IMPORTANT NOTICE

THE BASE PROSPECTUS MAY NOT BE DISTRIBUTED DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the base prospectus (the "**Base Prospectus**") following this notice, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer, the Company, the Arrangers and the Dealers (each as defined in the Base Prospectus) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. NEITHER THE SECURITIES NOR THE GUARANTEE DESCRIBED IN THE BASE PROSPECTUS HAVE BEEN OR WILL BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTIONS AND MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE BASE PROSPECTUS IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. RATHER, THE COMMUNICATION OF THE BASE PROSPECTUS AS A FINANCIAL PROMOTION IS ONLY BEING MADE TO THOSE PERSONS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "**ORDER**") OR HIGH NET WORTH ENTITIES, AND OTHER PERSONS TO WHOM IT MAY LAWFULLY BE COMMUNICATED, FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER (EACH SUCH PERSON BEING REFERRED TO AS A "**RELEVANT PERSON**"). THIS COMMUNICATION IS BEING DIRECTED ONLY AT RELEVANT PERSONS AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. NO PERSON OTHER THAN A RELEVANT PERSON SHOULD RELY ON IT.

THE FOLLOWING BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your representation: By accessing the attached Base Prospectus you confirm to us that: (i) you understand and agree to the terms set out herein; (ii) you consent to delivery of the Base Prospectus and any amendments or supplements thereto by electronic transmission; (iii) you will not transmit the attached Base Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person; and (iv) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Notes.

You are reminded that the Base Prospectus has been delivered to you on the basis that you are a person into whose possession the Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Base Prospectus to any other person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

The Base Prospectus does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that an offering of securities described herein be made by a licensed broker or dealer and the Arrangers and Dealers or any affiliate of the relevant Arrangers or Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Arranger or Dealer or such affiliate on behalf of the Issuer or holders of the applicable securities in such jurisdiction.

Under no circumstances shall the Base Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached document who intend to subscribe for or purchase the Notes are reminded that any subscription or purchase may only be made on the basis of the information contained in the Base Prospectus as supplemented by the applicable Final Terms (or Pricing Supplement, as applicable) and/or supplement(s) to the Base Prospectus (if any).

The distribution of the Base Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required by the Issuer, the Company, the Arrangers and the Dealers to inform themselves about, and to observe, any such restrictions.

The Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer, the Company, the Arrangers and Dealers nor any person who controls them nor any director, officer, employee nor agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer, the Company, the Arrangers and the Dealers. Please ensure that your copy is complete. If you received the Base Prospectus by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "reply" function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

IPIC GMTN LIMITED

(an exempted company with limited liability incorporated in the Cayman Islands under the Companies Law (2013 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 United Kingdom Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 (the "**U.K. Listing Authority**") for Notes issued under the Programme (other than Non-PD Notes (as defined below)) 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 (other than Non-PD 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. 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 (other than Non-PD Notes) will be set out in a final terms document (the "**Final Terms**") which will be delivered to the U.K. Listing Authority and the London Stock Exchange.

The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading on a regulated market for the purposes of the Markets in Financial Instruments Directive in the European Economic Area and/or quotation by any competent authority, stock exchange and/or quotation system or may be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed between the Issuer, the Company and the relevant Dealer ("**Non-PD Notes**"). Any terms and conditions not contained herein which are applicable to each Tranche of Non-PD Notes will be set out in a pricing supplement (the "**Pricing Supplement**").

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 (or Pricing Supplement, as applicable). The Company has been assigned ratings of Aa2 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**
J.P. Morgan **National Bank of Abu Dhabi P.J.S.C.** **The Royal Bank of Scotland**

The date of this Base Prospectus is 18 December 2014

آيبيك
IPIC

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, 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) (the "Prospectus Directive") 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 (or Pricing Supplement, as applicable). 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 (or a Pricing Supplement, as applicable), must be read and construed together with the applicable Final Terms (or Pricing Supplement, as applicable).

The only persons authorised to use this Base Prospectus in connection with an offer of Notes are the relevant Dealers or the Managers (as identified in the relevant subscription agreement), as the case may be.

Copies of Final Terms and Pricing Supplement 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*"), save that a Pricing Supplement will only be available for inspection by a holder of a Non-PD Note and such holder must produce evidence satisfactory to the Issuer or the Paying Agent (as applicable) as to its holding of such Notes and identity.

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 142 to 145 (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 the 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, 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.

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, the Company 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.

The requirement to publish a base prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market for the purposes of the Markets in Financial Instruments Directive in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Base Prospectus to "Non-PD Notes" are to Notes issued by the Issuer for which no base prospectus is required to be published under the Prospectus Directive. The U.K. Listing Authority has neither approved nor reviewed information contained in this Base Prospectus in connection with Non-PD Notes.

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 18 December 2014 (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 (2013 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 judgments 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 judgment 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 judgments 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 judgment 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.

Investors may have difficulties in enforcing any arbitration awards against the Issuer or the Company in the courts of the U.A.E. Further, in the absence of any bilateral treaty for the reciprocal enforcement of foreign judgments, the U.A.E. courts are unlikely to enforce an English court judgment 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. 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 judgments 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 and related offering documents may only be offered in registered form to existing accountholders 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 any equivalent amount in another currency or such other amount as the CBB may determine.

This Base Prospectus does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Base Prospectus and related 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, other than to accredited investors for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Base Prospectus or related 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 Base Prospectus 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. No offer of securities will be made to the public in the Kingdom of Bahrain and this Base Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

This Base Prospectus has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority, the Qatar Central Bank or the Qatar Exchange. The Notes have not been, and will not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar in a manner that would constitute a public offering.

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 2013 (the "**2013 Financial Statements**"), 31 December 2012 (the "**2012 Financial Statements**" and, together with the 2013 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 2014 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.

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.

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 2012 and 2013 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 Şirketi;
- references to "**Barclays**" herein are to Barclays Bank PLC;
- references to "**Borealis**" herein are to Borealis AG;
- references to "**Borealis Chimie**" herein are to Borealis Chimie S.A.S.;
- references to "**Borouge**" herein are to Abu Dhabi Polymers Company Limited;
- references to "**CEPSA**" herein are to Compañia Española de Petróleos;
- 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 "**DRPIC**" herein are to Duqm Refinery and Petrochemical Industries Company LLC;
- references to "**EDP**" herein are to Energias de Portugal, S.A.;
- references to "**ELNG**" herein are to Emirates Liquefied Natural Gas (LNG) L.L.C.;
- 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 Xstrata 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 became 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 "**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 "**Rosier**" herein are to Rosier S.A.;
- references to "**SUMED**" herein are to Arab Petroleum Pipelines 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**" or "**U.S.**") 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.$1.00. In addition, all references to "**A$**" refer to Australian dollars, being the legal currency of The Commonwealth of Australia; "**CAD**" refer to Canadian dollars, being the legal currency of Canada; "**CHF**" refer to Swiss Francs, being the legal currency of Switzerland; "**EUR**", "**Euro**", "**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; "**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; "**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 "**TL**" refer to Turkish lira, being the legal currency of the Republic of Turkey. 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 or, as the case may be, named in the relevant Pricing Supplement (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

	Page
OVERVIEW OF THE COMPANY	1
OVERVIEW OF THE PROGRAMME	3
DOCUMENTS INCORPORATED BY REFERENCE	9
RISK FACTORS	10
APPLICABLE FINAL TERMS	27
FORM OF PRICING SUPPLEMENT	33
TERMS AND CONDITIONS OF THE NOTES	39
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM	62
USE OF PROCEEDS	67
DESCRIPTION OF THE ISSUER	68
OVERVIEW OF THE U.A.E. AND ABU DHABI	69
RELATIONSHIP WITH THE GOVERNMENT	75
CAPITALISATION OF THE GROUP	80
SELECTED FINANCIAL INFORMATION OF THE GROUP	81
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	84
DESCRIPTION OF THE GROUP	120
MANAGEMENT	137
BOOK-ENTRY CLEARANCE SYSTEMS	142
TAXATION	146
ERISA AND CERTAIN OTHER U.S. CONSIDERATIONS	156
SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS	158
GENERAL INFORMATION	170
INDEX TO FINANCIAL STATEMENTS	F-1

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 (or Pricing Supplement, as applicable).

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 2014, the Group's consolidated total assets were U.S.$69.7 billion. As of 30 June 2014, IPIC had approximately 200 employees and the consolidated companies in the Group had approximately 20,700 employees.

