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Defined benefit plans

The Group does not maintain a common pension scheme at the group level. Each entity in the Group operates its own pension and post-employment service schemes. The cost of providing benefits under defined benefit plans is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in equity.

The past service cost is recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognised and less the fair value of plan assets out of which the obligations are to be settled. The value of any plan asset is restricted to the sum of any past service costs not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement (Revised)* are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset.

The Group's financial assets include held-to-maturity financial assets, financial assets at fair value through profit and loss, available-for-sale financial assets, derivative financial instruments, trade and other receivables, cash and short-term deposits and certain other financial assets.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39 *Financial Instruments: Recognition and Measurement (Revised).* Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the consolidated statement of financial position at fair value with gains or losses recognised in the consolidated income statement.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognised in the consolidated income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognised in the consolidated income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the consolidated income statement, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the consolidated income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 *Financial Instruments: Recognition and Measurement (Revised)* are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include borrowings, derivative financial instruments, trade and other payables and certain other financial liabilities.

Subsequent measurement

Subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39 *Financial Instruments: Recognition and Measurement (Revised).*

Gains or losses on liabilities held for trading are recognised in the consolidated income statement.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

Offsetting of financial instruments

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

Fair value of financial instruments

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date.

For financial instruments not traded in an active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

Amortised cost of financial instruments

Held-to-maturity investments and loans and receivables are measured at amortised cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Impairment of financial assets

The Group 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 the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter 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.

Loans, receivables and advances to customers

For amounts due from loans, receivables and advances to customers carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement.

Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. The Group suspends accruing interest when banking assets become impaired. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the consolidated income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Available-for-sale investments

For available-for-sale financial investments, the Group assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

In case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement, is removed from equity and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

Derecognition 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 derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised 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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and collar and put options to hedge its foreign exchange risks, interest rate risks and fair value risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the consolidated income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the consolidated income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the consolidated income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the consolidated income statement over the remaining term to maturity. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated income statement.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated income statement.

Cashflow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the consolidated income statement.

Amounts taken to equity are transferred to the consolidated income statement when the hedged transaction affects the consolidated income statement, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the consolidated income statement.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future post tax cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses on continuing operations are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets' or cash-generating units' recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Associates and jointly controlled entities

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss for the Group's investment in its associates and jointly controlled entities. The Group determines at each reporting date whether there is any objective evidence that investments in associates and jointly controlled entities are impaired. If this is the case the Group calculates the amount of impairment as being the difference between the recoverable amount of the associates and the jointly controlled entities and their carrying values and recognises the amount in the consolidated income statement.

Client and fiduciary assets

Assets under management comprise assets which are placed with Falcon Private Bank Limited ("Falcon Bank") for investment purposes and include discretionary and advisory counterparty assets. Discretionary assets are assets for which the customer fully transfers the discretionary power to Falcon Bank with a management mandate. Advisory assets include assets placed with Falcon Bank where the client is provided access to investment advice but retains discretion over investment decisions.

Falcon Bank provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the Group.

3 INTEREST IN JOINTLY CONTROLLED ASSETS

The Group has a 50% interest in an ethylene plant and a 20% interest in a cogeneration facility located in Alberta, Canada.

The Group's share of the assets and liabilities as at 31 December 2010 and income and expenses of the jointly controlled assets for the period ended 31 December 2010, which are proportionately consolidated in the consolidated financial statements, are as follows:

	2010	2009
	US$'000	US$'000
Share of the jointly controlled assets' assets and liabilities:		
Plant and equipment	**1,018,698**	865,224
Current assets	**68,760**	40,905
Current liabilities	**(13,566)**	(27,731)
Non-current liabilities	**(23,837)**	(19,316)
Net assets	**1,050,055**	859,082
Share of the jointly controlled assets' revenue and profit:		
Revenue	**364,142**	154,996
Cost of sales	**(233,675)**	(65,493)
Administrative expenses	**(19,606)**	(33,664)
Profit before income tax	**110,861**	55,839
Income tax expense	**(31,429)**	(16,472)
Profit for the year from continuing operations	**79,432**	39,367

The Group has no share of any contingent liabilities or capital commitments in respect of the jointly controlled assets as at 31 December 2010.

4 OPERATING SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

Plastic solutions—Europe

This segment is engaged in providing plastics solutions based on polyolefin and developing its base chemical business which comprises phenol, acetone, melamine and agrochemicals.

Plastic solutions—North America

This segment is engaged in providing plastic solutions based on ethylene and polyethylene and performance styrenic polymers. This segment also produces plastics and chemicals and develops value-added products and technology for customers worldwide that produce consumer, industrial and packaging products.

Petroleum refinery products

This segment is engaged in production and sale of petroleum products.

Industrial engineering services

This segment is engaged in building large-scale plants and providing industrial solutions worldwide.

Diversified investments

This segment is engaged in investment advisory and asset management services.

Others

This segment holds investments in various operating entities and segments and provides financing.

No operating segments have been aggregated to form the above reportable operating segments.

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

The following table presents revenue, results and certain asset and liability information regarding the Group's business segments:

	Plastic solutions Europe	Plastic solutions North America	Petroleum refinery products	Industrial engineering services	Diversified investments	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Year ended 31 December 2010							
Results							
Revenue from external customers	**8,324,538**	**4,590,003**	**—**	**2,377,421**	**74,990**	**—**	**15,366,952**
Share of post tax profits of associates and jointly controlled entities	**159,716**	**(507)**	**—**	**45,842**	**(18,473)**	**517,863**	**704,441**
Depreciation for the year	**(292,096)**	**(214,508)**	**—**	**(34,988)**	**(2,839)**	**(395)**	**(544,826)**
Amortisation for the year	**(40,212)**	**(32,388)**	**—**	**(66,912)**	**(20,644)**	**—**	**(160,156)**
Impairment for the year of long lived-assets	**(14,232)**	**(20,300)**	**—**	**(6,812)**	**(514,900)**	**—**	**(556,244)**
Impairment of goodwill	**—**	**—**	**—**	**(97,533)**	**—**	**—**	**(97,533)**
Finance income	**10,733**	**6,059**	**—**	**35,905**	**36,368**	**167,994**	**257,059**
Finance costs	**(75,728)**	**(200,760)**	**—**	**(25,789)**	**(156,649)**	**(374,405)**	**(833,331)**
Gains on acquisitions and disposals	**—**	**(3,544)**	**—**	**4,624**	**122,487**	**13,571**	**137,138**
Other losses on financial instruments	**(15,581)**	**(8,000)**	**—**	**(19,086)**	**(84,574)**	**(209,610)**	**(336,851)**
Tax expense	**(95,706)**	**(123,181)**	**—**	**(62,461)**	**(161,222)**	**(28,690)**	**(471,260)**
Profit for the year from continuing operations	**442,792**	**223,426**	**—**	**30,710**	**(904,385)**	**356,592**	**149,135**
Profit for the year from discontinuing operations	**—**	**38,756**	**1,160,282**	**—**	**—**	**—**	**1,199,038**
Profit for the year	**442,792**	**262,182**	**1,160,282**	**30,710**	**(904,385)**	**356,592**	**1,348,173**
Assets and liabilities							
Investments in associates and jointly controlled entities	**1,340,162**	**3,885**	**—**	**570,902**	**447,393**	**8,560,294**	**10,922,636**
Assets included in disposal groups held-for-sale	**—**	**59,179**	**—**	**—**	**—**	**—**	**59,179**
Other segment assets	**6,220,795**	**5,513,860**	**—**	**2,512,814**	**14,877,946**	**7,771,347**	**36,896,762**
Total assets	**7,560,957**	**5,576,924**	**—**	**3,083,716**	**15,325,339**	**16,331,641**	**47,878,577**
Liabilities included in disposal groups held-for-sale	—	—	—	—	—	—	—
Segment liabilities	**3,651,601**	**3,604,074**	**—**	**2,113,903**	**12,167,323**	**10,335,798**	**31,872,699**
Total liabilities	**3,651,601**	**3,604,074**	**—**	**2,113,903**	**12,167,323**	**10,335,798**	**31,872,699**
Other segment information							
Additions during the year *							
Property, plant and equipment	**162,110**	**148,474**	**—**	**23,346**	**2,157**	**980,812**	**1,316,899**
Investment properties **	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Intangible assets	**117,730**	**5,072**	**—**	**1,405**	**8,071**	**—**	**132,278**

* Additions during the year include additions from business combinations

** At 31 December 2010 the balance of advances made on investment properties amounted to US$ 1,000,108 thousand (31 December 2009: US$ 2,128,513 thousand) which are reported under other assets as disclosed in Note 20.

	Plastic solutions Europe	Plastic solutions North America	Petroleum refinery products	Industrial engineering services	Diversified investments	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Year ended 31 December 2009							
Results							
Revenue from external customers	6,574,067	1,639,059	—	1,650,415	53,829	—	9,917,370
Share of post tax profits of associates and jointly controlled entities	60,845	(3,892)	—	18,569	2,741	62,702	140,965
Depreciation for the year	(282,700)	(109,627)	—	(25,884)	(2,894)	(227)	(421,332)
Amortisation for the year	(40,630)	(17,078)	—	(81,314)	(880)	—	(139,902)
Impairment for the year of long-lived assets	(6,280)	—	—	—	(1,922)	—	(8,202)
Finance income	14,412	3,208	—	31,218	34,071	531,075	613,984
Finance costs	(25,237)	(86,174)	—	(22,127)	(77,566)	(504,506)	(715,610)
Gains on acquisitions and disposals	—	925,797	—	—	1,037	2,192,348	3,119,182
Other gains on financial instruments	(39,150)	48,028	—	(133)	951,712	(232,954)	727,503
Tax expense	6,008	(6,658)	—	(27,773)	(9,470)	—	(37,893)
Profit for the year from continuing operations	52,481	923,040	—	20,758	717,433	2,150,962	3,864,674
Profit for the year from discontinuing operations	—	—	284,592	—	—	—	284,592
Profit for the year	52,481	923,040	284,592	20,758	717,433	2,150,962	4,149,266
Assets and liabilities							
Investments in associates and jointly controlled entities	888,876	33,564	—	531,874	144,086	8,702,063	10,300,463
Assets included in disposal groups held-for-sale	—	—	4,735,206	97,350	—	6,388	4,838,944
Other segment assets	6,093,869	5,320,339	—	3,554,164	10,331,438	5,832,184	31,131,994
Total assets	6,982,745	5,353,903	4,735,206	4,183,388	10,475,524	14,540,635	46,271,401
Liabilities included in disposal groups held-for-sale	—	—	3,431,482	37,286	—	—	3,468,768
Segment liabilities	3,492,205	3,560,557	—	3,151,347	6,701,961	10,578,182	27,484,252
Total liabilities	3,492,205	3,560,557	3,431,482	3,188,633	6,701,961	10,578,182	30,953,020
Other segment information							
Additions during the year *:							
Property, plant and equipment	448,485	3,669,380	546,974	276,790	44,616	1,374,165	6,360,410
Investment properties **	—	—	—	9,251	9,549	—	18,800
Intangible assets	99,546	509,378	758	269,840	104,022	425,702	1,409,246

* Additions during the year include additions from business combinations

** At 31 December 2009 the balance of advances made on investment properties amounted to US$ 2,128,513 thousand which were reported under other assets, as disclosed in Note 20.

Geographical information

The following tables present geographical information on revenue and certain non-current assets:

	UAE	Europe	North America	Rest of the World	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenues from external customers *					
Year ended 31 December 2010	**273,568**	**8,049,253**	**4,579,587**	**2,464,544**	**15,366,952**
Year ended 31 December 2009	53,579	6,013,736	1,604,815	2,245,240	9,917,370
2010					
Non-current assets					
Property, plant and equipment	**2,834,558**	**3,460,782**	**3,467,325**	**80,095**	**9,842,760**
Intangible assets	**—**	**895,873**	**434,164**	**865**	**1,330,902**
Investment properties	**1,285,328**	**7,246**	**—**	**—**	**1,292,574**
2009					
Non-current assets					
Property, plant and equipment	1,852,609	3,859,729	3,559,635	—	9,271,973
Intangible assets	—	1,056,246	492,300	—	1,548,546
Investment properties	—	18,547	—	—	18,547

* The revenue information above is based on the location of the customer.

5 INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

	2010	2009
	US$'000	US$'000
Share of net assets:		
Associates	**10,361,587**	9,756,167
Jointly controlled entities	**561,049**	544,296
	10,922,636	10,300,463
Share of post tax profits		
Associates	**657,258**	124,267
Jointly controlled entities	**47,183**	16,698
	704,441	140,965

5.1 Investments in associates

The Group has the following significant investments in associates:

Name of company	Country of incorporation	Percentage holding 2010	Percentage holding 2009
Abu Dhabi Polymers Company Limited (“Borouge”)	UAE	**40%**	40%
Borouge Pte Ltd	Singapore	**50%**	50%
Speciality Polymers Antwerp NV	Belgium	**33%**	33%
Borealis Financial Services Ltd	Jersey	**25%**	25%
Pak-Arab Refinery Limited (“PARCO”)	Pakistan	**40%**	40%
Gulf Energy Maritime PJSC (“GEM”)	UAE	**30%**	30%
CEPSA Maghreb SA	Morocco	**50%**	50%
Oasis International Power LLC	UAE	**36%**	36%
Ferro VAZ Gesellsch für Export, Import und Engineering mbH	Germany	**50%**	50%
SCG SILS Centre Gliwice Spzoo	Poland	**50%**	50%
Bank Zweiplus	Switzerland	**42.50%**	42.50%
Mercedes GP Ltd	England	**30%**	30%
Solar Power Group GmbH	Germany	**42.80%**	42.80%
Oman Polypropylene LLC	Oman	**—**	20%
Intermesa Group	Brazil	**42.80%**	42.80%
Abu Dhabi National Chemicals Company (“ChemaWEyaat”)	UAE	**40%**	40%
Compañia Española de Petróleoş SA (“CEPSA”)	Spain	**47.06%**	47.06%
OMV AG	Austria	**20.01%**	20.01%
Falah Growth Fund (GP) Ltd	British Virgin Islands	**50%**	50%
Falah Growth Fund LP	British Virgin Islands	**50%**	50%
Dead Sea Resorts PSC	Jordan	**45%**	—
Galactic Ventures LLC (“Virgin Galactic”)	British Virgin Islands	**31.80%**	—
Qatar and Abu Dhabi Investment Company QSC (“QADIC”)	Qatar	**50%**	—

	2010 US$’000	2009 US$’000
Shares of the associates’ statements of financial position		
Assets	**21,405,523**	17,329,385
Liabilities	**(11,567,280)**	(10,112,287)
	9,838,243	7,217,098
Goodwill *	**529,587**	2,540,942
Impairment	**(6,243)**	(1,873)
Net assets	**10,361,587**	9,756,167
Shares of the associates’ revenues and profits		
Revenue	**22,291,939**	7,021,366
Net profit	**662,482**	126,115
Net other comprehensive income	**(523,775)**	108,987
Impairment recognised during the year	**(5,224)**	(1,848)

* In 2009, the Company acquired certain investments in associates, namely in CEPSA and OMV. The allocation of the cost of business combinations to the different assets, liabilities and contingent liabilities was completed after 31 December 2009 but within a period of twelve months of the acquisition date. Accordingly in 2010, following the completion of the purchase price allocation, the purchase price was allocated to the fair value of identifiable assets and liabilities which resulted in a lower residual goodwill amount.

5.2 Investments in jointly controlled entities

The Group has the following significant investments in jointly controlled entities:

Name of company	Country of incorporation	Percentage holding 2010	Percentage holding 2009
INEOS Nova Joint Venture *	North America/Europe	**50%***	50%
NOVIDESA Joint Venture	Mexico	**50%**	50%
Consolidated Energy Limited	Trinidad and Tobago	**45%**	45%
Coutinho & Ferrostaal GmbH & Co KG	Germany	**33%**	33%
MAN Solar Millennium GmbH	Germany	**25%**	25%
MAN Solar Millennium LLC	United States of America	**50%**	50%
Solar Trust of America LLC	United States of America	**30%**	30%
ABAG Aktiengesellschaft	Germany	**66.7%**	—

* INEOS Nova Joint Venture has been classified as a disposal group held-for-sale at 31 December 2010.

	2010 US$'000	2009 US$'000
Share of the jointly controlled entities' statements of financial position		
Current assets	**311,419**	758,116
Non-current assets	**492,698**	36,748
Current liabilities	**(214,425)**	(137,877)
Non-current liabilities	**(23,773)**	(106,243)
	565,919	550,744
Accumulated impairment	**(4,870)**	(6,448)
	561,049	544,296
Share of the jointly controlled entities' revenues and profits		
Revenue	**519,609**	1,568,645
Cost of sales	**(440,311)**	(617,515)
	79,298	951,130
Operating expenses	**(25,892)**	(933,985)
Other (expense) income	**(5,659)**	—
Impairment recognised during the year	**—**	—
Income tax (expense) credit	**(564)**	(447)
Net profit	**47,183**	16,698

6 FINANCE INCOME

	2010 US$'000	2009 US$'000
Dividend income	**81,948**	201,509
Interest income	**175,111**	412,475
	257,059	613,984

7 FINANCE COSTS

	2010 US$'000	2009 US$'000
Interest expense	**(739,004)**	(567,521)
Amortisation of arrangement fees on financing	**(94,327)**	(148,089)
	(833,331)	(715,610)

8 GAINS ON ACQUISITIONS AND DISPOSALS

	2010	2009
	US$'000	US$'000
Gain on disposal of associates	**13,571**	—
Gain on disposal of property, plant and equipment	**3,087**	—
Gain on disposal of investment property	**1,590**	—
Gain (loss) on disposal of available-for-sale financial instruments (i)	**100,538**	(4,689)
Gain on disposal of financial instruments at fair value through profit or loss (ii)	**21,061**	2,198,074
Excess of fair value over cost of business combinations (iii)	**—**	925,797
Other losses	**(2,709)**	—
	137,138	3,119,182

(i) In 2010, gain on disposal of available-for-sale financial instruments mainly relates to gain on disposal of financial instruments of Atlantia SpA by Aabar amounting to US$ 93,549 thousand.

(ii) In 2010, gain on disposal of financial instruments at fair value through profit or loss amounting to US$ 21,061 thousand relates to gain on disposal of financial instruments of Banco Santander by Aabar. In 2009 gain on disposal includes gain on disposal of the Company's investment in certain financial instruments of Barclays PLC amounting to US$ 2,192,348 thousand.

(iii) In 2009, the Group recorded a negative goodwill on the acquisition of Nova amounting to US$ 925,797 thousand.

9 OTHER (LOSSES) GAINS ON FINANCIAL INSTRUMENTS

	2010	2009
	US$'000	US$'000
Fair value gain on non-derivative financial instruments at fair value through profit or loss (i)	**1,339,648**	2,804,171
Fair value loss on non-derivative financial instruments at fair value through profit or loss (ii)	**(241,924)**	—
Gain on hedged instruments in fair value hedges	**1,169**	3,874
Loss on hedging instruments in fair value hedges	**(8,436)**	—
Loss on ineffective portion of cash flow hedges	**—**	(13,513)
Gain on ineffective portion of cash flow hedges	**—**	25,561
Fair value gain on derivative financial instruments (iii)	**290,679**	65,074
Fair value loss on derivative financial instruments (iii)	**(1,447,504)**	(1,973,810)
Impairment loss on financial instruments at amortised cost	**(8,000)**	(7,578)
Impairment loss on available-for-sale financial instruments	**(262,518)**	(163,066)
Others	**35**	(13,210)
	(336,851)	727,503

(i) Included in fair value gain on non-derivative financial instruments at fair value through profit or loss is an amount of US$ 1,338,954 thousand (2009: US$ 2,790,820 thousand) relating to revaluation gain on investment in Daimler AG shares.

(ii) Fair value loss on non-derivative financial instruments at fair value through profit or loss includes revaluation loss on Unicredit SpA shares amounting US$ 239,315 thousand (2009: US$ nil).

(iii) The Group entered into funded collar transactions upon purchase of equity shares in both Daimler AG and 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 restrict the revaluation gains and losses on the Daimler AG and Unicredit SpA shares within a certain range. However, the Group still maintains significant exposure to the share price on both the investments. See Note 31 for the Group position at 31 December 2010. The analysis of the fair value gain and losses during the year is as follows:

(a) Included in fair value gain on derivative financial instruments are:

	2010 US$'000	2009 US$'000
Call and put options on Unicredit SpA	**199,384**	—
Call and put options on Atlantia SpA shares	**12,643**	—
CASHES of Unicredit SpA	**—**	11,119

(b) Included in fair value loss on derivative financial instruments are:

	2010 US$'000	2009 US$'000
Call and put options on Atlantia SpA shares	**—**	(42,112)
Collars and put options on Daimler AG shares	**(1,371,646)**	(1,803,165)
CASHES of Unicredit SpA	**(33,228)**	—

10 TAX EXPENSE

The major components of tax expense for the years ended 31 December 2010 and 2009 are:

	2010 US$'000	2009 US$'000
Consolidated income statement		
Current income tax expense:		
Corporation tax	**(271,179)**	(101,616)
Prior year charges	**(26,123)**	(16,204)
Total current income tax expense	**(297,302)**	(117,820)
Deferred tax (charge) credit:		
Origination and reversal of temporary differences *	**(178,717)**	58,338
Impact of change in tax laws	**4,759**	21,589
Total deferred tax (charge) credit	**(173,958)**	79,927
Tax expense reported in the consolidated income statement relating to continuing operations	**(471,260)**	(37,893)

* Included in deferred tax charge for the year is an amount of US$ 163,720 thousand relating to deferred tax liabilities on the capital gains relating to its net investment gains on Daimler AG shares, after considering the offsetting impact of the collar arrangements, which economically hedge a portion of the investment, in accordance with the requirements of IAS 12 Income Taxes. The recognition of such deferred tax liabilities are highly judgmental because they depend on the manner in which the management expects, at the end of the reporting period, to recover or settle the carrying amounts of the financial instruments. No such deferred tax liability was recognised in the prior year based on management's expectations for recovering or settling the carrying amounts of the financial instruments at that time. The impact of the change in management's estimates was recognised prospectively. It is not practicable to estimate the impact on future periods because it will be affected by movements in the Daimler AG share price, in addition to management's future expectations and actions.

	2010	2009
	US$'000	US$'000
Accounting profit before tax from continuing operations	**620,395**	3,902,567
At average income tax rate of 28%	**(173,711)**	(1,092,719)
Expenses not deductible for tax purposes	**(24,954)**	(12,490)
Effect of share from the profit of investment accounted under equity method	**197,243**	39,470
Non-taxable net (loss) income	**(391,416)**	1,055,636
Higher taxes on overseas earnings	**(5,545)**	(792)
Unrecognised tax losses	**(6,118)**	(20,318)
Tax credit previously not recognised	**1,744**	—
Prior year charges	**(26,123)**	(16,201)
Unrecognised deferred tax assets	**8,555**	27,687
Uncertain tax positions	**—**	(22,480)
Difference in tax rates	**(29,701)**	23,861
Others	**(21,234)**	(19,547)
Income tax charge for the year	**(471,260)**	(37,893)
Consolidated statement of other comprehensive income		
Deferred tax related to items charged or credited directly to equity during the year:		
Cash flow hedges	**(19,804)**	509
Defined benefit pension scheme	**15,457**	12,736
Available-for-sale investments	**(114)**	—
Net gains on hedge of net investments	**(6,780)**	(5,316)
Income tax charged directly to equity	**(11,241)**	7,929

Deferred tax

Deferred tax assets from continuing operations relate to the following:

	1 January 2009	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions and disposals	Transfers *	Exchange differences	31 December 2009	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions and disposals	Transfers	Exchange differences	31 December 2010
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Derivative contracts	18,045	5,236	(824)	1,644	(18,045)	157	6,213	**(9,825)**	**(20,431)**	**—**	**—**	**(647)**	**(24,690)**
Impairment	—	(1,926)	—	7,005	—	392	5,471	**11,492**	**—**	**—**	**—**	**(320)**	**16,643**
Other timing differences	31,791	12,873	13,740	—	—	(55,375)	3,029	**(12,333)**	**(6,142)**	**—**	**(2,092)**	**2,961**	**(14,577)**
Pension and post-employment medical benefits	26,947	(1,825)	13,235	11,611	—	5,218	55,186	**(2,004)**	**15,331**	**—**	**495**	**(2,635)**	**66,373**
Tax losses carried forward	135,128	122,258	—	31,768	(57,740)	6,305	237,719	**5,501**	**—**	**—**	**—**	**(16,496)**	**226,724**
Temporary differences on accrued expenses	—	(15,593)	—	55,393	(39,800)	—	—	**—**	**—**	**—**	**—**	**—**	**—**
Others	69,257	(15,676)	—	132,685	(99,292)	1,511	88,485	**(16,396)**	**1**	**—**	**(962)**	**(6,210)**	**64,918**
	281,168	105,347	26,151	240,106	(214,877)	(41,792)	396,103	**(23,565)**	**(11,241)**	**—**	**(2,559)**	**(23,347)**	**335,391**

Deferred tax liabilities from continuing operations relate to the following:

	1 January 2009	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions and disposals	Transfers *	Exchange differences	31 December 2009	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions and disposals	Transfers	Exchange differences	31 December 2010
Accelerated capital allowances	(296,244)	(23,815)	—	(900,010)	—	(15,059)	(1,235,128)	**114,564**	**—**	**—**	**—**	**(2,731)**	**(1,123,295)**
Acquisition fair value adjustment on intangibles	—	25,918	—	(84,419)	—	(4,684)	(63,185)	**(81,623)**	**—**	**(8,301)**	**—**	**4,037**	**(149,072)**
Gain (loss) on revaluation of other assets	—	738	—	(11,138)	—	(654)	(11,054)	**(2,163)**	**—**	**—**	**—**	**783**	**(12,434)**
Gain (loss) on revaluation of non-derivative financial instruments	—	—	—	—	—	—	—	**(156,245)**	**—**	**—**	**—**	**—**	**(156,245)**
Inventories	—	(14,724)	—	(29,864)	—	(1,980)	(46,568)	**28,457**	**—**	**—**	**(4,946)**	**3,512**	**(19,545)**
Other timing differences	(15,219)	(9,389)	(17,723)	(12,075)	8,882	4,268	(41,256)	**2,746**	**—**	**—**	**—**	**1,828**	**(36,682)**
Temporary differences on accrued expenses	—	—	—	—	39,800	—	39,800	**29,658**	**—**	**—**	**—**	**—**	**69,458**
Uncertain tax provisions	—	22,480	—	—	—	—	22,480	**(63,323)**	**—**	**—**	**—**	**—**	**(40,843)**
Others	(149,978)	(26,630)	(499)	(80,070)	196,513	(3,416)	(64,080)	**(22,464)**	**—**	**—**	**25,759**	**3,775**	**(57,010)**
	(461,441)	(25,422)	(18,222)	(1,117,576)	245,195	(21,525)	(1,398,991)	**(150,393)**	**—**	**(8,301)**	**20,813**	**11,204**	**(1,525,668)**

* Transfers include deferred tax from discontinued operations of HDO.

Unrecognised deferred tax assets

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority. Deferred tax assets and liabilities listed, relate to income tax levied by different tax authorities.

Certain deferred tax assets have not been recognized in respect of tax losses on the basis that the Group considers it not to be prudent to recognize such losses until such time as profits against which the losses may be utilized can be anticipated with certainty. The Group has tax losses in some jurisdictions amounting to US$ 206,134 thousand (31 December 2009: US$ 229,813 thousand). However, these losses relate to subsidiaries that have history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group.

Unrecognised deferred liabilities

The temporary differences associated with investments in associates and subsidiaries, for which a deferred tax liability has not been recognised, aggregate to US$ 900,868 thousand (31 December 2009: US$ 724,572 thousand).

11 PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Profit for the year from continuing operations is reached after charging the following:

	2010 US$'000	2009 US$'000
Included in cost of sales		
Costs of inventories recognised as an expense	**10,446,764**	6,674,606
Staff costs	**633,561**	538,641
Depreciation of property, plant and equipment	**478,966**	348,573
Impairment of property, plant and equipment	**27,773**	—
Amortisation of intangible assets	**105,551**	106,004
Included in selling and distribution costs		
Staff costs	**278,112**	206,140
Distribution and transportation costs	**402,876**	368,406
Depreciation of property, plant and equipment	**19,519**	22,611
Impairment of property, plant and equipment	**20**	—
Amortisation of intangible assets	**70**	40
Included in general and administrative expenses		
Staff costs	**413,802**	328,420
Consultancy and advisory costs	**166,131**	89,723
Depreciation of property, plant and equipment	**31,804**	37,050
Amortisation of intangible assets	**40,471**	18,923
Impairment of property, plant and equipment	**9,663**	774
Impairment of intangible assets	**3,978**	7,378
Included in research and development expenses		
Staff costs	**88,528**	67,029
Depreciation of property, plant and equipment	**14,468**	12,351
Amortisation of intangible assets	**14,064**	14,935
Included in other expenses		
Impairment of investment properties	**514,810**	50
Impairment of goodwill	**97,533**	—
Net provisions	**70,241**	22,853

12 DISCONTINUED OPERATIONS

	2010 US$'000	2009 US$'000
Included in the consolidated statement of financial position:		
Certain discontinued operations of Ferrostaal:		
Total assets	—	97,350
Total liabilities	—	(37,286)
HDO (Note 38)		
Total assets	—	4,735,206
Total liabilities	—	(3,431,482)
INEOS Nova Joint Venture *	**59,179**	—
Classified as:		
Assets included in disposal groups held-for-sale	**59,179**	4,838,944
Liabilities included in disposal groups held-for-sale	—	(3,468,768)
Included in the consolidated income statement:		
Profit from HDO operations	**388,298**	284,592
Profit on disposal of HDO	**771,984**	—
	1,160,282	284,592
Share of profit of INEOS Nova Joint Venture *	**38,756**	—
	1,199,038	284,592

* On February 28, 2011, the Group completed the sale of its 50% interest in the INEOS Nova Joint Venture to INEOS itself.