IPIC's registered office is IPIC Square, Muroor (4th) Road, 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, 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 are chairmen of leading Abu Dhabi banks and one is the chairman of the U.A.E. Central Bank.

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 December 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 2014.

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 Department of Finance of the Government on 5 March 2010. Please see "*Relationship with the Government—Government Statement of Support for IPIC*".

Strategy

IPIC leverages its 30 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 also 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 (or Pricing Supplement, as applicable). 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 Notes other than Non-PD Notes, 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 (2013 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, J.P. Morgan Securities plc, Merrill Lynch International, National Bank of Abu Dhabi P.J.S.C., 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**") or, in the case of Non-PD Notes, the applicable pricing supplement (the "**Pricing Supplement**").
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
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 Company, 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 Company, 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 (or Pricing Supplement, as applicable), 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), and: (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 (or Pricing Supplement, as applicable).
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 (or Pricing Supplement, as applicable)) as adjusted for any applicable margin. Interest periods will be specified in the applicable Final Terms (or Pricing Supplement, as applicable).
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 (or Pricing Supplement, as applicable).
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 (or Pricing Supplement, as applicable) 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 (or Pricing Supplement, as applicable) 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 (or Pricing Supplement, as applicable), 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 (or Pricing Supplement, as applicable). *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 (other than Non-PD Notes) on the Official List and to admit them to trading on the London Stock Exchange's Regulated Market and references to listing shall be construed accordingly.

As specified in the applicable Pricing Supplement, a Series of Notes may be unlisted or be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed between the Issuer, the Company and the relevant Dealer (the "**Non-PD Notes**").

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the Cayman Islands, the Dubai International Financial Centre, 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) (or any substantially identical successor United States Treasury Regulation section, including without limitation substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (the "**D Rules**") unless: (i) the applicable Final Terms (or Pricing Supplement, as applicable) states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any substantially identical successor United States Treasury Regulation section, including without limitation, substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (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 (or Pricing Supplement, as applicable) 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 United States 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 United Kingdom Financial Conduct Authority shall be incorporated in, and form part of, this Base Prospectus:

(a) the Terms and Conditions of the Notes contained on pages 39 to 61 (inclusive) in the base prospectus dated 19 February 2014 prepared by the Issuer in connection with the Programme;

(b) the Terms and Conditions of the Notes contained on pages 32 to 53 (inclusive) in the base prospectus dated 26 November 2012 prepared by the Issuer in connection with the Programme;

(c) 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

(d) 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. In addition, copies of such documents will be available on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

Any parts of the documents referred to in (a) to (d) (inclusive) 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.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the U.K. Listing Authority in accordance with Article 16 of the Prospectus Directive and relevant implementing measures in the United Kingdom. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a 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 of the Company, 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, results of operations, financial condition and prospects 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 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 which it may make, or in 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 and MAN Ferrostaal Beteiligungs GmbH (together with MAN SE, "**MAN**") 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.$47.9 billion as of 31 December 2010 to U.S.$69.7 billion as of 30 June 2014.

As a result of the above factor, 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 2014, 11.1 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 four years, having a year-end figure in 2010 of U.S.$77.45 per barrel, a year-end figure in 2011 of U.S.$107.46 per barrel, a year-end figure in 2012 of U.S.$109.45 per barrel and a year-end figure in 2013 of U.S.$105.87 per barrel. As of 28 November 2014, the average price of the OPEC Reference Basket for the year to that date was U.S.$99.57 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 over-supply 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. In particular, the deterioration of the sovereign debt of several countries of the Eurozone, including Cyprus, Greece, Italy, Ireland, Spain and Portugal, together with the risk of contagion to other, more stable, countries, particularly France and Germany, raised a number of uncertainties regarding the stability and overall standing of the European Monetary Union ("**EMU**"). Furthermore, the effectiveness of continuing 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 and capital 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, Aa2 (stable outlook) by Moody's and AA (stable outlook) by S&P. Each of Fitch, Moody's and S&P is established in the European Union and is registered under the CRA Regulation.

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 ratings will be disclosed in the applicable Final Terms (or Pricing Supplement, as applicable). 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. A decrease of 0.5 per cent. in market interest rates applicable to all the currencies in which the Group had borrowings for the year ended 31 December 2013 would have resulted in an increase of U.S.$40.2 million in the Group's profit before tax for that same year. 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 Iraq (Kurdistan), the Republic of Yemen, the Sultanate of Oman, Syria and Tunisia. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict/civil war 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 (2013 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*" and "*—Risks Relating to the Group's Investment Activities and Businesses*" 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, including the sanctioning by Extraordinary Resolution of a modification of any Condition, and to obtain a resolution in writing on matters relating to the Notes from Noteholders without calling a meeting. Such a written resolution signed by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes of the relevant Series who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Agency Agreement and whose Notes are outstanding shall, for all purposes, take effect as an Extraordinary Resolution. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who 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 EMU 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 transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Luxembourg will elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015.

The Council of the European Union formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or secured for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover additional types of income payable on securities.

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

The United States has enacted rules, commonly referred to as "**FATCA**", that generally impose a new reporting and withholding regime with respect to certain U.S. source payments (including interest and dividends), gross

proceeds from the disposition of property that can produce U.S. source interest and dividends and certain payments made by entities that are classified as financial institutions under FATCA. The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with the Cayman Islands (the "**IGA**"). Under the IGA, as currently drafted, the Issuer does not expect payments made on or with respect to the Notes to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the Notes in the future. Prospective investors should consult their own tax advisers regarding the potential impact of FATCA.

Whilst the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the "**ICSDs**"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes (and the Company's obligations under the Guarantee) are discharged once it has paid the common depositary for the ICSDs (as holder of the Notes) and therefore, neither the Issuer nor the Company has any responsibility for any amount thereafter transmitted through the hands of the ICSDs and custodians or intermediaries.

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*).

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 judgments 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 court judgment without first re-examining the merits of the claim, to which they may simply apply U.A.E. law; thus ignoring the choice by the parties of English law as the governing law of the transaction. In the unlikely event that the parties' choice was respected, it is important to note that in the U.A.E., foreign law is required to be established as a question of fact. Therefore, the interpretation of English law by a court in the U.A.E., may not accord with that 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 which is contrary 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. 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 Arbitration Rules of the London Court of International Arbitration, with an arbitral tribunal with its seat in London (or, subject to the exercise of an option to litigate given to certain parties (other than the Issuer or the Company) the courts of England and Wales are stated to have jurisdiction to settle any disputes).

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. In the absence of any other multilateral or bilateral enforcement convention, an arbitration award rendered in London should be enforceable in the U.A.E. as a foreign award 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.

How the New York Convention provisions would be interpreted and applied by the Abu Dhabi courts in practice and whether the Abu Dhabi courts will enforce a foreign arbitration award in accordance with the New York Convention (or any other multilateral or bilateral enforcement convention), remains largely untested. This is 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 independent of the Federal system, and whose rulings may have no more than persuasive force cross border. Although there are examples of foreign arbitral awards being enforced in the U.A.E. under the New York Convention, there are other cases where the enforcement of foreign arbitral awards have been refused, with, for example, the relevant judge confusing the requirements for the enforcement of domestic awards with the requirements for the enforcement of foreign awards under the U.A.E. Federal Law No. 1 of 1992 as amended, or ignoring the provisions of Article 238 of Federal Law No. 11 of 1992 (as amended by Federal Law No. 30 of 2005) (the "**Law of Civil Procedure**"). Article 238 of the Law of Civil Procedure provides that Articles 235 to 237 (which deal with enforcement of foreign judgments, orders and instruments and which contain onerous requirements which must be satisfied before enforcement will be considered by the U.A.E. courts) apply only in the absence of multilateral or bilateral conventions such as the New York Convention. Therefore, there remains a risk that when faced with an action for enforcement of a foreign arbitration award under the New York Convention, the Abu Dhabi courts might continue to ignore Article 238 of the Law of Civil Procedure and instead apply Articles 235 to 237. If Article 238 is ignored, there is a risk that a foreign arbitration award will be refused enforcement by the Abu Dhabi courts.

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 judgment 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.