13 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

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

	2010 US$'000	2009 US$'000
Net profit attributable to ordinary equity holders of the parent from continuing operations	**135,578**	3,629,583
Profit attributable to ordinary equity holders of the parent from discontinued operations	**1,109,609**	199,214
Net profit attributable to ordinary equity holders of the parent for basic earnings	**1,245,187**	3,828,797
Weighted average number of ordinary shares for basic earnings per share (in thousands)	**3,500**	3,500
	US$	**US$**
Basic and diluted earnings per share	**356**	1,094
Basic and diluted earnings per share from continuing operations	**39**	1,037

14 PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings, structures and production plants	Machinery, tools and technical equipment	Information system hardware	Motor vehicles	Office furniture and fittings	Assets under construction	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2010								
Cost:								
At 1 January 2010	514,579	9,515,969	261,850	38,145	17,958	56,441	2,658,271	13,063,213
Additions	211	104,547	11,956	3,799	3,135	6,898	1,186,353	1,316,899
Disposals	(13,307)	(77,558)	(12,803)	(71)	(918)	(4,583)	(494)	(109,734)
Transfers	80,985	753,383	8,192	761	35	1,242	(801,793)	42,805
Exchange adjustments	20,380	(41,631)	(21,643)	(24)	(1,081)	(5,867)	16,752	(33,114)
At 31 December 2010	**602,848**	**10,254,710**	**247,552**	**42,610**	**19,129**	**54,131**	**3,059,089**	**14,280,069**
Depreciation:								
At 1 January 2010	149,542	3,478,612	144,135	6,589	1,857	10,505	—	3,791,240
Charge for the year	13,496	487,898	25,449	5,170	2,553	10,191	—	544,757
Impairment	709	36,672	—	68	—	7	—	37,456
Reversal of impairment	—	(918)	—	—	—	—	—	(918)
Disposals	(741)	(38,575)	(10,096)	(53)	(682)	(3,835)	—	(53,982)
Transfers	(717)	39,010	2,334	3	(3)	185	—	40,812
Exchange adjustments	26,591	66,910	(13,832)	109	(236)	(1,598)	—	77,944
At 31 December 2010	**188,880**	**4,069,609**	**147,990**	**11,886**	**3,489**	**15,455**	**—**	**4,437,309**
Net carrying amount:								
At 31 December 2010	**413,968**	**6,185,101**	**99,562**	**30,724**	**15,640**	**38,676**	**3,059,089**	**9,842,760**

	Land and land improvements	Buildings, structures and production plants	Machinery, tools and technical equipment	Information system hardware	Motor vehicles	Office furniture and fittings	Assets under construction	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2009								
Cost:								
At 1 January 2009	731,866	6,251,878	1,606,272	—	11,871	122,562	1,179,319	9,903,768
Additions	7,401	45,182	10,222	3,995	4,905	12,719	2,381,992	2,466,416
Acquisition through business combinations	115,323	3,568,663	54,074	33,345	12,690	38,368	71,531	3,893,994
Disposals	(869)	(41,167)	(16,576)	(1,315)	(3,281)	(6,846)	(89)	(70,143)
Held for sale	(429,457)	(751,097)	(1,544,694)	—	(11,440)	(126,603)	(732,345)	(3,595,636)
Transfers	51,767	231,921	49,239	310	926	2,871	(337,034)	—
Exchange adjustments	38,548	210,589	103,313	1,810	2,287	13,370	94,897	464,814
At 31 December 2009	514,579	9,515,969	261,850	38,145	17,958	56,441	2,658,271	13,063,213
Depreciation:								
At 1 January 2009	143,491	3,325,800	1,081,285	—	10,166	77,548	—	4,638,290
Charge for the year	11,958	387,034	130,802	6,649	2,457	25,372	—	564,272
Impairment	—	680	—	25	—	69	—	774
Disposals	—	(33,329)	(14,338)	(1,315)	(2,589)	(6,576)	—	(58,147)
Held for sale	—	(277,677)	(1,125,023)	—	(9,758)	(95,440)	—	(1,507,898)
Transfers	—	(6)	(999)	11	440	555	—	1
Exchange adjustments	(5,907)	76,110	72,408	1,219	1,141	8,977	—	153,948
At 31 December 2009	149,542	3,478,612	144,135	6,589	1,857	10,505	—	3,791,240
Net carrying amount								
At 31 December 2009	365,037	6,037,357	117,715	31,556	16,101	45,936	2,658,271	9,271,973

a) Additions in assets under construction include an amount of US$ 910,686 thousand (2009: US$ 1,319,136 thousand) relating to the construction of an oil pipeline (ADCOP project).

b) The amount of borrowing costs capitalised during the year ended 31 December 2010 was US$ 72,455 thousand (2009: US$ 51,557 thousand). The rate used to determine the amount of borrowing costs eligible for capitalisation was 2.1% (2009: 2.1%) which is the effective interest rate of the specific borrowing.

c) The carrying value of plant and equipment held under finance leases at 31 December 2010 was US$ 4,588 thousand (31 December 2009: US$ 928 thousand). Leased assets are pledged as security for the related finance lease liabilities.

d) Land includes a plot received in 2008 from the Municipality of Abu Dhabi at no cost. The Group has recorded this parcel at the nominal value of US$ 1.

e) Property, plant and equipment with a book value of US$ 2,358,924 thousand (31 December 2009: US$ 2,479,764 thousand) have been pledged as security for related borrowings and mortgages.

f) Depreciation charge for the year is reflected in the consolidated income statement as follows:

	2010	2009
	US$'000	US$'000
Continuing operations	**544,757**	420,585
Discontinued operations	**—**	143,687
	544,757	564,272

15 INTANGIBLE ASSETS

	Software	Patents and licences	Development costs	Customer contracts	Customer lists	Goodwill	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2010								
Cost:								
At 1 January 2010	98,973	309,620	225,056	60,393	1,000	613,380	568,488	1,876,910
Additions	12,673	50,188	61,116	—	—	—	—	123,977
Acquisition through business combinations	—	—	—	—	—	8,301	—	8,301
Disposals	(10,686)	(40,212)	(4,612)	—	(1,000)	—	—	(56,510)
Transfers	253	24,793	(25,544)	30,004	—	(39,526)	9,522	(498)
Exchange adjustments	(4,751)	(10,969)	(11,810)	(13,158)	—	(20,398)	575	(60,511)
At 31 December 2010	**96,462**	**333,420**	**244,206**	**77,239**	**—**	**561,757**	**578,585**	**1,891,669**
Accumulated amortisation:								
At 1 January 2010	55,567	100,676	77,065	11,490	1,000	—	82,566	328,364
Charge	17,310	15,780	21,820	22,778	—	—	82,468	160,156
Impairment	15	1,591	2,372	—	—	97,533	—	101,511
Disposal	(9,311)	—	(4,195)	—	(1,000)	—	—	(14,506)
Transfers	11	—	(11)	—	—	—	—	—
Exchange adjustments	(2,755)	(6,955)	(2,803)	1,201	—	—	(3,446)	(14,758)
At 31 December 2010	**60,837**	**111,092**	**94,248**	**35,469**	**—**	**97,533**	**161,588**	**560,767**
Net carrying amount:								
At 31 December 2010	**35,625**	**222,328**	**149,958**	**41,770**	**—**	**464,224**	**416,997**	**1,330,902**
2009								
Cost:								
At 1 January 2009	65,550	162,552	190,067	—	—	78,736	15,727	512,632
Additions	9,732	50,565	15,546	—	—	—	—	75,843
Internal development	—	—	34,077	—	—	—	—	34,077
Acquisitions through business combinations	20,751	145,817	440	55,799	1,000	518,667	556,852	1,299,326
Disposals	9	(56,360)	(10,280)	—	—	—	—	(66,631)
Held for sale	—	—	(12,574)	—	—	—	(19,610)	(32,184)
Exchange adjustments	2,931	7,046	7,780	4,594	—	15,977	15,519	53,847
At 31 December 2009	98,973	309,620	225,056	60,393	1,000	613,380	568,488	1,876,910
Accumulated amortisation:								
At 1 January 2009	38,390	87,253	52,492	—	—	—	9,974	188,109
Charge	15,171	11,027	22,723	8,400	1,000	—	83,417	141,738
Impairment	67	—	6,306	1,005	—	—	—	7,378
Disposal	—	—	(4,038)	—	—	—	—	(4,038)
Held for sale	—	—	(4,515)	—	—	—	(9,442)	(13,957)
Exchange adjustments	1,939	2,396	4,097	2,085	—	—	(1,383)	9,134
At 31 December 2009	55,567	100,676	77,065	11,490	1,000	—	82,566	328,364
Net carrying amount:								
At 31 December 2009	43,406	208,944	147,991	48,903	—	613,380	485,922	1,548,546

a) Amortisation charge for the year is reflected in the consolidated income statement as follows:

	2010	2009
	US$'000	US$'000
Continuing operations	**160,156**	139,902
Discontinued operations	**—**	1,836
	160,156	141,738

16 IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations has been allocated to the following cash generating units, for impairment testing purposes:

Carrying amount of goodwill allocated to each of the cash-generating units:

	Plastics solutions Europe	Diversified investments	Private banking	Total
	US$'000	US$'000	US$'000	US$'000
Carrying amount at 31 December 2010	74,850	326,554	62,820	464,224

Plastics solutions—Europe

Goodwill within the plastics solutions operating segment has been allocated to Borealis, which constitutes the lowest aggregation of assets that generate largely independent cash inflows.

The recoverable amount of Borealis has been determined based on a value in use calculation derived from financial budgets approved by senior management covering a 5-year period. The pre-tax discount rate applied to cash flow projections is 10% (2009: 9%) and cash flows beyond the 5-year period are extrapolated using an average growth rate of 2% (2009: 2%).

Key assumptions used in value in use calculations

The calculation of value in use is most sensitive to the following assumptions:

- Gross margin
- Discount rates
- Raw materials price inflation
- Market share during the budget period

Gross margins: These are increased over the budget period for anticipated efficiency improvements. Gross margins beyond the 5-year period are extrapolated using an average growth rate of 1%.

Discount rates: Discount rates reflect management's estimate of the risks. The discount rate is derived from the Group's post-tax weighted average cost of capital.

Raw materials price inflation: Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available (principally for olefins and feedstock); otherwise past actual raw material price movements have been used as an indicator of future price movements.

Market share assumptions: These assumptions are important because, as well as using industry data for growth rates, management assesses how the unit's position, relative to its competitors, might change over the budget period. Management expects the Group's share of the plastic solutions market to be stable over the budget period.

Private banking

Goodwill acquired through business combinations of US$ 62,820 thousand (31 December 2009: US$ 101,840 thousand based on provisional purchase price allocation) has been allocated to Falcon Bank (private banking cash generating unit which constitutes the lowest aggregation of assets that generate largely independent cash inflows).

The Group performed its annual impairment test as at 31 December 2010. The recoverable amount of Falcon Bank has been determined based on a value in use calculation derived from financial budgets covering a 5-year period. The pre-tax discount rate applied to cash flow projections is 10% and cash flows beyond the 5-year period are extrapolated using an average growth rate of 2%.

Key assumptions used in value in use calculation

The calculation of value in use is most sensitive to the following assumptions:

- Discount rate: The discount rate represents the current market assessment of the risks specific to Falcon Bank.
- Growth rate to determine increase in assets under management: Assets under management increases were assumed at 8% for the years 2011 to 2015 and are based on management expectations and industry research.

Diversified investments

Goodwill within the diversified investments segment has been allocated to Aabar, which constitutes the lowest aggregation of assets that generate largely independent cash inflows.

The Group performed its annual impairment test as at 31 December 2010. As with any holding company valuation, the recoverable amount of Aabar has been determined as the sum of the values of the respective assets and liabilities. The value in use of the respective assets has been estimated based on the future cash flows expected to arise from the continuing use of the asset, and the estimated cash flows on potential disposal.

Key assumptions used in value in use calculation

The calculation of value in use is most sensitive to the following assumptions:

- Estimates used in the value in use calculation of investment properties as disclosed in Note 17.
- Fluctuations in the market price of quoted investments of Aabar, and the degree to which those will vary within the current hedging strategy.
- Discount rate: The discount rate represents the current market assessment of the risks specific to Aabar.
- Growth rate to determine increase in assets under management: Assets under management increase was assumed at 8% for the years 2011 to 2015 and is based on management expectations and industry research.

17 INVESTMENT PROPERTIES

	Land	Commercial	Total
	US$'000	US$'000	US$'000
2010			
Cost:			
At 1 January 2010	4,614	14,355	18,969
Transfers	1,804,444	(2,313)	1,802,131
Disposals	(5,122)	(5,511)	(10,633)
Exchange adjustments	536	(296)	240
At 31 December 2010	**1,804,472**	**6,235**	**1,810,707**
Accumulated depreciation:			
At 1 January 2010	—	422	422
Charge for the year	—	69	69
Transfers		3,747	3,747
Impairment	514,810	—	514,810
Disposals		(265)	(265)
Exchange adjustments	—	(650)	(650)
At 31 December 2010	**514,810**	**3,323**	**518,133**
Net carrying amount:			
At 31 December 2010	**1,289,662**	**2,912**	**1,292,574**

	Land US$'000	Commercial US$'000	Total US$'000
2009			
Cost:			
At 1 January 2009	—	—	—
Additions	432	457	889
Acquisition through business combinations	4,182	13,729	17,911
Disposals	—	(378)	(378)
Exchange adjustments	—	547	547
At 31 December 2009	4,614	14,355	18,969
Accumulated depreciation:			
At 1 January 2009	—	—	—
Charge for the year	—	747	747
Impairment	—	50	50
Disposals	—	(378)	(378)
Exchange adjustments	—	3	3
At 31 December 2009	—	422	422
Net carrying amount:			
At 31 December 2009	4,614	13,933	18,547

Investment properties with a book value of US$ 204,221 thousand (31 December 2009: US$ 9,353 thousand) have been pledged as security for related borrowings and mortgages.

During the year ended 31 December 2010, plots of land with a carrying amount of US$ 1,804,444 thousand, prior to impairment charges, have been transferred from advances made on investment properties under other assets to investment properties.

In reviewing investment properties, the Group has considered whether the value of any of its investment properties is impaired. The recoverable amounts have been determined as the higher of the fair value less costs to sell, and value in use. The Group recognised an impairment loss of US$ 514,810 thousand on its investment properties during the year (2009: US$ Nil).

Value in use assessments have been performed based on valuation models.

Fair value assessments have been performed based on transactions observable in the market or based on valuation models. The combined fair value of investment properties at 31 December 2010 amounted to US$ 941,548 thousand (31 December 2009: carrying amounts approximated fair values).

The determination of the value in use or the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenant's profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environment matters and the overall repair and condition of the property) and discount rates applicable to those assets. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment properties under construction. These estimates are based on local market condition existing at reporting date.

Volatility in the global financial system is reflected in commercial real estate markets. There was a significant reduction in transaction volumes in 2009, and to a lesser extent, in 2010. In these circumstances, there was a greater degree of uncertainty than that which exists in a more active market in estimating the market values of investment property. Therefore, in arriving at estimates of market values as at 31 December 2010, management used their market knowledge and professional judgment and did not rely solely on historical transaction comparables.

The significant assumptions used were:

Key assumptions used for value in use assessments:

- Inflation during the development period: Assumed as running at 5% per annum during the development period
- Lease capitalization multiples: Assumed an average multiple of 9 (determined by reference to current expectations in the market)
- Construction costs: Based upon management's estimations for the development of the projects
- Rental incomes: Based upon current rental rates being experienced for properties of a similar nature within the local market

Key assumptions used for fair value assessments:

- Inflation during the development period: Assumed as running at 5% per annum during the development period
- Lease capitalization multiples: Assumed an average multiple of 9 (determined by reference to current expectations in the market)
- Construction costs: Based upon management's estimations for the development of the projects
- Developers profit margin: Assumed as 15%
- Rental incomes: Based upon current rental rates being experienced for properties of a similar nature within the local market

18 INVESTMENTS IN FINANCIAL INSTRUMENTS

	2010	2009	2008
	US$'000	US$'000	US$'000
Non-derivative financial instruments:			
Held-to-maturity financial assets (Note 18.1)	**240,256**	275,575	2,812
Financial assets at fair value through profit or loss (Note 18.2)	**8,673,887**	5,617,250	5,021,833
Available-for-sale financial assets (Note 18.3)	**1,526,183**	1,944,576	5,288,007
	10,440,326	7,837,401	10,312,652
Derivative financial instruments (Note 31)	**805,175**	135,871	142,440
	11,245,501	7,973,272	10,455,092
Non-current	**10,819,947**	7,924,380	5,382,811
Current	**425,554**	48,892	5,072,281
	11,245,501	7,973,272	10,455,092

18.1 HELD-TO-MATURITY FINANCIAL ASSETS

The balance represents mainly investments in government treasury securities and corporate bonds. They are predominantly denominated in CHF and are investment grade assets.

18.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010	2009	2008
	US$'000	US$'000	US$'000
Daimler AG shares (i)	**6,483,793**	5,144,838	—
CASHES of Unicredit SpA. (ii)	**40,581**	73,810	—
Banco Santander (Brasil) ADSs (iii)	**—**	341,632	—
Unicredit SpA (iv)	**1,974,228**	—	—
Instruments of Barclays Plc (v)	**—**	—	5,021,833
Others (vi)	**175,285**	56,970	—
	8,673,887	5,617,250	5,021,833
Non-current	**8,517,201**	5,617,250	—
Current	**156,686**	—	5,021,833
	8,673,887	5,617,250	5,021,833

i) This represents an equity investment in Daimler AG shares. In June 2010, Aabar terminated one of the two collar and put option agreements and replaced it with another agreement that fixes the floor and cap price for movements in the share price of Daimler AG that expires between 1 October 2012 and 19 November 2012. The other collar and put option agreement which is scheduled to expire on 24 September 2012 remains unchanged. Shares in Daimler AG are pledged as collateral against certain term loans of Aabar.

ii) This represents an investment in the Convertible and Subordinated Hybrid Equity-Linked Securities ("CASHES") of Unicredit SpA. These convertible bonds, due on 15 December 2050 are exchangeable into ordinary shares of Unicredit SpA. If at any time, between 23 February 2016 and 15 December 2050, the exchange security price of Unicredit SpA shares, for 20 out of 30 consecutive trading days, exceeds 150% of the exchange price (Euro 3.83), the bonds will be automatically redeemed.

iii) This represents an investment in 24,500,000 American Depositary Shares ("ADS") of Banco Santander (Brasil) SA (a subsidiary of Banco Santander SA headquartered in Spain), which was sold in 2010. As a result, the Group recorded a gain of US$ 21,061 thousand during the year (see Note 8).

iv) This represents an equity investment in Unicredit SpA. The Group acquired a 4.99% stake in Unicredit SpA in 2010. The Group has taken collar and put options to fix the floor and cap price for movements in the share price of Unicredit SpA that expire between 3 April 2013 and 12 June 2013. Shares in Unicredit SpA are pledged as collateral against certain term loans of Aabar.

v) The Group purchased certain investments in mandatory convertible notes, reserve capital investments and warrants of Barclays Plc in 2008. During 2009, the Group disposed of these instruments for total net proceeds of approximately GBP 4.7 billion (US$ 7 billion) and realised a net gain of approximately US$ 2.2 billion.

vi) This balance includes an investment made in July 2010 of US$ 18.9 million into two investment funds: Blue Orchard Private Equity Funds SCA and Oasis Fund SCA with a commitment to invest a further US$ 35.3 million at a later date. The remaining balance represents mainly investments in government treasury securities and corporate bonds. These are investment grade assets predominantly denominated in CHF.

18.3 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010	2009	2008
	US$'000	US$'000	US$'000
Quoted investments	**1,163,503**	1,535,704	5,028,435
Unquoted investments	**362,680**	408,872	259,572
	1,526,183	1,944,576	5,288,007

Quoted investments

The fair value of the quoted investments is determined by reference to published price quotations in an active market. During 2009, investments in CEPSA and OMV were increased to 47.06% and 20.01% respectively, and accordingly reclassified to investments in associates from the dates significant influence was obtained.

Unquoted investments

The fair value of the majority unquoted investments has been estimated using a valuation technique 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. See Note 32 for the Group's valuation hierarchy.

19 TRADE AND OTHER RECEIVABLES

	2010	2009	2008
	US$'000	US$'000	US$'000
Trade receivables	**1,206,983**	1,049,509	831,840
Loans and other amounts due from banking customers	**1,083,184**	621,084	—
Due from banks	**161,636**	183,158	—
Balance due from related parties	**360,659**	279,190	50,581
Receivable from construction contracts	**102,786**	157,818	—
Other receivables	**5,982**	397	—
	2,921,230	2,291,156	882,421
Non-current	**74,063**	71,429	—
Current	**2,847,167**	2,219,727	882,421
	2,921,230	2,291,156	882,421

At 31 December 2010, trade and other receivables amounting to US$ 147,075 thousand (31 December 2009: US$ 134,989 thousand) were impaired and fully provided for.

See Note 33 for ageing analysis and movements in the provision for impairment of trade and other receivables.

20 OTHER ASSETS

	2010	2009	2008
	US$'000	US$'000	US$'000
Long term receivable (i)	**1,858,432**	1,495,045	—
Taxes receivable	**279,516**	56,443	55,886
Loans from related parties	**48,963**	150,711	480,885
Loans and notes receivable	**529,409**	313,439	112,455
Advances made on investment properties	**1,000,108**	2,128,513	—
Advances made on investments	**516,497**	8,006	55,859
Prepaid expense	**35,011**	18,561	73,488
Accrued interest receivable	**29,523**	25,477	—
Other assets and receivables	**427,492**	556,419	424,265
	4,724,951	4,752,614	1,202,838
Non-current	**3,981,649**	3,992,192	262,777
Current	**743,302**	760,422	940,061
	4,724,951	4,752,614	1,202,838

(i) In 2009, the Company acquired an investment in mandatorily exchangeable bonds (the "Bonds") of Independent Public Business Corporation of Papua New Guinea. Upon maturity in March 2014, the Bonds will be converted into 196,604,177 shares of Oil Search Limited, a company listed on the Australian Stock Exchange. The Company has determined that the Bonds contain embedded derivatives and accordingly, the derivative components, amounting to US$ 106,059 thousand (31 December 2009: US$ 75,281 thousand), have been separated from the host contract and disclosed as derivative financial instruments in the consolidated financial statements (see Note 31). The long term receivable represents the carrying value of the host contract at 31 December 2010, and is carried at amortised cost.

21 INVENTORIES

	2010	2009
	US$'000	US$'000
Raw materials	**437,045**	535,134
Spare parts	**57,065**	56,624
Work in progress	**403,835**	896,450
Finished goods	**1,152,796**	882,211
In transit	**25,371**	13,874
	2,076,112	2,384,293
Allowance for obsolescence	**(23,590)**	(37,628)
	2,052,522	2,346,665

22 CASH AND CASH EQUIVALENTS

	2010	2009
	US$'000	US$'000
Cash and short term deposits	**3,150,931**	2,533,118
Bank overdrafts	**(912)**	—
	3,150,019	2,533,118

Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Bank overdrafts carried interest at floating rates and were unsecured.

23 SHARE CAPITAL

	Authorised		Issued and fully paid	
	2010	2009	2010	2009
	US$'000	US$'000	US$'000	US$'000
Ordinary shares of US$ 1,000 each	**5,000,000**	5,000,000	**3,500,000**	3,500,000

24 SHAREHOLDER LOAN

During the year ended 31 December 2010, the Company received US$ 500 million from the Department of Finance of Abu Dhabi on behalf of the Government of Abu Dhabi. The funds are to be used to meet the Company's obligations in the investment in Qatar and Abu Dhabi Investment Company QSC. An amount of US$ 50 million was injected in Qatar and Abu Dhabi Investment Company QSC in July 2010.

The funds received are interest-free with no repayment terms. Accordingly management has classified the funds as a shareholder loan within equity.

25 OTHER RESERVES

	Cumulative changes in fair value of available for-sale investments	Foreign currency translation reserve	Reserve for cash flow hedges	Reserve for actuarial gains and losses	Reserves for disposal group held-for-sale	Share of reserves of associates	Other reserves	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2009	3,183,667	(193,101)	18,352	6,421	—	—	85,645	3,100,984
Other comprehensive profit (loss) for the year	(85,700)	219,111	(11,669)	(9,287)	—	104,138	4,849	221,442
Movement in other reserves	—	—	—	—	—	—	15,408	15,408
Reserves for disposal group held-for-sale	—	112,186	(28,313)	—	(81,580)	—	(2,293)	—
Balance at 31 December 2009	3,097,967	138,196	(21,630)	(2,866)	(81,580)	104,138	103,609	3,337,834
Other comprehensive profit (loss) for the year	244,029	(134,140)	18,983	(121,746)	—	(520,196)	(4,849)	(517,919)
Disposal of interest in a subsidiary	—	167,038	(11,297)	—	(2,293)	—	—	153,448
Reserves for disposal group held-for-sale	—	(112,186)	28,313	—	83,873	—	—	—
Balance at 31 December 2010	**3,341,996**	**58,908**	**14,369**	**(124,612)**	**—**	**(416,058)**	**98,760**	**2,973,363**

26 BORROWINGS

	2010	2009	2008
	US$'000	US$'000	US$'000
Overdrafts	**39,941**	63,121	50,544
Obligations under finance leases and hire purchase contracts	**11,435**	14,547	4,308
Listed notes and other borrowing instruments	**4,241,470**	1,709,156	936,608
Unlisted borrowings	**16,748,395**	15,648,092	8,738,143
	21,041,241	17,434,916	9,729,603
Non-current	**19,161,098**	10,382,235	2,840,603
Current	**1,880,143**	7,052,681	6,889,000
	21,041,241	17,434,916	9,729,603

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

The Company	**10,040,024**	10,040,544	6,680,180
Aabar	**7,772,109**	4,110,630	—
Nova	**1,695,277**	1,823,991	—
Borealis	**1,497,186**	1,435,716	1,569,033
Ferrostaal	**36,645**	24,035	—
HDO	**—**	—	1,480,390
	21,041,241	17,434,916	9,729,603

As of 31 December 2010, the Company has not guaranteed the borrowings of any of the Group companies.

See Note 33 for the maturity analysis of borrowings (under liquidity risk disclosure).

Included in borrowings are obligations under finance leases as follows:

	2010	2009	2008
	US$'000	US$'000	US$'000
Payable in one year	**10,224**	3,349	978
Payable between 1 to 5 years	**1,346**	10,584	3,338
Payable beyond 5 years	**21**	994	33
	11,591	14,927	4,349
Amounts representing finance charges	**(156)**	(380)	(41)
	11,435	14,547	4,308

27 EMPLOYEES' BENEFIT LIABILITIES

The following table summarises the component of employees' related expense recognised in the consolidated income statement under continuing operations:

	2010	2009
	US$'000	US$'000
Wages and salaries	**1,124,147**	1,066,898
Defined contribution plans	**32,255**	5,200
Defined benefit plans	**60,728**	35,365
Bonuses	**102,469**	9,483
Others	**94,404**	23,284
	1,414,003	1,140,230

Employees' benefit liabilities recognised in the consolidated statement of financial position are as follows:

	2010	2009
	US$'000	US$'000
Employee end of service benefits	**2,084**	3,189
Pensions	**721,515**	651,693
	723,599	654,882

Most group companies have benefit plans. The forms and benefits vary with conditions and practices in the countries concerned. The plans include both defined contribution plans and plans that provide defined benefits based on years of service and estimated salary at retirement.