In addition, in respect of Notes of any Series denominated in a Specified Currency other than U.S. dollars and which are represented by a Global Certificate accepted by DTC, payments of principal and interest will be made in accordance with Clause 13 of the Agency Agreement, pursuant to which Noteholders have the option to make an irrevocable election to receive such payment in the relevant Specified Currency. In respect of any Notes for which a Noteholder has not so elected, the Exchange Agent will, pursuant to Clause 13 of the Agency Agreement, purchase the required U.S. dollars, using the Specified Currency amount received from the Fiscal Agent, at a purchase price calculated on the basis of the Exchange Agent's internal foreign currency conversion rate on the relevant payment date in respect of the relevant Specified Currency (the "**Applicable Exchange Rate**") and, after deducting any spread, charges, fees or commissions payable to it, transfer the purchased amount in U.S. dollars to DTC for payment *pro rata* to the relevant accountholders in accordance with DTC's settlement procedures. If, for any reason, it is not possible for the Exchange Agent to purchase U.S. dollars, the relevant payment of principal or interest will be made to the relevant Noteholder in the relevant Specified Currency, as more fully described in Clause 13 of the Agency Agreement.

No assurance can be given that the amount of U.S. dollars received by an investor who does not elect to receive a payment of principal or interest in respect of such Notes in the Specified Currency will be equal to the amount of U.S. dollars that the investor could have realised in the foreign exchange market if the principal or interest payment made on the investor's Notes were instead paid directly to the investor in the Specified Currency and the investor had converted the Specified Currency into U.S. dollars. None of the Issuer, the Company or the Exchange Agent will be liable to any person for any losses resulting from application by the Exchange Agent of the Applicable Exchange Rate nor will any of them have any obligation to compensate or indemnify any Noteholders against any difference between the amount received in U.S. dollars and the amount that would have been due and payable had the relevant payment been made in the relevant Specified Currency. In addition, even if a Noteholder does not make an irrevocable election to receive a payment on the Notes in the Specified Currency, if for any reason it is not possible for the Exchange Agent to purchase U.S. dollars with the relevant Specified Currency, the Noteholders will receive the relevant Specified Currency in respect of such payment, as more fully described in Clause 13 of the Agency Agreement. In such event, none of the Issuer the Company or the Exchange Agent shall have any obligation to compensate or indemnify any Noteholder against any losses resulting from the Exchange Agent's inability to purchase U.S. dollars in accordance with Clause 13 of the Agency Agreement, and the inability of the Exchange Agent to purchase U.S. dollars will not, for the avoidance of doubt, constitute an Event of Default.

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

Final Terms dated [●]

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 18 December 2014 (the "**Base Prospectus**") [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), as amended (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 18 December 2014 (the "**Base Prospectus**"). 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), as amended (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated 18 December 2014 [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 the Conditions, these Final Terms and the Base Prospectus dated 18 December 2014 [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:		[●] 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/not subject to any adjustment, as the Business Day Convention in (c) below is specified to be Not Applicable]]

(b)	Interest Period Date:	[●]
(c)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
(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)	Linear Interpolation:	[Applicable/Not Applicable—the Rate of Interest for the [long/short][first/last] Interest Period shall be calculated using Linear Interpolation]
(j)	Margin(s):	[+/-][●] per cent. per annum
(k)	Minimum Rate of Interest:	[●] per cent. per annum
(l)	Maximum Rate of Interest:	[●] per cent. per annum
(m)	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:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA) Actual/Actual (ICMA)]

PROVISIONS RELATING TO REDEMPTION

17. Call Option:	[Applicable/Not Applicable]
(a) Optional Redemption Date(s):	[●]
(b) Optional Redemption Amount:	[[●] per Calculation Amount] [Condition 6(b) applies]
(c) If redeemable in part:	
(i) Minimum Redemption Amount:	[●] per Calculation Amount
(ii) Maximum Redemption Amount:	[●] per Calculation Amount
18. General Put Option:	[Applicable/Not Applicable]
(a) Optional Redemption Date(s):	[●]
(b) Optional Redemption Amount:	[[●] per Calculation Amount] [Condition 6(b) applies]
19. Change of Control Put Option:	[Applicable/Not Applicable]
(a) Change of Control Redemption Amount:	[●] per Calculation Amount
(b) Put Period:	[●]
20. Final Redemption Amount:	100 per cent. of nominal amount
21. 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

22. Form of Notes:	[Bearer Notes: [Temporary Global Note exchangeable on and after the Exchange Date for a permanent Global Note which is exchangeable for Definitive Notes [on [●] days' notice given at any time/only upon an Exchange Event]] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes [on [●] days' notice given at any time/only upon an Exchange Event]]] [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]]
23. Additional Financial Centre(s) or other special provisions relating to Payment Days:	[Not Applicable/[●]]
24. 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 [will be/has been] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and to the official list of the U.K. Listing Authority with effect from [the Issue Date/[●]]
(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, the Guarantor and their 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):	[●]/[Not Applicable]
(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]

FORM OF PRICING SUPPLEMENT

Pricing Supplement dated [●]

No base prospectus is required to be produced in accordance with Directive 2003/71/EC, 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) (the "**Prospectus Directive**") for the issue of Notes described below and, accordingly, the Notes issued as described below are not required to, and do not comply with, the Prospectus Directive. The U.K. Listing Authority has neither approved nor reviewed the information contained in this Pricing Supplement.

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 18 December 2014 (the "**Base Prospectus**") [and the supplement(s) to it dated [●]]. This document constitutes the Pricing Supplement relating to the issue of Notes described herein and must be read in conjunction with the Base Prospectus [as so supplemented].

In order to get the full information on the Issuer, the Guarantor and the Notes described herein, this Pricing Supplement must be read in conjunction with the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Base Prospectus] [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 18 December 2014 (the "**Base Prospectus**"). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Base Prospectus dated 18 December 2014 [and the supplement(s) to it dated [●]]*, 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 the Conditions, this Pricing Supplement and the Base Prospectus dated 18 December 2014 [and the supplement(s) to it dated [●]]*. The Base Prospectus [and the supplemental Base Prospectus] [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.]

* *Only include this language where it is a fungible issue and the original Tranche was issued under a "Prospectus" with a different date.*

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.]

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] [Other (*specify*)]
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 [Other (*specify*)]
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:	[●] 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)] [(*specify other*)]

(f)	Determination Date(s):	[●] in each year
(g)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
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/, not subject to any adjustment, as the Business Day Convention in (c) below is specified to be Not Applicable]
(b)	Interest Period Date:	[●]
(c)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)] [Not Applicable]
(d)	Business Centre(s):	[●]
(e)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/ other (*give details*)]
(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] [Other (*specify*)]
	(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)	Linear Interpolation:	[Applicable/Not Applicable—the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(j)	Margin(s):	[+/-][●] per cent. per annum
(k)	Minimum Rate of Interest:	[●] per cent. per annum
(l)	Maximum Rate of Interest:	[●] per cent. per annum
(m)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA) Actual/Actual (ICMA)]

(n) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculation of interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
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:	[●]
(d) Any other formula/basis of determining amount payable:	[●]

PROVISIONS RELATING TO REDEMPTION

17. Call Option:	[Applicable/Not Applicable]
(a) Optional Redemption Date(s):	[●]
(b) Optional Redemption Amount:	[[●] per Calculation Amount] [Condition 6(b) applies]
(c) If redeemable in part:	
(i) Minimum Redemption Amount:	[●] per Calculation Amount
(ii) Maximum Redemption Amount:	[●] per Calculation Amount
18. General Put Option:	[Applicable/Not Applicable]
(a) Optional Redemption Date(s):	[●]
(b) Optional Redemption Amount:	[[●] per Calculation Amount] [Condition 6(b) applies]
19. Change of Control Put Option:	[Applicable/Not Applicable]
(a) Change of Control Redemption Amount:	[●] per Calculation Amount
(b) Put Period:	[●]
20. Final Redemption Amount:	100 per cent. of nominal amount
21. 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

22. Form of Notes:	[Bearer Notes: [Temporary Global Note exchangeable on and after the Exchange Date for a permanent Global Note which is exchangeable for Definitive Notes [on [●] days' notice given at any time/only upon an Exchange Event]] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes [on [●] days' notice given at any time/only upon an Exchange Event]]] [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]]
23. Additional Financial Centre(s) or other special provisions relating to Payment Days:	[Not Applicable/[●]]
24. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No]
25. Other terms or specified conditions:	[Not Applicable/*give details*]