The following table summarises the components of net defined benefit expense recognised in the consolidated income statement:

	2010	2009
	US$'000	US$'000
Current service cost	**41,125**	33,011
Interest cost on benefit obligation	**82,759**	56,707
Expected return on plan assets	**(60,559)**	(54,586)
Past service cost	**1,307**	2,680
Others	**(3,904)**	(2,447)
Net defined benefit expense	**60,728**	35,365

The following table summarises the amounts recognised in the consolidated statement of financial position:

	2010	2009
	US$'000	US$'000
Defined benefit obligation	**(1,812,568)**	(1,628,107)
Fair value of plan assets	**1,042,620**	986,139
	(769,948)	(641,968)
Unrecognised past service cost	**48,433**	(9,725)
Benefit liability	**(721,515)**	(651,693)

Changes in the present value of the defined benefit obligation are as follows:

	2010	2009
	US$'000	US$'000
Benefit obligation at beginning of year	**(1,628,107)**	(353,062)
Current service costs	**(41,125)**	(33,011)
Current interest costs	**(82,759)**	(56,707)
Contributions by employees	**(3,300)**	(6,128)
Past service cost-vested immediately	**1,392**	(6,656)
Actuarial gains on obligation	**(185,013)**	(36,159)
Acquisition of businesses	**—**	(1,162,395)
Disposal of business	**114**	15,430
Reduction in liabilities resulting from curtailments	**208**	5,683
Benefits paid from plan	**118,039**	53,295
Liabilities extinguished on settlements	**9,148**	34,386
Foreign exchange differences	**(1,165)**	(82,783)
Benefit obligation at end of the year	**(1,812,568)**	(1,628,107)

Changes in the fair value of plan assets are as follows:

	2010	2009
	US$'000	US$'000
Fair value of plan assets at beginning of year	**986,139**	121,589
Expected return on plan assets	**60,559**	54,586
Contributions by employees	**7,945**	6,128
Employer contribution	**84,916**	42,001
Actuarial (losses) gains	**25,623**	(4,817)
Acquisition of business	**—**	805,089
Disposal of business	**—**	(11,186)
Benefits paid from plan	**(118,039)**	(53,295)
Assets distributed on settlement	**(6,211)**	(26,900)
Foreign exchange differences	**1,688**	52,944
Fair value of plan assets at end of year	**1,042,620**	986,139

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2010	2009
	%	%
Equities	**41.0%**	39.7%
Bonds	**52.0%**	57.4%
Insurance contracts	**7.0%**	2.2%
Others	**0.0%**	0.7%

The overall expected return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled. These are reflected below in the principal assumptions used in determining pension and post-employment medical obligations for the Group's plans are shown below:

	2010	2009
	%	%
Rate of salary increases	**2.5% - 3.5%**	2.5% - 4.0%
Rate of increase in pensions payments	**0.3% - 2.1%**	0.3% - 2.2%
Discount rate	**3.3% - 5.1%**	3.3% - 6.0%

Amounts for the current and previous periods are as follows:

	2010	2009	2008	2007	2006
	US$'000	US$'000	US$'000	US$'000	US$'000
Fair value of scheme assets	**1,042,620**	986,139	121,589	110,349	139,076
Present value of defined benefit obligation	**(1,812,568)**	(1,628,107)	(353,062)	(381,720)	(345,701)
Deficit in the scheme	**(769,948)**	(641,968)	(231,473)	(271,371)	(206,625)
Experience adjustments arising on plan liabilities	**(136,547)**	(6,488)	581	12,190	(1,320)
Experience adjustments arising on plan assets	**23,578**	(10,141)	6,014	(13,394)	6,601

28 PROVISIONS

	Restructuring	Decommissioning	Legal disputes	Environmental	Other	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2010	69,248	62,653	224,845	7,686	208,934	573,366
Additions	27,163	10,981	195,379	500	190,304	424,327
Through business combinations	—	227	—	505	15,466	16,198
Interest expenses	—	4,241	38	—	—	4,279
Utilised	(33,895)	(153)	(66,760)	(2,004)	(65,934)	(168,746)
Reversed	(988)	—	(169,529)	(33)	(40,475)	(211,025)
Exchange adjustments	(5,989)	831	(15,928)	(242)	(17,973)	(39,301)
Balance at 31 December 2010	**55,539**	**78,780**	**168,045**	**6,412**	**290,322**	**599,098**

	2010	2009
	US$'000	US$'000
Classified as:		
Non-current	**321,527**	177,876
Current	**277,571**	395,490
	599,098	573,366

(i) Provision for restructuring relates mainly to ongoing restructuring programmes of companies of Borealis.

(ii) Provision for decommissioning mainly relates to asset retirement obligations of Borealis and Nova.

(iii) Provision for legal disputes includes:

a. Provision related to Ferrostaal in respect of an investigation relating to transactions concluded prior to the Company owning any interest in Ferrostaal. At this time the outcome of the investigation is highly uncertain.

b. Provision related to Nova in respect to the patent infringement lawsuit filed by Dow Chemical Company ("DOW") in 2005. On 15 June 2010, the court has assessed that Nova has infringed DOW patents and awarded the latter certain amounts for damages including interest and related costs. Nova is currently in the process of making an appeal for certain grounds and posted a security in an amount equivalent to the jury verdict plus interest and costs.

(iv) Other provisions mainly cover risk and warranty provisions under construction contracts.

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

29 TRADE AND OTHER PAYABLES

	2010	2009	2008
	US$'000	US$'000	US$'000
Trade payables	**1,676,006**	1,776,385	1,088,541
Customers deposit and other amounts due to banking customers	**1,201,420**	892,139	—
Balance due to related parties	**184,027**	2,129	—
Due to banks	**258,616**	203,644	—
Other payables	**42,320**	221,903	—
	3,362,389	3,096,200	1,088,541
Non-current	**48,249**	70,487	—
Current	**3,314,140**	3,025,713	1,088,541
	3,362,389	3,096,200	1,088,541

30 OTHER LIABILITIES

	2010	2009	2008
	US$'000	US$'000	US$'000
Advances received (i)	**507,972**	1,376,966	42,543
Advances due on investment properties	**118,695**	118,695	—
Income tax and other taxes payable	**256,694**	92,057	27,025
Interest and other accruals	**615,489**	735,825	326,319
Loan from related parties	**70,290**	51,822	—
Government grant (ii)	**46,399**	42,586	47,579
Payables on investments	**140,745**	43,958	—
Other liabilities and payables	**113,336**	277,975	705,203
	1,869,620	2,739,884	1,148,669
Classified as:			
Non-current	**148,940**	157,531	89,234
Current	**1,720,680**	2,582,353	1,059,435
	1,869,620	2,739,884	1,148,669

(i) Advances received mainly relate to advances received on construction contracts.
(ii) The Group received government grants for the investment in new production plants, CO_2 emission allowances and research and development which were recognised in the consolidated income statement.

31 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group.

Over-the-counter derivatives may expose the Group to the risks associated with the absence of an exchange market on which to close out an open position.

The Group does not operate a centralised treasury and funding department. Each company within the Group has its own financial risk management, which aims to minimise the effects related to foreign exchange, interest rate, liquidity, credit, commodity price and refinancing risks.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities as of 31 December:

	Assets 2010	Liabilities 2010	Assets 2009	Liabilities 2009
	US$'000	US$'000	US$'000	US$'000
Derivatives held-for-trading				
Interest rate swaps	**—**	**3,104**	—	4,807
Currency forwards	**68,668**	**70,053**	31,228	19,399
Currency futures	**65**	**68**	741	742
Currency options	**421**	**421**	371	271
Equity forwards	**—**	**—**	44	44
Equity futures	**—**	**—**	1,574	1,574
Equity options (see Note 9 (iii))	**547,346**	**2,605,099**	—	1,482,764
Commodity swaps	**19,214**	**26,210**	18,234	11,719
Commodity futures	**—**	**—**	108	108
Embedded derivative (see Note 20 (i))	**106,059**	**—**	75,281	—
	741,773	**2,704,955**	127,581	1,521,428
Derivatives used as fair value hedges				
Currency forwards	**544**	**10,732**	—	—
Commodity swaps	**—**	**3,837**	—	3,973
	544	**14,569**	—	3,973
Derivatives used as cash flow hedges				
Interest rate swaps	**—**	**25,856**	—	36,276
Currency forwards	**6,199**	**—**	7,164	7,990
Commodity swaps	**1,257**	**5,451**	1,126	—
Other swap arrangements	**55,402**	**253**	—	16,346
	62,858	**31,560**	8,290	60,612
	805,175	**2,751,084**	135,871	1,586,013
Non-current	**653,079**	**2,377,638**	86,979	1,192,325
Current	**152,096**	**373,446**	48,892	393,688
	805,175	**2,751,084**	135,871	1,586,013

Derivative financial instruments held or issued for trading purposes

Some of the Group's derivative trading activities relate to deals with customers which are normally offset by transactions with other counterparties. The Group may also take positions with the expectation of profiting from favourable movements in prices, rates or indices. Also included under this heading are any derivatives entered into for economic hedging purposes which do not meet hedge accounting criteria.

Forwards and futures

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk. The Group has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the cash margin requirements of the exchanges help ensure that these contracts are honoured. Forward contracts are settled gross and are therefore considered to bear a higher liquidity risk than the futures contracts which are settled on a net basis. Both types of contracts result in market risk exposure.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Group with other financial institutions in which the Group either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross settled.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The Group purchases and sells options through regulated exchanges and in the over-the-counter markets. Options purchased by the Group provide the Group with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written by the Group provide the purchaser the opportunity to purchase from, or sell to, the Group, the underlying asset at an agreed-upon value either on or before the expiration of the option.

The table below summarises the maturity profile of the Group's derivatives based on contractual undiscounted payments.

	0-3 months	3-12 months	1-3 years	3-5 years	>5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2010						
Cash outflow						
Trading derivatives and economic hedges	(596,428)	(278,339)	(2,380,227)	(54,350)	—	(3,309,344)
Derivatives for cash flow hedges	(96,102)	(386,195)	(660,316)	(423,330)	(54,832)	(1,620,775)
Derivatives for fair value hedges	(13,770)	(17,726)	(50,927)	(6,941)	(883)	(90,247)
	(706,300)	(682,260)	(3,091,470)	(484,621)	(55,715)	(5,020,366)
Cash inflow						
Trading derivatives and economic hedges	569,676	24,880	546,997	159,578	—	1,301,131
Derivatives for cash flow hedges	113,980	397,474	651,519	421,540	51,650	1,636,163
Derivatives for fair value hedges	6,229	2,596	4,574	—	—	13,399
	689,885	424,950	1,203,090	581,118	51,650	2,950,693
	(16,415)	(257,310)	(1,888,380)	96,497	(4,065)	(2,069,673)

	0-3 months	3-12 months	1-3 years	3-5 years	>5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2009						
Cash outflow						
Trading derivatives and economic hedges	(197,068)	(121,379)	(243,117)	—	—	(561,564)
Derivatives for cash flow hedges	(111,160)	(347,057)	(48,011)	(16,819)	(56,904)	(579,951)
Derivatives for fair value hedges	(6,367)	(89)	(540)	—	—	(6,996)
	(314,595)	(468,525)	(291,668)	(16,819)	(56,904)	(1,148,511)
Cash inflow						
Trading derivatives and economic hedges	183,968	125,336	1,204,024	75,281	—	1,588,609
Derivatives for cash flow hedges	101,206	321,753	26,952	16,542	57,449	523,902
Derivatives for fair value hedges	26,054	50,034	787	—	—	76,875
	311,228	497,123	1,231,763	91,823	57,449	2,189,386
	(3,367)	28,598	940,095	75,004	545	1,040,875

32 FINANCIAL INSTRUMENTS

Fair values

The fair values of the financial assets and liabilities of the Group are not materially different from their carrying amounts at the reporting date. Borrowings had a fair value of US$ 20,913,746 compared to a carrying amount of US$ 21,041,241 as 31 December 2010 (31 December 2009: carrying amounts approximated fair values).

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments 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.

As at 31 December 2010, the Group held the following financial instruments measured at fair value:

	31 December 2010	Level 1	Level 2	Level 3
	US$'000	US$'000	US$'000	US$'000
Assets measured at fair value				
Available-for-sale financial assets	**1,526,183**	1,163,503	19,978	342,702
Derivative financial assets	**805,175**	—	805,175	—
Financial assets at fair value through profit or loss	**8,673,887**	8,614,707	59,180	—
	11,005,245	9,778,210	884,333	342,702
Liabilities measured at fair value				
Derivative financial liabilities	**2,751,084**	—	2,751,084	—
	2,751,084	—	2,751,084	—

	31 December 2009	Level 1	Level 2	Level 3
	US$'000	US$'000	US$'000	US$'000
Assets measured at fair value				
Available-for-sale financial assets	1,944,576	1,535,704	—	408,872
Derivative financial assets	135,871	75,281	60,590	—
Financial assets at fair value through profit or loss	5,617,250	5,543,440	73,810	—
	7,697,697	7,154,425	134,400	408,872
Liabilities measured at fair value				
Derivative financial liabilities	1,586,013	—	1,586,013	—
	1,586,013	—	1,586,013	—

There have been no significant transfers between level 1 and 2 or movements within level 3 of fair value hierarchy.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise borrowings, trade and other payables and certain other financial liabilities. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as held-to-maturity financial assets, financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial assets, trade and other receivables, cash and short-term deposits and certain other financial assets, which arise directly from its operations.

The Group enters into derivative transactions including equity derivatives, interest rate swap and forward currency contracts. The purpose is to manage the equity price, interest rate and currency risks arising from the Group's operations and sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, commodity price risk, equity price risk, liquidity risk, equity price risk and credit risk. The Board of Directors of each company within the Group reviews and agrees policies for managing 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 risk comprises: interest rate risk, foreign currency risk, commodity price risk, equity price risk and other price risk. Financial instruments affected by market risk include held-to-maturity financial assets, financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments, short-term deposits, borrowings and certain other financial instruments.

The sensitivity analyses in the following sections relate to the positions as at 31 December 2010 and 2009.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2010.

The analyses exclude the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and non-financial assets and liabilities of foreign operations.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

To manage this, the Group sometimes enters into interest rate swaps, 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. These swaps are designated to hedge underlying debt obligations.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit (through the impact on all floating rate borrowings).

The sensitivity analysis excludes all fixed rate financial instruments carried at amortised cost. Currency and commodity based derivatives have not been included in the sensitivity analysis below as they are not considered to be exposed to interest rate risk.

	Decrease in basis points	Effect on profit before tax	Effect on equity
		US$'000	US$'000
2010			
USD	50 bps	**28,863**	**340**
AED	50 bps	**8,663**	**—**
EUR	50 bps	**123**	**2,214**
JPY	50 bps	**4,157**	**—**
Other	50 bps	**2,774**	**—**
		44,580	**2,554**
2009			
USD	50 bps	15,082	—
AED	50 bps	6,648	—
EUR	50 bps	14,861	—
JPY	50 bps	3,653	—
Other	50 bps	1,078	—
		41,322	—

The effect of increases in interest rates is expected to be equal and opposite to the effect of the decreases shown.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, on the Group's profit and equity. The impact of translating the net assets of foreign operations into US$ is excluded from the sensitivity analysis.

	Change	Effect on profit before tax	Effect on equity
	%	US$'000	US$'000
2010			
CHF	**+10%**	**(5,890)**	**—**
EUR	**+10%**	**112,866**	**49,420**
JPY	**+10%**	**(83,367)**	**(52,420)**
CAD	**+10%**	**(53,111)**	**(16,125)**
Other	**+10%**	**119,205**	**(7)**
		89,703	**(19,132)**

	Change	Effect on profit before tax	Effect on equity
	%	US$'000	US$'000
2009			
CHF	+10%	55,688	—
EUR	+10%	54,272	83,623
JPY	+10%	(34,604)	(18,575)
CAD	+10%	(98,064)	—
Other	+10%	87,073	(7)
		64,365	65,041

The effect of decreases in foreign currency rates is expected to be equal and opposite to the effect of the increases shown.

Commodity price risk

The Group is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase and manufacturing of mainly petrochemical feedstock. Due to the significant volatility of the price of the underlying, the Group's management has developed and enacted a risk management strategy regarding commodity price risk and its mitigation.

The following table shows the effect of price changes after the impact of hedge accounting:

	2010			2009	
	Change	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
		US$'000	US$'000	US$'000	US$'000
Crude oil	**+10%**	**(59,824)**	**—**	(29,624)	—
Natural gas	**+10%**	**(22,190)**	**(1,334)**	(27,500)	—
Electricity	**+10%**	**(2,330)**	**(15,103)**	(8,647)	—
Propylene	**+10%**	**(119,038)**	**—**	(95,672)	—
Polyethelene	**+10%**	**687,289**	**—**	558,728	—
Other petrochemical feedstock *	**+10%**	**(294,240)**	**—**	(200,242)	—

* Other petrochemical feedstock includes products such as ethane, naphtha, ethylene, propane butane and others.

The effect of decreases in commodity prices is expected to be equal and opposite to the effect of the increases shown.

Equity price risk

Equity price risk is the risk that changes in equity prices will affect future cash flows or the fair values of financial instruments. The Group's exposure to the risk of changes in equity prices relates primarily to the Group's listed and unlisted equity securities. The Group's board of directors reviews and approves all significant investment decisions and the Group's management monitors positions on a regular basis. Economic hedging strategies are sometimes used to ensure positions are maintained within acceptable limits.

The following table demonstrates the sensitivity to reasonably possible changes in equity prices, with all other variables held constant, on the Group's income statement and equity:

		2010		2009	
	Change	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
		US$'000	US$'000	US$'000	US$'000
Europe	**+10%**	**162,058**	**49,435**	176,159	116,419
Middle East (excluding UAE)	**+10%**	**—**	**30,000**	—	30,000
North America	**+10%**	**—**	**7,964**	34,163	—
Asia and Pacific and others	**+10%**	**17,726**	**57,662**	13,502	37,151

		2010		2009	
	Change	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
		US$'000	US$'000	US$'000	US$'000
Europe	**-10%**	**(7,030)**	**(49,435)**	(183,987)	(116,419)
Middle East (excluding UAE)	**-10%**	**—**	**(30,000)**	—	(30,000)
North America	**-10%**	**—**	**(7,964)**	(34,163)	—
Asia and Pacific and others	**-10%**	**(17,726)**	**(57,662)**	(13,502)	(37,151)

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group's exposure to credit risk relates primarily to its operating and investing activities. The Group companies trade only with recognised, creditworthy third parties. There are no significant concentrations of credit risk within the Group unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represented by their carrying values as at the reporting date.

Trade and other receivables

The Group has established procedures to minimise the risk of default by trade debtors by using credit verification in order to be able to trade on credit terms and set mandatory credit limits for each customer. Furthermore, receivable balances are monitored on an aged basis which helps mitigate the exposure to bad debts.

Financial instruments and cash deposits

The Group's exposure to credit risk arises from defaults of counterparties, with maximum exposure equal to carrying amounts of these instruments. The Group seeks to limit its counterparty credit risk by dealing with only reputable banks and financial institutions.

The following tables show the maximum exposure to credit risk for the components of the consolidated statement of financial position, including derivatives, by geography and by industry. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Risk concentrations: maximum exposure to credit risk

	2010		2009	
	Carrying value	Maximum credit exposure	Carrying value	Maximum credit exposure
	US$'000	US$'000	US$'000	US$'000
On balance sheet				
Held-to-maturity financial assets	**240,256**	**240,256**	275,575	275,575
Loans and other amounts due from banking customers	**1,083,184**	**1,887,341**	621,084	621,084
Derivative financial assets	**805,175**	**805,175**	135,871	135,871
Trade and other receivables	**1,676,410**	**1,676,410**	1,486,914	1,486,914
Other assets	**4,724,951**	**4,724,951**	4,752,614	4,752,614
Due from banks	**161,636**	**252,075**	183,158	183,158
Cash and short-term deposits	**3,150,931**	**3,150,931**	2,533,118	2,533,118
	11,842,543	**12,737,139**	9,988,334	9,988,334

The following table shows concentrations of credit risk by geographical region:

	UAE	Europe	North America	South America	Asia	Australia New Zealand	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2010								
Held-to-maturity financial assets	**—**	**174,002**	**—**	**—**	**66,254**	**—**	**—**	**240,256**
Loans and other amounts due from banking customers	**278,367**	**340,244**	**175,687**	**3,043**	**276,836**	**—**	**9,007**	**1,083,184**
Derivative financial instruments	**—**	**692,348**	**6,768**	**—**	**—**	**106,059**	**—**	**805,175**
Trade and other receivables	**1,068**	**1,077,937**	**475,997**	**99,321**	**9,551**	**8,511**	**4,025**	**1,676,410**
Other assets	**1,098,606**	**1,040,972**	**734,207**	**54,517**	**18,232**	**1,726,940**	**51,477**	**4,724,951**
Due from banks	**2,707**	**120,988**	**34,222**	**—**	**—**	**3,625**	**94**	**161,636**
Cash and short-term deposits	**484,026**	**1,779,381**	**298,058**	**103,413**	**478,197**	**3,189**	**4,667**	**3,150,931**
	1,864,774	**5,225,872**	**1,724,939**	**260,294**	**849,070**	**1,848,324**	**69,270**	**11,842,543**
2009								
Held-to-maturity financial assets	—	247,232	—	—	28,343	—	—	275,575
Loans and other amounts due from banking customers	—	570,490	—	—	50,594	—	—	621,084
Derivative financial instruments	75,281	42,381	18,209	—	—	—	—	135,871
Trade and other receivables	397	1,142,424	215,343	107,334	8,918	8,041	4,457	1,486,914
Other assets	2,147,368	693,743	322,774	60,910	7,488	1,517,652	2,679	4,752,614
Due from banks	67,741	94,737	—	—	20,680	—	—	183,158
Cash and short-term deposits	1,176,378	1,034,147	232,633	64,680	18,335	2,744	4,201	2,533,118
	3,467,165	3,825,154	788,959	232,924	134,358	1,528,437	11,337	9,988,334

The following table shows concentrations of credit risk by industry sector:

	Consumer	Government	Banking	Energy	Chemicals	Real Estate	Other	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2010								
Held-to-maturity financial assets	**23,756**	**64,036**	**115,759**	**—**	**24,733**	**—**	**11,972**	**240,256**
Loans and other amounts due from banking customers	**1,083,184**	**—**	**—**	**—**	**—**	**—**	**—**	**1,083,184**
Derivative financial instruments	**—**	**106,059**	**615,896**	**—**	**82,072**	**—**	**1,148**	**805,175**
Trade and other receivables	**—**	**—**	**—**	**59,945**	**1,292,552**	**—**	**323,913**	**1,676,410**
Other assets	**—**	**1,726,359**	**—**	**32,709**	**721,946**	**1,649,585**	**594,352**	**4,724,951**
Due from banks	**—**	**—**	**161,636**	**—**	**—**	**—**	**—**	**161,636**
Cash and short-term deposits	**—**	**91,028**	**1,894,503**	**50,360**	**515,722**	**—**	**599,318**	**3,150,931**
	1,106,940	**1,987,482**	**2,787,794**	**143,014**	**2,637,025**	**1,649,585**	**1,530,703**	**11,842,543**
2009								
Held-to-maturity financial assets	—	59,669	142,839	—	2,881	—	70,186	275,575
Loans and other amounts due from banking customers	621,084	—	—	—	—	—	—	621,084
Derivative financial instruments	—	—	60,590	—	—	—	75,281	135,871
Trade and other receivables	—	—	—	92,892	972,332	—	421,690	1,486,914
Other assets	—	1,030,948	—	71,323	643,685	2,295,489	711,169	4,752,614
Due from banks	—	—	183,158	—	—	—	—	183,158
Cash and short-term deposits	—	78,393	1,138,107	84,292	286,655	—	945,671	2,533,118
	621,084	1,169,010	1,524,694	248,507	1,905,553	2,295,489	2,223,997	9,988,334

Credit quality by class of financial assets

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system. The amounts presented are net of impairment allowances:

	High	Medium	Low	Non classified	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
31 December 2010					
Held-to-maturity financial assets	**237,583**	**—**	**—**	**2,673**	**240,256**
Loans and other amounts due from banking customers	**1,079,471**	**—**	**3,713**	**—**	**1,083,184**
Trade and other receivables	**452,947**	**333,464**	**260,537**	**629,462**	**1,676,410**
Other assets	**1,903,378**	**—**	**—**	**2,821,573**	**4,724,951**
Due from banks	**161,542**	**94**	**—**	**—**	**161,636**
Cash and short-term deposits	**703,768**	**—**	**—**	**2,447,163**	**3,150,931**
	4,538,689	**333,558**	**264,250**	**5,900,871**	**11,037,368**

	High	Medium	Low	Non classified	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
31 December 2009					
Held-to-maturity financial assets	—	—	—	275,575	275,575
Loans and other amounts due from banking customers	4,660	—	616,424	—	621,084
Trade and other receivables	381,070	250,340	268,859	586,645	1,486,914
Other assets	2,128,513	—	194,590	2,429,511	4,752,614
Due from banks	—	2,191	180,967	—	183,158
Cash and short-term deposits	—	—	—	2,533,118	2,533,118
	2,514,243	252,531	1,260,840	5,824,849	9,852,463

Credit quality levels are defined based on estimated default probabilities.

As at 31 December, the ageing of unimpaired financial assets is as follows

	Neither past due nor impaired	Past due up to 1 month	Past due 1-3 months	Past due 3-6 months	Past due longer than 6 months	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2010						
Held-to-maturity financial assets	**240,256**	**—**	**—**	**—**	**—**	**240,256**
Loans and other amounts due from banking customers	**1,083,184**	**—**	**—**	**—**	**—**	**1,083,184**
Trade and other receivables	**1,371,540**	**109,985**	**29,418**	**19,554**	**145,913**	**1,676,410**
Other assets	**4,449,425**	**153,729**	**160**	**143**	**121,494**	**4,724,951**
Due from banks	**161,636**	**—**	**—**	**—**	**—**	**161,636**
Cash and short-term deposits	**3,150,931**	**—**	**—**	**—**	**—**	**3,150,931**
	10,456,972	**263,714**	**29,578**	**19,697**	**267,407**	**11,037,368**
2009						
Held-to-maturity financial assets	275,575	—	—	—	—	275,575
Loans and other amounts due from banking customers	620,904	—	—	180	—	621,084
Trade and other receivables	1,216,186	154,611	62,268	20,589	33,260	1,486,914
Other assets	4,681,905	2,040	572	190	67,907	4,752,614
Due from banks	183,158	—	—	—	—	183,158
Cash and short-term deposits	2,533,118	—	—	—	—	2,533,118
	9,510,846	156,651	62,840	20,959	101,167	9,852,463

Movements in allowance for impairment are as follows:

	Opening	Additions/ acquired	Transfers	Interest	Written-off	Recoveries	Exchange difference	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
On balance sheet								
2010								
Loans and other banking receivables	**129**	**10,193**	**3,939**	**—**	**(1,001)**	**—**	**645**	**13,905**
Trade and other receivables	**14,497**	**35,562**	**116,424**	**—**	**(20,851)**	**(4,916)**	**(7,546)**	**133,170**
Other assets	**—**	**9,534**	**111,305**	**—**	**(6,232)**	**(2,138)**	**(4,592)**	**107,877**
	14,626	**55,289**	**231,668**	**—**	**(28,084)**	**(7,054)**	**(11,493)**	**254,952**
2009								
Loans and other banking receivables	—	—	—	202	—	(207)	134	129
Trade and other receivables	79	19,160	—	—	—	(5,291)	549	14,497
Other assets	—	—	—	—	—	—	—	—
	79	19,160	—	202	—	(5,498)	683	14,626

Collateral and other credit enhancements

Falcon Bank, the Company's private banking subsidiary, actively uses collateral to reduce its credit risk.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained include cash, securities, mortgages over real estate and other. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

Liquidity risk

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. The Group's policy is 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 financial liabilities excluding derivative financial instruments at 31 December, on a contractual undiscounted basis. The maturity profile of derivatives financial instruments are disclosed in Note 31. 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	0-3 months	3-12 months	1-3 years	3-5 years	>5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2010							
Other liabilities	**170,842**	**966,874**	**537,291**	**78,643**	**253**	**115,717**	**1,869,620**
Trade and other payables	**192,584**	**1,383,108**	**336,017**	**22,590**	**—**	**4,368**	**1,938,667**
Borrowings	**1,416,140**	**98,121**	**752,612**	**15,344,329**	**1,969,633**	**3,661,661**	**23,242,496**
Customer deposits and other amounts due to banking customers	**736,982**	**286,163**	**277,858**	**459**	**—**	**—**	**1,301,462**
Due to banks	**79,150**	**111,678**	**19,998**	**—**	**43,013**	**—**	**253,839**
	2,595,698	**2,845,944**	**1,923,776**	**15,446,021**	**2,012,899**	**3,781,746**	**28,606,084**
Off balance sheet items	**—**	**9,141**	**28,608**	**35,790**	**—**	**—**	**73,809**
2009							
Other liabilities	41,418	1,674,089	880,171	27,501	3,004	23,903	2,650,086
Trade and other payables	316,576	1,706,463	3,738	909	418	859	2,028,963
Borrowings	533	790,163	6,654,776	8,929,056	803,668	1,424,379	18,602,575
Customer deposits and other amounts due to banking customers	524,173	255,923	83,049	28,994	—	—	892,139
Due to banks	42,705	57,774	60,151	—	43,014	—	203,644
	925,405	4,484,412	7,681,885	8,986,460	850,104	1,449,141	24,377,407
Off balance sheet items	—	—	—	34,686	—	—	34,686

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. There are no regulatory imposed requirements on the level of share capital which the Group has not met. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio within a range to meet the business needs of the Group. The Group includes within net debt, interest bearing loans and borrowings, less cash and cash equivalents. Capital includes total equity including non-controlling interest.