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:	[The Notes to be issued are unlisted]/[●]
(ii)	Estimate of total expenses related to admission to trading:	[●]/[Not Applicable]

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, the Guarantor and their 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. **DISTRIBUTION**

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/*give names*]
(iii)	Stabilisation Manager(s) (if any):	[Not Applicable/*give names*]
(iv)	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
(v)	U.S. Selling Restrictions:	[Reg. S Compliance Category [1/2/3]; [Rule 144A;] TEFRA C/TEFRA D/TEFRA not applicable]
(vi)	Additional selling restrictions:	[Not Applicable/*give details*]

7. **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 (or, in the case of Non-PD Notes, the applicable Pricing Supplement) 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, in the case of Non-PD Notes, the applicable Pricing Supplement); 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 (or, in the case of Non-PD Notes, the applicable Pricing Supplement). 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".*

*In the case of a Tranche of Notes which will not be admitted to listing, trading on a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC) in the European Economic Area and/or quotation by any competent authority, stock exchange and/or quotation system or will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed between the Issuer, the Company and the relevant Dealer ("**Non-PD Notes**") and, accordingly, for which no base prospectus is required to be produced in accordance with Directive 2003/71/EC, 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) (the "**Prospectus Directive**"), a pricing supplement (a "**Pricing Supplement**") will be issued describing the final terms of such Tranche of Non-PD Notes.*

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 18 December 2014 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 18 December 2014 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 18 December 2014 and a deed poll dated 18 December 2014 (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) and: (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 or an Instalment 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.

The Guarantor has unconditionally and irrevocably guaranteed in the Deed of Guarantee that if the Issuer does not pay any sum payable by it under the Deed of Covenant or the Notes by the time, in the currency and on the date specified in the Conditions (whether on the normal due date, on acceleration or otherwise), the Guarantor shall pay to each Holder on demand that sum payable by the Issuer. As between the Guarantor, the Holders and the Relevant Account Holders but without affecting the Issuer's obligations, the Guarantor shall be liable under the Guarantee as if it were the sole principal debtor and not merely a surety and the Guarantor's obligations shall remain in full force and effect by way of continuing security until no sum remains payable under the Guarantee, the Notes or the Deed of Covenant. The Deed of Guarantee is available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent (see "General Information—Documents Available").

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(f).

(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(f). 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 (or Pricing Supplement, as applicable) and the provisions below relating to any one or more of ISDA Determination, Screen Rate Determination or Linear Interpolation shall apply, depending upon which is specified in the applicable Final Terms (or Pricing Supplement, as applicable).

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms (or Pricing Supplement, as applicable) 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 (or Pricing Supplement, as applicable);

(y) the Designated Maturity is a period specified in the applicable Final Terms (or Pricing Supplement, as applicable); and

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

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 (or Pricing Supplement, as applicable) 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, LIBID or LIMEAN 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.

(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, LIBID or LIMEAN, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Eurozone 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, LIBID or LIMEAN, 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, LIBID or LIMEAN, 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, LIBID or LIMEAN, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone 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, LIBID or LIMEAN, 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, LIBID or LIMEAN, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone 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) *Linear Interpolation*

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided that, if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Applicable Maturity**" means: (i) in relation to Screen Rate Determination, the period of time designated in the Reference Rate; and (ii) in relation to ISDA Determination, the Designated Maturity.

(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) ***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).

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

(i) If any Margin is specified in the applicable Final Terms (or Pricing Supplement, as applicable) (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 (or Pricing Supplement, as applicable), 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.

(f) ***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 (or Pricing Supplement, as applicable), 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.

(g) ***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.

(h) ***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 (or Pricing Supplement, as applicable), 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 (or Pricing Supplement, as applicable), the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms (or Pricing Supplement, as applicable), 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 (or Pricing Supplement, as applicable), 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 (or Pricing Supplement, as applicable), 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 (or Pricing Supplement, as applicable), 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 (or Pricing Supplement, as applicable), the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

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

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

"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;

"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

"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 (or Pricing Supplement, as applicable),

(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);

"**Eurozone**" 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 (or Pricing Supplement, as applicable), shall mean the Fixed Coupon Amount or Broken Amount specified in the applicable Final Terms (or Pricing Supplement, as applicable) 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 (or Pricing Supplement, as applicable);

"**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 unless otherwise specified hereon;

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified in the applicable Final Terms (or Pricing Supplement, as applicable);

"**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 (or Pricing Supplement, as applicable);

"**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, LIBID or LIMEAN, 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 Eurozone office of four major banks in the Eurozone 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 (or Pricing Supplement, as applicable) (or any successor or replacement page, section, caption, column or other part of a particular information source);

"**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.

(i) ***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 (or Pricing Supplement, as applicable). 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 (or Pricing Supplement, as applicable) 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), Condition 6(d) or Condition 6(e) 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 (or Pricing Supplement, as applicable).

(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), Condition 6(d) or Condition 6(e) 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), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10, shall be the Early Redemption Amount specified in the applicable Final Terms (or Pricing Supplement, as applicable).

(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 (or Pricing Supplement, as applicable), 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 specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)) 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 (or Pricing Supplement, as applicable) and no greater than the Maximum Redemption Amount to be redeemed specified in the applicable Final Terms (or Pricing Supplement, as applicable).

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 (or Pricing Supplement, as applicable), 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 specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)) together with interest accrued to the date fixed for redemption.

(ii) Except where expressly specified as not applicable in the applicable Final Terms (or Pricing Supplement, as applicable), 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) ***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(g).

(g) ***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.

(h) ***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***: Payments will be subject in all cases to: (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8; and (ii) notwithstanding the provisions of Condition 8, 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, any 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 seat 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. 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; 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 (or Pricing Supplement, as applicable) 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; or

(ii) in whole or in part and 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 of the same Series (exchangeable for Definitive Notes in the circumstances set out in "*—Permanent Global Notes*" below),

in each case, in accordance with the applicable Final Terms (or Pricing Supplement, as applicable).

The option for temporary Global Notes to be exchangeable for Definitive Notes by giving notice should not be expressed to be applicable under paragraph 22 (*Form of Notes*) in Part A of the applicable Final Terms (or Pricing Supplement, as applicable) 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) on the expiry of such period of notice as may be specified in the applicable Final Terms (or Pricing Supplement, as applicable); or

(ii) upon the occurrence of an Exchange Event,

in each case, in accordance with the applicable Final Terms (or Pricing Supplement, as applicable).

For these purposes, "**Exchange Event**" means: (a) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System, that 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 (b) if principal in respect of any Notes is not paid when due, the holder giving notice to the Fiscal Agent of its election for such exchange; or (c) the Issuer or the Guarantor has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by Definitive Notes.

The option for permanent Global Notes to be exchangeable for Definitive Notes by giving notice should not be expressed to be applicable under paragraph 22 (*Form of Notes*) in Part A of the applicable Final Terms (or Pricing Supplement, as applicable) 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 permanent Global Note exchangeable for Definitive Notes.

Global Certificates

Unrestricted Global Certificates

If the applicable Final Terms (or Pricing Supplement, as applicable) 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 relevant 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 (or Pricing Supplement, as applicable) 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 the 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 holder has given the relevant Registrar not less than thirty (30) days' notice at its specified office of the registered holder'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 if principal in respect of any Notes is not paid when due.

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 18 December 2014 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.

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 (see further "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Borrowings—Listed notes and other borrowing instruments*").

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	Head of Finance 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 October 2014, the U.A.E. is estimated to be the second largest economy in the Gulf region after the Kingdom of Saudi Arabia, 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 2013, the U.A.E. had approximately 8.1 per cent. of the world's proven global oil reserves (giving it the sixth largest oil reserves in the world) and export of petroleum products generated U.S.$126.3 billion for the year ended 31 December 2013 (being 33.3 per cent. of the total value of exports and 31.9 per cent. of the U.A.E.'s GDP at market prices).

The U.A.E. National Bureau of Statistics has estimated on a preliminary basis that real GDP in the U.A.E. for 2013 was AED 1,087.2 billion, reflecting the general economic recovery in the wake of the global economic crisis. Based on IMF data (extracted from the World Economic Outlook Report (October 2014)), real GDP growth in the U.A.E. increased by 5.2 per cent. in 2013 (estimated), 4.7 per cent. in 2012 and 4.9 per cent. in 2011.