	2010	2009
	US$'000	US$'000
Interest bearing loans and borrowings (Note 26)	**21,041,241**	17,434,916
Less cash and cash equivalents	**(3,150,931)**	(2,533,118)
Net debt	**17,890,310**	14,901,798
Total capital	**16,005,578**	15,318,381
Capital and net debt	**33,895,888**	30,220,179
Gearing ratio	**53%**	49%

34 ASSETS UNDER MANAGEMENT

	2010 US$'000	2009 US$'000
Real estate (including mutual funds)	**2,840,760**	2,153,302
Cash and cash equivalents	**2,113,153**	1,605,500
Fixed income instruments (bonds, loans and mutual funds)	**1,094,987**	1,577,471
Equities (stocks and mutual funds)	**3,597,425**	2,196,133
Assets under management and custody by the Group	**9,646,325**	7,532,406
Assets not in the custody of the Group	**3,076,185**	3,226,372
	12,722,510	10,758,778

These amounts are not reported in the consolidated financial statements, as they are not the assets of the Group. The Group has no client assets which are held for custody only. For all of the assets listed above, additional services are provided, which go beyond pure custody services.

Of the assets not within the custody of the Group, US$ 2,605 million (31 December 2009: US$ 2,548 million) are related to client assets held by Bank Zweiplus, which is an associate of the Group. The client assets considered in this note equal 42.5% (the Group's share) of the total client assets reported by Bank Zweiplus. Earnings from managing or custody services with respect to these client assets are not included in the revenue of the Group but are captured in the share of profit of associate in the consolidated income statement.

35 COMMITMENTS AND CONTINGENCIES

	2010 US$'000	2009 US$'000
Guarantees		
Guarantees and letter of credit	**357,701**	232,128
Guarantees in favour of associated companies	**88,379**	11,573
	446,080	243,701
Feedstock purchase commitments		
Up to 1 year	**1,294,000**	1,262,000
1 to 5 years	**2,242,000**	2,314,000
Beyond 5 years	**1,669,992**	1,729,000
	5,205,992	5,305,000
Operating lease commitments		
Up to 1 year	**74,513**	81,718
1 to 5 years	**201,195**	229,890
Beyond 5 years	**177,107**	214,461
	452,815	526,069
Capital commitments		
Property, plant and equipment	**1,262,478**	2,155,749
Investments in financial instruments	**138,948**	—
Investment property	**1,907,297**	1,705,982
	3,308,723	3,861,731

Investment commitments

a) On 7 October 2010, Aabar acquired a 31.8% stake in Galactic Ventures LLC for a consideration of US$ 280.2 million. It has also committed to invest a further US$ 98 million in Galactic Ventures LLC to develop the small spacecraft business. Galactic Ventures LLC intends to be a pioneer in space tourism, transporting people, and later small satellites, safely into space and back down to earth.

b) In July 2010, Aabar committed to invest US$ 54.2 million into two global base pyramid investment funds, Blue Orchard Private Equity Funds SCA and Oasis Fund SCA. As of 30 September 2010, Aabar has contributed US$ 18.9 million. The remaining US$ 35 million will be paid upon subsequent capital calls.

c) Aabar intends to invest US$ 20 million (out of which US$ 5 million was paid as an advance prior to 31 December 2009) to acquire a 40% stake in XOJET Inc, a US private airline company. Aabar also has plans to create a joint venture with XOJET Inc to provide first class private aviation services to various destinations in the Middle East and North Africa regions.

d) On 3 March 2010, pursuant to an announcement on 10 August 2009, Aabar signed a shareholders' agreement and articles of association in relation to the creation of a joint venture with the Government of Algeria and others to build the first of three vehicle and engine manufacturing plants in Algeria, in cooperation with Ferrostaal AG and Daimler AG. Aabar's stake in the joint venture is 24.5% of the share capital for which it plans to make an initial capital contribution of approximately EUR 4 million.

Legal proceedings

In July 2009, Ferrostaal's offices in Essen, Germany were searched by the Munich public prosecution authorities based on suspicion of criminal conduct and corrupt practices of Ferrostaal during a period prior to the Company's acquisition of its 70% stake in Ferrostaal. As at 31 December 2010, the investigations of the Munich public prosecutor were ongoing.

The Company is also actively seeking a settlement with the other shareholder of Ferrostaal in respect of the arbitration filed by the Company. However, the Company remains prepared to enforce its legal rights through arbitration if an acceptable settlement cannot be reached.

36 EVENTS AFTER THE REPORTING PERIOD

i) A shareholder loan amounting to US$ 350,000 thousand provided to Aabar by the Company has been converted into equity through the Company's subscription for mandatory convertible bonds issued by Aabar, increasing the ownership of the Company from 86.17% to 88.65%.

ii) Aabar entered into a loan agreement for EUR 200,000 thousand on 28 January 2011. The loan carries an interest of EURIBOR plus a margin and is to be repaid in full at the end of three years from the date of signing. The loan has been drawn on 31 January 2011.

iii) Aabar and Daimler AG acquired the remaining 24.9% stake in Mercedes GP Ltd. Accordingly, Aabar increased its stake from 30.04% to 40% and Daimler AG increased its stake from 45.60% to 60%. The acquisition is subject to clearance from the German Bundeskartellamt.

iv) On 1 February 2011, the Company entered into an AED 1.0 billion unsecured conventional loan, with an interest rate at a margin over EIBOR, amortising over fifteen years.

v) On 16 February 2011, the Company announced a voluntary offer to acquire the entire issued share capital of CEPSA not already owned by the Company, amounting to 141,648,565 shares, or 52.9% of the share capital of CEPSA (the "Offer"). The Offer is subject to the prior approval of the Spanish Securities Commission as CEPSA is listed on the principal stock exchanges of the Kingdom of Spain. The Company has confirmed that it will offer €28 per share to all CEPSA shareholders. This Offer price assumes that CEPSA will pay a dividend of €0.50 per share to its shareholders prior to the date on which the result of the Offer is announced (and, if such dividend is not paid, the Company will increase the Offer price by €0.50 per share). In the context of the Offer, the French oil and gas company, Total SA, has irrevocably agreed to sell its 48.8 % share in CEPSA to the Company. The Offer is conditional upon merger control approvals by the European Commission and, to the extent applicable, the competition authorities in Canada and the United States.

vi) On 9 March 2011, the Company issued: EUR 1,250,000 thousand of fixed rate notes maturing on 14 May 2016 with a coupon of 4.875%, EUR 1,250,000 thousand of fixed rate notes maturing on 14 March 2021 with a coupon of 5.875%, and GBP 550,000 thousand of fixed rate notes maturing on 14 March 2026 with a coupon of 6.875%. The proceeds of the issuance are to be used for the financing of the shares in CEPSA.

vii) On 9 March 2011, the Company entered into a cross currency swap transaction exchanging both coupon and principal into EUR in relation to its issued 2026 GBP 550,000 thousand fixed rate notes.

viii) In March 2011, Aabar acquired 100% of the share capital of Oxygen Capital Limited, a company incorporated in the British Virgin Island for a consideration of US$ 5 million. The acquiree is involved in the provision of aviation services.

ix) On 25 March 2011, the Company negotiated a reduction in its margin over LIBOR in respect of its GBP 150,000 thousand facility dated 25 November 2008.

x) On 5 April 2011, the Company entered into a US$ 1.4 billion unsecured conventional loan, with an interest rate at a margin over LIBOR, maturing on 5 April 2014.

xi) On 18 April 2011, the Company had subscribed and paid for the remaining mandatory convertible bonds available under the purchase agreement previously entered into with Aabar. Upon completion of the conversion mechanics, the Company's stake in Aabar will increase to 93.1%.

xii) On 4 May 2011, Aabar signed a cornerstone investment agreement with Glencore International plc and, inter alia, Citigroup Global Markets U.K. Equity Limited, Credit Suisse Securities (Europe) Limited, Morgan Stanley & Co. International plc, the Joint Global Coordinators of the initial public offering of Glencore International plc, pursuant to which it has agreed to commit US$ 850,000 thousand as cornerstone investor in the initial public offering.

37 2009 BUSINESS COMBINATIONS

The Group made several acquisitions during the year ended 31 December 2009, which are further described below.

37.1 Acquisition of Aabar

On 23 March 2009, the Group acquired 71.23% (2,228,000,000 ordinary shares) of Aabar through the conversion of mandatory convertible bonds, for an aggregate amount of US$ 1,820,872 thousand. Aabar operates as an investment company which has interest in equity and debt instruments of companies from different industries.

	Fair value amounts
	US$'000
Advances on investment properties	**601,166**
Financial assets at fair value through profit and loss	**2,419,818**
Derivatives	**21,815**
Available-for-sale financial assets	**287,118**
Other assets	**35,966**
Cash and short term deposits	**125,634**
Total assets	**3,491,517**
Borrowings	**(1,385,368)**
Other liabilities	**(8,271)**
Total liabilities	**(1,393,639)**
Net assets acquired	**2,097,878**
71.23% share acquired by the Group	**1,494,318**
Goodwill	**326,554**
Total acquisition costs	**1,820,872**

The total acquisition costs of US$ 1,820,872 thousand comprised of a cash payment of US$ 1,820,757 thousand and costs of US$ 115 thousand directly attributable to the acquisition.

The Company has performed a purchase price allocation exercise, and determined that the carrying values approximate the fair values at the date of acquisition. No significant intangible assets have been identified at the acquisition date.

Cash outflow on the acquisition of Aabar was as follows:

	US$'000
Consideration paid	**1,820,872**
Cash acquired with Aabar	**(125,634)**
Net cash outflow	**1,695,238**

From the date of acquisition until 31 December 2009, Aabar has contributed US$ 53,813 thousand to revenue and US$ 717,433 thousand to profit from continuing operations of the Group. If the combination had taken place at the beginning of 2009, the contribution by Aabar to the profit for 2009 from continuing operations for the Group would have been US$ 432,636 thousand and the revenue would have been US$ 53,813 thousand.

The above goodwill is attributable to Aabar's technologies.

37.2 Acquisition of Ferrostaal

On 25 March 2009, the Group completed the acquisition of 70% interest in Ferrostaal, with a put and call arrangement with the minority shareholder for the acquisition of the remaining 30%. Ferrostaal is a global provider of industrial services through a worldwide presence with subsidiaries in 60 countries. The company focuses on being present in growth regions and the key markets of its operation include South America, Europe, South East Asia and the Middle East.

	Carrying amount US$'000	Fair value US$'000
Property, plant and equipment	146,883	**253,597**
Intangible assets	3,191	**268,943**
Investment properties	8,708	**9,252**
Investments in associates and jointly controlled entities	435,960	**561,026**
Deferred tax assets	68,339	**68,339**
Inventories	866,406	**866,406**
Other assets	765,192	**765,192**
Bank balances and cash	1,051,342	**1,051,342**
Total assets	3,346,021	**3,844,097**
Trade payables	(544,102)	**(544,102)**
Deferred tax liability	(76,460)	**(196,224)**
Provisions	(197,936)	**(361,065)**
Other liabilities	(1,917,033)	**(1,917,033)**
Total liabilities	(2,735,531)	**(3,018,424)**
Net assets before minority interest		**825,673**
Minority interest		**253**
Net assets acquired		**825,926**
100% effective share acquired by the Group		**825,926**
Goodwill		**99,193**
Total acquisition costs		**925,119**

The total acquisition costs of US$ 925,119 thousand comprised of a cash payment of US$ 685,851 thousand and costs of US$ 12,122 thousand directly attributable to the acquisition. The remaining amount US$ 227,146 thousand relates to the present value of the put and call arrangement over the 30% of Ferrostaal, which has been recognised as a financial liability at amortised cost. An amount of US$ 67,971 thousand (EUR 50,000 thousand), included in the cash payment, was payable at 31 December 2009.

Cash outflow on the acquisition of Ferrostaal was as follows:

	US$'000
Consideration paid	**630,002**
Cash acquired with Ferrostaal	**(1,051,342)**
Net cash inflow	**(421,340)**

Assets acquired and liabilities assumed

Property, plant and equipment

Property, plant and equipment was valued based on current market prices, specific units and yield for each property and replacement cost model as appropriate. The fair value adjustment amounted to US$ 78.9 million.

Intangible assets

The Company conducted a thorough review of the business documentation in order to identify potential intangible assets in accordance with IFRS 3 and IAS 38. A summary of the identified intangible assets are as follows:

Order backlog

The total fair value of the relevant order backlog amounted to EUR 116.8 million at the date of acquisition, with approximately 80% of the value being amortised over a 2 year period.

Customer and supplier relationships

The customer and supplier relationships were valued using the MEEM approach. The resulting fair values were EUR 31.1 million for customer relationships and EUR 26.6 million for supplier relationships.

Trademarks

The Company employed the relief from royalty method of the income approach to value the subject trademark. Based on the analysis and assumptions, the Company estimated the value of the acquired material trademark was EUR 20.9 million at the acquisition date. The trademark is estimated to have an indefinite useful life.

Deferred taxes

Deferred taxes have been recorded based on the statutory tax rate of the various tax jurisdictions to which temporary differences are attributable.

From the date of acquisition to 31 December 2009, Ferrostaal has contributed US$ 1,650,415 thousand to revenue and US$ 85,069 thousand to profit from continuing operations of the Group. If the combination had taken place at the beginning of 2009, the contribution by Ferrostaal to the profit for 2009 from continuing operations for the Group would have been US$ 91,771 thousand and the revenue would have been US$ 2,225,810 thousand.

37.3 Acquisition of Falcon Bank

On 16 April 2009, the Group acquired 100% of the net assets and the related business of Falcon Private Bank Limited (renamed from AIG Private Bank Limited) ("Falcon Bank") registered in Switzerland and headquartered in Zurich. Falcon Bank primarily provides investment advisory and asset management services and has branches and representative offices in Geneva, Hong Kong, Singapore and Dubai. In addition, Falcon Bank has subsidiaries operating in Switzerland and Luxembourg.