On 17 August 2014, Moody's Investors Service Singapore Pte. Ltd. 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.

Recently, the MSCI Emerging Markets Index has upgraded the U.A.E. to an "emerging market" economy (compared to the previous classification of "frontier market") with nine U.A.E. companies, including Arabtec, being added to the benchmark index.

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 has approximately 94 per cent. of the U.A.E.'s total oil reserves and, according to the Abu Dhabi Statistics Centre (the "**Statistics Centre**"), produced 2.7 million barrels of oil per day in the year ended 31 December 2013.

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 3.0 per cent. of the world's natural gas reserves of 200,363 billion standard cubic metres (according to OPEC at 31 December 2013).

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

	2013	2012	2011	2010
Crude oil production (million b/d)	2.7	2.6	2.5	2.3
Crude oil exports (million b/d)	2.5	2.4	2.3	2.0
Crude oil exports (U.S.$ billions)	100.5	97.9	91.2	58.4
Average selling price (U.S.$ per barrel)	109.2	112.1	109.5	78.5

Source: Statistics Centre.

The population of the U.A.E., based on a census carried out in 2005 and according to the U.A.E. National Bureau of Statistics, 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 2011 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 Statistics Centre.

Since 2005, Abu Dhabi's population has grown by 75.3 per cent. to 2,453,096 in 2013, according to mid-year estimates from the Statistics Centre.

In 2013 and based on the Statistics Centre mid-year estimates, Abu Dhabi had a predominantly young population with 0.9 per cent. being 65 years and over and 16.8 per cent. being under the age of 15. According to the same data, between 2005 and 2013, Abu Dhabi's average annual population growth rate was 7.5 per cent. The population mix in 2013 is estimated by the Statistics Centre to have comprised 20.2 per cent. U.A.E. nationals and 79.8 per cent. non-nationals.

According to the Statistics Centre, Abu Dhabi's nominal GDP per capita was approximately U.S.$105,815 in 2013, which makes it one of the highest in the Gulf region. The oil and gas industry dominates Abu Dhabi's economy and contributed 55.0 per cent. of nominal GDP in 2013. 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. Increases in oil and gas production rates combined with increases in oil prices contributed significantly to the growth in Abu Dhabi's GDP from 2004 to 2008 and again from 2010 onwards. 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 2012 and 2013, the non-oil sector accounted for approximately 43.0 per cent. and 45.0 per cent., respectively, of Abu Dhabi's GDP.

No meaningful real GDP information is currently available for Abu Dhabi as a result of historical uncertainties surrounding the calculation of inflation for the Emirate.

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.

	2013	2012	2011
	(AED billions, except for percentage)		
Abu Dhabi nominal GDP (current price)	953.2	909.7	846.7
Percentage change in Abu Dhabi nominal GDP	4.8	7.4	32.3
U.A.E. nominal GDP (current prices)	1,477.6	1,409.5	1,280.2
Abu Dhabi as a percentage of U.A.E	64.5	64.5	66.1

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 57.3 per cent. of nominal GDP in 2011, 57.0 per cent. in 2012 and 55.0 per cent. in 2013. 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 2011, 2012 and 2013 have been: construction; manufacturing; real estate; financial and insurance sector; transportation and storage; and wholesale, retail trade and repair of motor vehicles and motorcycles, which together accounted for 30.4 per cent. of nominal GDP in 2011, 30.3 per cent. in 2012 and 31.6 per cent. in 2013.

In terms of growth, the fastest growing sectors between 2005 and 2013 were human health and social work; real estate; public administration and defence and compulsory social security; transportation and storage; and construction, with compound annual growth rates ("**CAGRs**") of 25.6 per cent., 20.3 per cent., 19.8 per cent., 19.0 per cent. and 15.8 per cent., respectively.

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.

	2013*			**2012**			**2011**		
	(AED millions)	**(%)**	**(2013 compared to 2012, % change)**	**(AED millions)**	**(%)**	**(2012 compared to 2011, % change)**	**(AED millions)**	**(%)**	**(2011 compared to 2010, % change)**
Sector									
Agriculture, forestry and fishing	5,451	0.6	1.6	5,365	0.6	4.5	5,136	0.6	12.7
Mining and quarrying (includes crude oil and natural gas)	523,899	55.0	1.0	518,861	57.0	7.0	484,737	57.3	52.8
Manufacturing	54,261	5.7	12.6	48,208	5.3	0.5	47,967	5.7	33.9
Electricity, gas and water supply; waste management	23,857	2.5	7.9	22,100	2.4	16.3	18,996	2.2	14.9
Construction	85,358	9.0	2.7	83,153	9.1	(0.4)	83,516	9.9	0.9
Wholesale and retail trade; repair of motor vehicles and motorcycles	34,782	3.6	9.9	31,639	3.5	12.7	28,086	3.3	(1.5)
Transportation and storage	35,014	3.7	9.3	32,038	3.5	9.6	29,238	3.5	37.7
Accommodation and food services	9,672	1.0	11.6	8,665	1.0	2.2	8,477	1.0	12.3
Information and communication	21,601	2.3	15.3	18,736	2.1	(3.1)	19,337	2.3	1.6
Financial and insurance	45,799	4.8	12.4	40,742	4.5	23.9	32,885	3.9	12.1
Real estate	45,417	4.8	12.6	40,334	4.4	16.3	34,693	4.1	25.9
Professional, scientific and technical	20,921	2.2	14.0	18,356	2.0	(4.2)	19,160	2.3	6.3
Administrative and support services	11,134	1.2	13.9	9,777	1.1	1.4	9,643	1.1	21.5
Public administration and defence; compulsory social security	43,757	4.6	8.6	40,293	4.4	20.3	33,506	4.0	9.3
Education	11,880	1.2	11.4	10,660	1.2	17.7	9,058	1.1	29.7
Human health and social work	9,290	1.0	16.0	8,011	0.9	41.9	5,644	0.7	53.8
Arts, recreation and other services	3,351	0.4	18.7	2,822	0.3	13.7	2,483	0.3	(27.3)
Activities of households as employers	2,358	0.2	13.2	2,084	0.2	16.6	1,787	0.2	13.7
Less: Imputed Bank Service Charge	(34,562)	(3.6)	7.6	(32,123)	(3.5)	16.1	(27,665)	(3.3)	23.1
Total GDP	**953,239**	**100.0**	**—**	**909,721**	**100.0**	**—**	**846,684**	**100.0**	**—**

* Preliminary estimates.

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 17 August 2014. 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 and inflation 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 4 April 2014. S&P commented that the ratings on Abu Dhabi

are anchored by the Emirate's strong fiscal and external positions. S&P further commented that, in addition to providing fiscal policy 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 and exposure to the contingent liabilities of government-related entities. Further, the Government is vulnerable to the cyclicality of the hydrocarbon economy and has limited monetary policy flexibility in addition to a relatively underdeveloped domestic bond market.

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 15 August 2014. Fitch commented that the affirmation reflected the strong sovereign balance sheet, continuation of hydrocarbon surpluses, robust economic growth and stabilising debt ratios. On the other hand, Fitch noted that heavy reliance on oil 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 in March 2014. 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.

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.

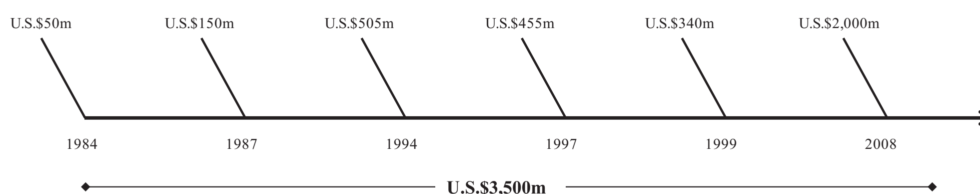
The Chairman of the Company's board of directors, H.H. Sheikh Mansour bin Zayed Al Nahyan, is a member of the ruling family of Abu Dhabi, the Deputy Prime Minister of the U.A.E. and the U.A.E. Minister of Presidential Affairs. Other members of the Company's board of directors include senior officials 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. Deputy Prime Minister	Board Member of ADIA
			U.A.E. Minister of Presidential Affairs	Board Member of the Council
			Chairman of EIA	
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		Board Member of ADIA
		Member of the Executive Council		Board Member of Mubadala
		Chairman of the Civil Service Council		
H.E. Nasser Ahmed Khalifa Alsowaidi	Chairman of the Energy Authority	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.



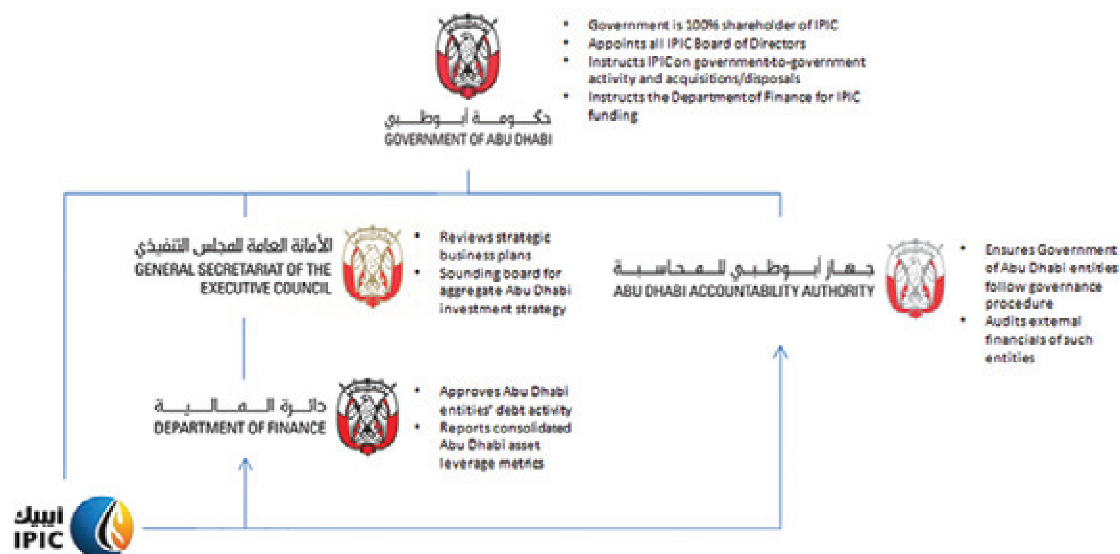
In addition to these amounts, in each of June 2010 and December 2011, the Government provided the Company with a U.S.$500 million perpetual shareholder loan to meet its obligations in respect of QADIC, which is a joint venture between the Government and the government of the State of Qatar. The aggregate 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 2014. 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 completed the construction of its new headquarters on this plot of land in 2012.

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. The Company also co-ordinates with the Department of Finance of the Government 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. The Company's overall reporting lines *vis-à-vis* the Government are set out below.



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 Department of Finance of the Government, as authorised by H.E. Hamad Al Hurr Al Suwaidi, Chairman of the Department of Finance of the Government (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 design 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 group; 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 a series of world-class petrochemicals complexes 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 Abu Dhabi crude oil, such as Murban and Upper Zakum, and other regional and opportunity crude oils;
- the Emirates Liquefied Natural Gas project (the "**ELNG Project**"), a 50/50 joint venture with Mubadala Petroleum, a business unit of Mubadala, involving the development of a new liquefied natural gas ("**LNG**") regasification facility 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 government of the Sultanate of Oman, involving the development of a new oil refinery complex 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 alizz 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 group, 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 series of world-class petrochemicals complexes by ChemaWEyaat; and Aabar's diversified investments in the aerospace, commodities and food security, financial services, construction and real estate industries.

In addition, through its investments, the Company adds to Abu Dhabi's strategy of industrial diversification, job creation and local Emirati-skills development. An example of this is Borouge which, as of 30 June 2014, employed approximately 3,000 people in Abu Dhabi and overseas. In addition, Borouge and Borealis have developed an innovation centre in Abu Dhabi, which is currently operational and 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. The pipeline is intended to help mitigate the risk of a suspension of crude 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 initiative 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 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 Abu Dhabi's crude oil, such as Murban and Upper Zakum, and other regional and opportunity crude oils; and
- the ELNG Project, a 50/50 joint venture with Mubadala Petroleum, a business unit of Mubadala, involving the development of a new LNG regasification facility 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 Qatar Holding which targets global acquisitions in all sectors; the Al Falah Growth Fund, established with the Government of Kazakhstan to invest in projects and companies in the Commonwealth of Independent States, with a focus on Kazakhstan; and PARCO, a joint venture with the Government of Pakistan, which operates (amongst others) a refinery and storage facility in Multan, Pakistan and a network of crude oil and refined product pipelines extending for 1,170 kilometres across the country. Further, in March 2013, the Company and 1MY Strategic Oil Terminal Sdn Bhd entered into an agreement in relation to the development and construction of a petroleum storage facility for up to approximately 60 million barrels of crude oil to be located at Tanjung Piai in Johore State, Malaysia.

Other countries with which the Company has partnered or made joint investments include the Arab Republic of Egypt, Austria, Papua New Guinea, the Kingdom of Saudi Arabia, 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 2014. 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 2014
	(U.S.$'000)
Cash and short-term deposits[1]	**4,760,702**
Debt:	
Short-term debt[2]	4,409,240
Long-term debt	26,912,901
Total debt	**31,322,141**
Equity:	
Share capital	3,500,000
Retained earnings	11,662,859
Shareholder loan	1,000,000
Other reserves[3]	608,953
Non-controlling interest	2,377,686
Total equity	**19,149,498**
Total capitalisation[4]	**50,471,639**

(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, share of reserves of associates and other reserves.

(4) Total equity plus total debt.

Save as described under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments*", there have been no significant changes in the cash and short-term deposits, debt or consolidated capitalisation of the Group since 30 June 2014.

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 Audited Financial Statements 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 Financial Statements 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 2014, 31 December 2013, 31 December 2012 and 31 December 2011 and certain consolidated income statement and statement of cash flows data of the Group for the six months ended 30 June 2014 and 30 June 2013 and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011.

The financial statements of the Company's subsidiaries are prepared for the same financial period 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 statement of cash flows data included in this Base Prospectus relating to the Group have been extracted from the Financial Statements.

Statement of Financial Position Data

	As of 30 June 2014 (Unaudited)	As of 31 December		
		2013	2012	2011
		(U.S.$'000)		
Total assets	**69,681,888**	**68,386,841**	**65,160,439**	**65,263,864**
of which:				
Property, plant and equipment	17,908,162	15,047,083	17,780,031	17,282,471
Intangible assets	2,818,730	2,734,359	2,638,852	2,461,065
Investment properties	2,283,055	2,196,063	1,986,013	1,937,370
Investments in associates and jointly controlled entities	11,427,107	11,026,029	10,254,712	8,906,994
Investments in financial instruments	7,767,437	8,234,724	9,155,636	9,704,475
Other non-current assets	3,456,380	4,672,507	4,948,562	4,231,247
Inventories	5,815,753	4,759,166	5,496,191	5,125,543
Current trade and other receivables	7,061,762	7,135,027	6,370,553	6,435,999
Cash and short-term deposits	4,760,702	6,818,844	4,912,711	4,992,819
Assets included in disposal groups held for sale	3,773,737	3,679,268	—	2,770,103
Total liabilities	**50,532,390**	**50,849,830**	**49,596,428**	**51,040,706**
of which, borrowings	31,322,141	33,503,914	36,746,654	35,779,811
Total equity	**19,149,498**	**17,537,011**	**15,564,011**	**14,223,158**