The fair value of the identifiable assets and liabilities of Falcon Bank as at the date of acquisition were as follows:

	Carrying amounts and provisional fair values	Fair values after purchase price allocation
	US$'000	US$'000
Property and equipment	43,264	**43,264**
Intangible assets	2,442	**41,968**
Investment properties	8,659	**8,659**
Investments in associates	66,406	**66,406**
Deferred tax asset	5,909	**5,909**
Held-to-maturity financial assets	312,371	**312,371**
Other non-current assets	25,764	**25,764**
Loans and other banking receivables due from banking customers	561,678	**561,678**
Due from banks	356,123	**356,123**
Other current assets	108,292	**108,292**
Total assets	1,490,908	**1,530,434**
Employees end of service benefits	(11,219)	**(11,219)**
Deferred tax liability	(9,267)	**(17,568)**
Customer deposits and other amounts due to banking customers	(989,103)	**(989,103)**
Due to banks	(195,583)	**(195,583)**
Other current liabilities	(68,266)	**(68,266)**
Total liabilities	(1,273,438)	**(1,281,739)**
Net assets before non-controlling interest		**248,695**
Non-controlling interest		**(784)**
Net assets acquired		**247,911**
100% shareholding acquired by the Group		**247,911**
Goodwill arising on acquisition		**61,694**
Total acquisition cost		**309,605**

The total acquisition cost of US$ 309,605 thousand comprised of a cash payment of US$ 294,717 thousand and costs of US$ 8,496 thousand directly attributable to the acquisition. Furthermore, a payable of US$ 6,392 thousand was recorded at 31 December 2009 which was settled in 2010.

Cash outflow on acquisitions was as follows:

	US$'000
Consideration paid	**303,213**
Cash acquired with Falcon Bank	**(64,114)**
Net cash outflow	**239,099**

The Group had not finalised the purchase price allocation in relation to this acquisition before the 2009 consolidated financial statements were issued due to the timing of the transaction. Consequently, the fair values of acquired assets and liabilities disclosed in the 2009 consolidated financial statements represented provisional amounts that represented carrying values determined in accordance with IFRS and the Group accounting policies at the date of the acquisition.

The purchase price allocation was completed in 2010 and showed that no material adjustments were required to 2009 consolidated financial statements. Consequently, management recorded these adjustments in 2010.

From the date of acquisition to 31 December 2009, Falcon Bank contributed a loss of US$ 9 million to the results of the Group. If the combination had taken place at the beginning of the year, the consolidated profit of the Group would have been lower by US$ 10 million and revenue from continuing operations would have been higher by US$ 2 million.

The goodwill of US$ 61,694 thousand is attributable to the expected synergies and expected growth in revenues from the private banking customers.

37.4 Acquisition of Nova

On 6 July 2009, the Group acquired 100% of Nova. Nova's principal business is the production and marketing of plastics and chemicals. Nova is registered in Canada, and operates in North America.

	Carrying amount	Fair value amount
	US$'000	US$'000
Property, plant and equipment	2,415,529	**3,597,133**
Intangible assets	152,698	**509,274**
Inventories	383,461	**374,183**
Trade and accounts receivables	172,281	**173,296**
Other assets	555,518	**315,812**
Cash and short-term deposits	243,792	**243,792**
	3,923,279	**5,213,490**
Borrowings	(2,108,902)	**(2,002,886)**
Deferred benefit plant deficit	(100,722)	**(320,942)**
Deferred tax liabilities	(330,581)	**(806,227)**
Trade and other payables	(320,952)	**(327,712)**
Other liabilities	(387,225)	**(327,373)**
Total liabilities	(3,248,382)	**(3,785,140)**
Net assets acquired		**1,428,350**
100% share acquired by the Group		**1,428,350**
Negative goodwill arising on acquisition		**(925,797)**
Total acquisition costs		**502,553**

Due to the unique circumstances specific to Nova's liquidity, a significant drop in commodity prices during the fourth quarter of 2008, and the global credit crisis, IPIC acquired Nova at a bargain purchase price, which resulted in negative goodwill of US$ 926 million.

The total acquisition costs of US$ 502,553 thousand comprised of a cash payment of US$ 499,200 thousand and costs of US$ 3,353 thousand directly attributable to the acquisition.

Cash outflow on acquisitions is as follows:

	US$'000
Consideration paid	**502,553**
Cash acquired with Nova	**(243,792)**
Net cash outflow	**258,761**

Assets acquired and liabilities assumed

Property, plant and equipment

Most of the property, plant and equipment were valued using depreciated replacement cost, however some of the property, plant and equipment were valued using the income approach.

Intangible assets

The Company identified intangible assets of US$ 510 million which consisted mainly of licenses and technology of US$ 117 million, contracts of US$ 376 million and software of US$ 17 million. All identified intangible assets were determined by management to have finite lives.

Trade receivables

The fair value of trade receivables acquired by the Company on 6 July 2009 was US$ 316 million (US$ 332 million of gross contractual amounts receivable less US$ 16 million estimated contractual cash flows not expected to be collected).

Pension plans

Accrued pension benefit assets and obligations were calculated using best estimate assumptions and all plan assets were valued at fair value. Any existing unamortised net actuarial gain (loss), unamortised past service cost, unamortised transitional obligation or unamortised transitional asset were eliminated, resulting in the accrued benefit asset or liability being the difference between the accrued benefit obligation and the fair value of plan assets.

Deferred taxes

Deferred taxes have been recorded based on the statutory tax rate of the various tax jurisdictions to which temporary differences are attributable.

From the date of acquisition to 31 December 2009, Nova has contributed US$ 1,639,059 thousand to revenue and a loss of US$ 2,757 thousand to profit from continuing operations of the Group. If the combination had taken place at the beginning of 2009, the contribution by Nova to the profit for 2009 from continuing operations for the Group would have been a loss of US$ 241,298 thousand and the revenue would have been US$ 3,046,874 thousand.

38 DISPOSAL OF SUBSIDIARY

Pursuant to an arbitration award dated 12 November 2009, each of Hanocal Holding BV and IPIC International BV (which together held a 70% interest in HDO) were directed to sell their respective interests in HDO to the claimants of the arbitration for a fixed amount of KRW 15,000 per share (number of shares: 171,557,696). The sale was concluded on 12 August 2010, for KRW 2,314 billion (net of taxes and charges). The Group realised a net profit of US$ 771,986 thousand on the sale.

The results from HDO for the period ended 12 August 2010 and year ended 31 December 2009 are presented below:

	Period from 1 January 2010 to 12 August 2010	Year ended 31 December 2009
	US$'000	US$'000
Revenue	**6,255,969**	8,591,046
Cost of sales of goods and services	**(5,968,925)**	(8,170,573)
Gross profit	**287,044**	420,473
Other income	**436,754**	15,707
Sales and marketing expenses	**(90,039)**	(192,997)
General administrative expenses	**(48,867)**	(52,814)
Other expense	**(114,668)**	(50,452)
Foreign exchange (loss) gain	**(17,831)**	38,623
Finance income	**91,604**	204,420
Finance costs	**(88,787)**	(168,813)
Profit before tax	**455,210**	214,147
Gain on disposal of the discontinued operation	**979,737**	—
Tax (charge) credit	**(274,665)**	70,445
Profit for the year from a discontinued operation	**1,160,282**	284,592

	Period from 1 January 2010 to 12 August 2010	Year ended 31 December 2009
	US$'000	US$'000
Profit for the year attributable to:		
Equity holder of the parent	**1,070,853**	199,214
Non-controlling interest	**89,429**	85,378
	1,160,282	284,592
	US$	US$
Basic and diluted earnings per share from a discontinued operation attributable to equity holder of the parent	**306**	57

Cash inflow on sale:

	US$'000
Total consideration received	**2,158,970**
Less: bank balances and cash disposed of	**(376,652)**
	1,782,318

The major classes of assets and liabilities of HDO classified as held-for-sale are as follows:

	12 August 2010	31 December 2009
	US$'000	US$'000
Assets		
Property, plant and equipment	**2,395,343**	2,087,738
Inventories	**1,160,337**	1,127,085
Trade and accounts receivables	**1,049,814**	685,296
Other assets	**345,101**	479,288
Cash and short-term deposits	**376,652**	355,799
Assets classified as held-for-sale	**5,327,247**	4,735,206
Liabilities		
Borrowings	**2,143,669**	2,074,739
Trade and accounts payables	**828,619**	626,256
Other current liabilities	**915,649**	730,487
Liabilities directly associated with assets classified as held-for-sale	**3,887,937**	3,431,482
Net assets directly associated with disposal group	**1,439,310**	1,303,724

Included in other comprehensive income

	Period from 1 January 2010 to 12 August 2010	Year ended 31 December 2009
	US$'000	US$'000
Foreign currency translation reserve	**(54,852)**	81,274
Reserve for cash flow hedge	**(17,014)**	(30,124)
Reserve of disposal group classified as held-for-sale	**(71,866)**	51,150

The net cash flows incurred by HDO are as follows:

	Period from 1 January 2010 to 12 August 2010	Year ended 31 December 2009
	US$'000	US$'000
Operating	**114,498**	175,562
Investing	**(165,298)**	(568,217)
Financing	**90,155**	482,908
Net cash inflow	**39,355**	90,253

39 RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	2010	2009
	US$'000	US$'000
Short-term benefits	**5,938**	4,594
Board of directors' remuneration	**1,471**	20,348
	7,409	24,942

Business relationship	Goods and services: Purchases from	Goods and services: Sales to	Goods and services: Receivables from	Goods and services: Payables to	Financing: Loans	Financing: Borrowings	Financing: Interest received	Financing: Interest paid
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2010								
Jointly controlled entities	**140,190**	**356,005**	**48,905**	**2,076**	**48,963**	**22,028**	**2,481**	**—**
Associates	**1,981,150**	**861,698**	**311,754**	**181,951**	**—**	**48,262**	**—**	**789**
	2,121,340	**1,217,703**	**360,659**	**184,027**	**48,963**	**70,290**	**2,481**	**789**
2009								
Jointly controlled entities	55,846	141,156	43,537	1,812	58,328	—	881	—
Associates	1,663,757	4,035,858	235,653	317	92,383	51,822	—	—
	1,719,603	4,177,014	279,190	2,129	150,711	51,822	881	—

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2010, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2009: US$ nil). This assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the related party operates.

40 SUBSIDIARIES

The consolidated financial statements include financial statements of the Company and each of its subsidiaries as at 31 December 2010. The significant subsidiaries are listed in the following table:

	Country of registration	Percentage holding 31 December 2010	Percentage holding 31 December 2009
Borealis	Austria	**64%**	64%
Nova	New Brunswick Canada	**100%**	100%
Ferrostaal (i)	Germany	**70%**	70%
Aabar	UAE	**86.17%**	71.23%
HDO (ii)	South Korea	**—**	70%

(i) At acquisition a put and call arrangement with the minority shareholder was entered into for the acquisition of the remaining 30%.

(ii) The Group sold its interest in HDO during the year (see Note 38).

41 CORRESPONDING FIGURES

Certain comparative figures were reclassified to conform to the current year presentation. These reclassifications had no effect on the reported profit or the equity of the Group and are not deemed material to these consolidated financial statements.

(i) Reclassifications made to the 2009 consolidated income statement were as follows:

	2009 As previously reported	Reclassified			2009 As reclassified
	US$'000	US$'000	US$'000	US$'000	US$'000
Selling and distribution costs	(789,314)	(21,194)	—	—	(810,508)
General and administrative expenses	(666,726)	53,466	—	—	(613,260)
Other expenses	—	(32,272)	—	—	(32,272)
Finance income	5,715,039	—	(5,101,055)	—	613,984
Finance costs	(2,895,777)	—	—	2,180,167	(715,610)
Excess of fair value over cost of business combinations	925,797	—	(925,797)	—	—
Gains on acquisitions and disposals	—	—	3,125,746	(6,564)	3,119,182
Other (losses) gains on financial instruments	—	—	2,901,106	(2,173,603)	727,503
		—	—	—	

(ii) Reclassifications made to the 2009 consolidated statement of financial position were as follows:

	At 31 December 2009	Reclassifications						At 31 December 2009
	US$'000 As previously reported	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000 As reclassified
ASSETS								
Non-current assets								
Loans and other amounts due from banking customers	71,429	(71,429)	—	—	—	—	—	—
Trade and other receivables	—	71,429	—	—	—	—	—	71,429
Held-to-maturity financial assets	275,575	—	(275,575)	—	—	—	—	—
Financial assets at fair value through profit or loss	5,617,250	—	(5,617,250)	—	—	—	—	—
Available-for-sale financial assets	1,944,576	—	(1,944,576)	—	—	—	—	—
Derivative financial instruments	86,979	—	(86,979)	—	—	—	—	—
Investments in financial instruments	—	—	7,924,380	—	—	—	—	7,924,380
		—	—	—	—	—	—	
Current assets								
Loans and other amounts due from banking customers	549,655	(549,655)	—	—	—	—	—	—
Trade and other receivables	1,256,072	549,655	—	414,000	—	—	—	2,219,727
Derivative financial instruments	48,892	—	(48,892)	—	—	—	—	—
Due from banks	183,158	—	—	(183,158)	—	—	—	—
Investments in financial instruments	—	—	48,892	—	—	—	—	48,892
Other current assets	991,264	—	—	(230,842)	—	—	—	760,422
		—	—	—	—	—	—	

	At 31 December 2009	Reclassifications						At 31 December 2009
	US$'000 As previously reported	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000 As reclassified
EQUITY AND LIABILITIES								
Equity attributable to equity holder of the parent								
Cumulative changes in fair value of available-for-sale investments	3,097,967	—	—	—	(3,097,967)	—	—	—
Foreign currency translation reserve	138,196	—	—	—	(138,196)	—	—	—
Reserve for cash flow hedges	(21,630)	—	—	—	21,630	—	—	—
Reserve for actuarial gain and losses	(2,866)	—	—	—	2,866	—		—
Other reserves	207,747	—	—	—	(207,747)	—	—	—
Reserves of disposal groups classified as held-for-sale	(81,580)	—	—	—	81,580	—	—	—
Other reserves	—	—	—	—	3,337,834	—	—	3,337,834
		—	—	—	—	—	—	
Non-current liabilities								
Borrowings	10,434,057	—	—	—	—	—	(51,822)	10,382,235
Government grants	42,586	—	—	—	—	—	(42,586)	—
Customer deposits and other amounts due to banking customers	25,905	—	—	—	—	(25,905)	—	—
Due to banks	44,582	—	—	—	—	(44,582)	—	—
Trade and other payables	—	—	—	—	—	70,487	—	70,487
Other non-current liabilities	63,123	—	—	—	—	—	94,408	157,531
		—	—	—	—	—	—	
Current liabilities								
Trade payables	2,382,590	`—	—	—	—	1,025,296	(382,173)	3,025,713
Other current liabilities	2,119,737	—	—	—	—	—	462,616	2,582,353
Income tax payable	80,443	—	—	—	—	—	(80,443)	—
Customer deposits and other amounts due to banking customers	866,234	—	—	—	—	(866,234)	—	—
Due to banks	159,062	—	—	—	—	(159,062)	—	—
		—	—	—	—	—	—	

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INTERNATIONAL PETROLEUM INVESTMENT COMPANY

November 2012