Income Statement Data

	Six months ended 30 June (Unaudited)		Year ended 31 December		
	2014	2013	2013	2012	2011
			(U.S.$'000)		
CONTINUING OPERATIONS					
Revenues	27,267,216	26,047,204	52,834,762	51,902,329	34,318,409
Cost of sales	(24,267,290)	(23,445,985)	(47,617,357)	(46,341,860)	(30,183,416)
Gross profit	**2,999,926**	**2,601,219**	**5,217,405**	**5,560,469**	**4,134,993**
Share of post tax profits of associates and jointly controlled entities	468,851	575,559	964,668	1,097,982	1,045,514
Selling and distribution costs	(1,210,711)	(1,134,359)	(2,317,339)	(2,274,186)	(1,591,167)
General and administrative expenses	(640,771)	(490,316)	(1,107,543)	(945,864)	(842,130)
Research and development expenses	(183,988)	(124,143)	(253,987)	(263,761)	(238,319)
Net gain on foreign exchange	65,967	193,126	(131,127)	159,150	838,983
Finance income	246,781	378,093	637,074	723,001	765,109
Finance costs	(631,335)	(721,430)	(1,349,570)	(1,584,233)	(1,452,249)
Other income	119,322	47,855	255,003	107,172	76,745
Other expense	(40,767)	(66,591)	(142,826)	(170,606)	(344,395)
Gains on acquisitions and disposals	175,924	963	283,440	194,695	50,139
Other gains/(losses) on financial instruments	228,760	(154,454)	527,234	(316,598)	(1,490,426)
Profit before tax from continuing operations	**1,597,959**	**1,105,522**	**2,582,432**	**2,287,221**	**952,797**
Tax expense	(368,141)	(244,117)	(421,087)	(671,029)	(412,232)
Profit for the period from continuing operations	**1,229,818**	**861,405**	**2,161,345**	**1,616,192**	**540,565**
DISCONTINUED OPERATIONS					
Profit/(loss) for the period from discontinued operations	**—**	**—**	**—**	**140,054**	**(495,873)**
Profit for the period	**1,229,818**	**861,405**	**2,161,345**	**1,756,246**	**44,692**

Statement of Cash Flows Data

	Six months ended 30 June (Unaudited)		Year ended 31 December		
	2014	2013	2013	2012	2011
			(U.S.$'000)		
Net cash from operating activities	515,188	1,528,122	4,428,372	2,546,976	1,600,539
Net cash (used in) from investing activities	(1,484,141)	713,729	2,634,426	(2,060,558)	(10,292,202)
Net cash (used in) from financing activities	(1,052,564)	(2,701,641)	(5,259,163)	(917,884)	11,019,886

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 of Abu Dhabi 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 six months ended 30 June 2014 and 2013 and for the years ended 31 December 2013, 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 2014, 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.

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 2014 and 2013 and the years ended 31 December 2013, 2012 and 2011.

	Six months ended 30 June		Year ended 31 December		
	2014	**2013**	**2013**	**2012**	**2011**
Consolidated Subsidiaries					
Aabar	Full Consolidation	Full Consolidation	Full Consolidation	Full Consolidation	Full Consolidation
Borealis	Full Consolidation	Full Consolidation	Full Consolidation	Full Consolidation	Full Consolidation
CEPSA[1]	Full Consolidation	Full Consolidation	Full Consolidation	Full Consolidation	Through 4 July: Equity method/ From 5 July: Full Consolidation
Ferrostaal[2]	—	—	—	Through 7 March: Shown as disposal group held for sale	Shown as disposal group held for sale
NOVA Chemicals	Full Consolidation	Full Consolidation	Full Consolidation	Full Consolidation	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	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
Oil Search[3]	Available-for-Sale	Amortised Cost	Amortised Cost	Amortised Cost	Amortised Cost
Joint Ventures[4]					
DRPIC	Equity Method	Equity Method	Equity Method	From 1 January 2012: Equity Method	—
ELNG	Equity Method	Equity Method	Equity Method	From 20 May 2012: Equity Method	—

(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 as a subsidiary 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 audited consolidated financial statements of the Group as of and for the year ended 31 December 2011.

(3) In March 2014, the IPBC Bond was exchanged into 196,604,177 ordinary shares in Oil Search, giving the Company a 12.94 per cent. stake based on shareholdings as at 30 June 2014. Please see Note 24 ("*Other Assets*") to the 2013 Financial Statements.

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

Recent Developments

- In July 2014, CEPSA entered into a 50/50 joint venture with Golden Agri-Resources Ltd, a wholly-owned company of Sinar Mas Group, for the manufacture and distribution of fatty alcohol globally.
- In September 2014, Borealis completed the acquisition of DuPont Holding Netherland B.V.'s shares of Speciality Polymers Antwerp N.V. Previously, Speciality Polymers Antwerp N.V., located in Zwijndrecht (Antwerp, Belgium), was a joint venture between DuPont Holding Netherlands B.V. (67 per cent.) and Borealis Polymers N.V. and Borealis Kallo N.V. (together, 33 per cent.).
- In September 2014, Borealis signed an agreement on the refinancing of its €1 billion syndicated revolving credit facility. The new facility replaced the existing 2012 financing and extended the maturity to 2019, with an additional extension option of up to two years beyond 2019.

- On 28 October 2014, NOVA Chemicals issued U.S.$500 million 5 per cent. senior notes due May 2025. The net proceeds of this issuance were partly used to redeem NOVA Chemicals' existing U.S.$350 million 8.625 per cent. senior notes due 2019 on 3 November 2014. The remaining net proceeds will be used for general corporate purposes.
- In October 2014, the Company entered into a long-term strategic agreement with Real Madrid, Club de Fútbol ("**Real Madrid**"). The objective of this partnership is to globalise Real Madrid's assets (including the development and global expansion of its football schools and museum as well as the renovation of its Santiago Bernabéu stadium).
- In November 2014, Aabar raised its stake in Arabtec to 34.93 per cent. at a cost of U.S.$962 million. Subsequently, Aabar purchased additional shares of Arabtec, which increased its stake to 35.27 per cent.
- In November 2014, Aabar completed refinancings associated with its funded collar transactions in respect of its shares in UniCredit by way of a term facility agreement in a maximum aggregate amount of €750,000,000, a €347,980,421 secured collar financing and a €343,962,448 secured margin loan facility.

For a description of key acquisitions, disposals and borrowings made by the Company since 30 June 2014, 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 2010. 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 for the last three financial years 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 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 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. ("**Ocensa**"), 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 a 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 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 Beteiligungs 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.

Year Ended 31 December 2012

- In January 2012, Borealis purchased 100 per cent. of PEC-Rhin S.A., Ottmarsheim for €109 million (U.S.$143 million). PEC-Rhin S.A. is a producer of nitrate fertilisers as well as ammonia water and nitric acid for industrial use.
- 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). CEPSA Carburantes y Lubricantes operates in the distribution and marketing business of petroleum and lube products.
- In March 2012, Aabar purchased additional shares of Xojet Inc. for U.S.$17 million, increasing its stake to 42.0 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 which increased its stake to 21.57 per cent. as at 30 June 2012 (Aabar's stake in Arabtec remained at 21.57 per cent. as at 31 December 2012).
- In November 2012, Borealis reached an agreement with Royal DSM B.V. to purchase the entire share capital in DEX Plastomers 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. The purchase transaction was completed on 1 March 2013 for €122 million (U.S.$159 million).
- 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 agreed to acquire all of Aabar's 40.0 per cent. stake in Mercedes-Benz Grand Prix. The sale was completed in December 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 95.71 per cent. as at 31 December 2012.
- During 2012, as a result of unwinding its collar and derivative positions and entering into new collar and derivative positions, Aabar no longer retained any voting rights in Daimler's shares.

Year Ended 31 December 2013

- On 1 March 2013, Borealis completed the acquisition of the entire share capital of DEX Plastomers V.o.F. for €122 million (U.S.$159 million).
- On 31 March 2013, Falcon Bank acquired the entire share capital of Clariden Leu (Europe) Ltd., a wholly-owned subsidiary of Credit Suisse Group AG based in London, United Kingdom, for U.S.$44 million. Clariden Leu (Europe) Ltd. offers wealth and asset management services to private clients.
- On 10 June 2013, CEPSA acquired the entire share capital of Hess Rhourde El Rouni Limited (a company engaged in exploration and production) for €57 million (U.S.$75 million).
- On 28 June 2013, Borealis, through Borealis France S.A.S., France, acquired the entire share capital of GPN S.A. in Nantere, France, from Elf Aquitaine Fertilisants S.A., Nantere, France (a wholly-owned

subsidiary of TOTAL S.A., Paris, France) for €216 million (U.S.$281 million). GPN S.A. was subsequently renamed Borealis Chimie. Borealis Chimie is France's largest manufacturer of nitrogen fertilisers and nitrogen oxide reducers.

- On 28 June 2013, Borealis acquired 56.86 per cent. of the share capital of Rosier, in Moustier, Belgium, from TOTAL S.A., Paris, France for €60 million (U.S.$78 million). Since Borealis acquired a controlling interest in Rosier, it was required to launch a mandatory takeover bid for the remaining outstanding shares in Rosier. As a result, Borealis increased its stake in Rosier to 75.05 per cent. by the end of the acceptance period (on 9 October 2013). Rosier is a mineral fertiliser manufacturer and markets its products in more than 80 countries worldwide.
- In June 2013, CEPSA opted to exercise the right to purchase the available 5.64 per cent. shares of Endesa S.A. and 9.40 per cent. shares of Iberdrola S.A. in Medgaz, S.A. for aggregate consideration of €97 million (U.S.$131 million). As a result, CEPSA's stake in Medgaz, S.A. increased from 20.0 per cent. to 35.04 per cent. In August 2013, CEPSA exercised its right of first refusal on the sale of the previous shareholders' interests in the consortium, which brought its total shareholding in Medgaz, S.A. to 42.09 per cent. as at 31 December 2013.
- During 2013, CEPSA disposed of its 5 per cent. stake in Ocensa for a profit of €177 million (U.S.$235 million).
- During 2013, CEPSA disposed of a 5 per cent. stake in Compañia Logistica de Hidrocarburos CLH, S.A. for €119.3 million (U.S.$158.4 million), reducing CEPSA's stake to 9.15 per cent. as at 31 December 2013.
- During 2013, Aabar's stake in UniCredit reduced by 1.65 per cent. as a result of Aabar's unwinding of certain underlying collar positions, reducing its stake in UniCredit to 5.1 per cent. as at 31 December 2013.
- During 2013, the Company purchased additional shares of Aabar from Aabar's non-controlling shareholders, which increased its stake from 95.71 per cent. to 95.75 per cent. In June 2013, a shareholder loan provided by the Company to Aabar in 2011 was converted into non-interest bearing convertible bonds of Aabar, which were then converted into new shares of Aabar, further increasing the Company's shareholding in Aabar from 95.75 per cent. to 97.8 per cent. as at 30 June 2013 (31 December 2013: 97.83 per cent.). As at the date of this Base Prospectus, the Company has a 98.31 per cent. stake in Aabar.

Six Months Ended 30 June 2014

- In January 2014, Aabar entered into a series of transactions relating to the Daimler shares and related derivatives. This has led to its derecognition of the equity position in Daimler upon consolidation within the Group.
- On 17 January 2014, CEPSA acquired the entire share capital of Coastal Energy Company ("**Coastal**") for €1.9 billion (U.S.$2.6 billion). Coastal is an international oil and gas exploration and development company with operations in offshore Thailand and Malaysia. The Unaudited Financial Statements include the results of Coastal for the six-month period from the acquisition date.
- In March 2014, the Company's investment in the IPBC Bond was exchanged into 196,604,177 ordinary shares of Oil Search, giving the Company a 12.94 per cent. stake in Oil Search based on shareholdings as at 30 June 2014 (see further Note 13.2 ("*Investments in Financial Instruments*") to the Unaudited Financial Statements).
- On 17 April 2014, the Company received a second advance payment from the Government of U.S.$2 billion as an interim payment against the agreed purchase price for the transfer of ADCOP to the ADNOC group (see further Note 14 ("*Asset Held For Sale*") to the Unaudited Financial Statements).
- During the six month period ended 30 June 2014, Aabar disposed of a 2.73 per cent stake in Arabtec at a gain amounting to U.S.$131 million, reducing Aabar's stake to 18.84 per cent.

Post Six Months Ended 30 June 2014

For a description of key acquisitions, disposals and borrowings made by the Company since 30 June 2014, please see "—*Recent Developments*" and 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 2014.

Investment	Reporting Segment	Date of Initial Investment	Percentage Ownership	Accounting Treatment
Consolidated Subsidiaries				
Aabar	Diversified investments	2009	98.26	Consolidated
Borealis[1]	Diversified chemicals	1998	64.0	Consolidated
CEPSA[2]	Integrated oil and gas businesses	1988	100.0	Consolidated
NOVA Chemicals	Commodity chemicals	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	30.5	Equity Method
Oil Search	Others	2009[3]	12.94	Available-for-Sale
OMV	Others	1994	24.9	Equity Method
PARCO[4]	Others	1995	30.0	Equity Method
QADIC	Others	2008	50.0	Equity Method
SUMED	Others	1995	15.0	Available-for-Sale
Joint Ventures				
DRPIC	Others	2012	50.0	Equity Method
ELNG	Others	2012	50.0	Equity Method

(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) Denotes the date of subscription by the Company in the IPBC Bond which the Company exchanged in March 2014 for a 12.94 per cent. stake in Oil Search.

(4) The Company's investment in PARCO is indirectly held through Abu Dhabi Petroleum Investments 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:

- *Diversified chemicals (formerly Plastic Solutions-Europe).* The diversified chemicals segment, through Borealis, is engaged in providing plastic solutions based on polyolefins and developing its base chemical and fertiliser business which comprises phenol, acetone, melamine and agrochemicals. This segment also includes associates and joint ventures of Borealis such as Borouge.
- *Commodity chemicals (formerly Plastic Solutions-North America).* The commodity chemicals segment, through NOVA Chemicals, is engaged in providing 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, has engaged in oil and gas exploration and production from July 2011. This segment also engages in oil supply, refining and distribution, 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, after which it was reported under the integrated oil and gas businesses segments), ChemaWEyaat, Cosmo Oil, EDP, GEM, Oil Search, OMV, PARCO, SUMED, DRPIC and ELNG, 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 are designated as and provide an effective hedge of a net investment in a foreign operation, translation of long-term receivables that are considered part of investments in subsidiaries or associated companies and employee benefit plan liabilities. Items designated as hedge of a net investment and translation of long-term receivables that are considered part of investments 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. Resulting gains and losses from the translation of employee benefit plan liabilities are reported in the consolidated statement of other comprehensive income with no recycling to 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

Diversified chemicals and commodity chemicals

Revenue from the diversified chemicals and commodity chemicals reporting segments consists of revenue from sales by Borealis and NOVA Chemicals of olefins and polyolefins, including ethylene, polyethylene, polypropylene, melamine and a variety of chemical and energy products. Revenue from the diversified chemicals and commodity chemicals reporting segments 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 diversified chemicals and commodity chemicals 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 changes in 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 diversified chemicals and commodity chemicals industries are cyclical based on the state of the economy.

Cost of sales of the diversified chemicals and commodity chemicals reporting segments 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 propylene, among others), catalyst additives and utilities; depreciation and amortisation of equipment and facilities related to the production of diversified chemicals and commodity chemicals; and staff costs related to the production and marketing of diversified chemicals and commodity chemicals. Feedstock costs are the largest component of cost of sales of diversified chemicals and commodity chemicals. Feedstock prices are driven by the prices of crude oil and natural gas. Significant components of the cost of sales of diversified chemicals and commodity chemicals, 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 diversified chemicals and commodity chemicals businesses.

(a) Diversified chemicals

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 in Europe. 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.

2012 was a year of continued economic uncertainty as the sovereign debt crisis in Europe continued and efforts on both the fiscal and political front to elevate trust in the global markets were unsuccessful. For Borealis, 2012 was a year of two halves. In the first half of the year a rising price environment improved margins of the different business segments, while the second half of the year saw margins decline, particularly for polyolefins. Feedstock prices peaked in March, before dropping dramatically to bottom out in June. On an annual basis, crude oil averaged U.S.$112 per barrel, only U.S.$1 per barrel higher compared to the average for 2011. Feedstock prices followed a similar pattern.

In 2012, the polyolefins industry in Europe saw declining sales volumes year-on-year for the second year in a row. The polyethylene volumes declined 5 per cent. year-on-year, while polypropylene volumes dropped by 4 per cent. Despite this decline in sales for the total European market, Borealis was able to increase its sales of polyolefins by 3 per cent. year-on-year. Following the acquisition of PEC-Rhin S.A., Ottmarsheim, fertiliser volumes increased significantly compared to 2011 (by 43.0 per cent.). The successful integration of PEC-Rhin S.A., Ottmarsheim, contributed positively to the overall Borealis result. Due to excess capacity in the market place, price trends in the polyolefins business segment did not follow the underlying feedstock market. Margins came under pressure in the second half of 2012 and the polyolefins business segment saw a significant reduction in profit contribution compared to 2011.

The markets remained relatively more stable in 2013 compared to 2012. The volatility in feedstock prices experienced in 2012 was absent and Brent crude oil traded in a relatively narrow range. The average Brent crude oil price decreased U.S.$3 per barrel from 2012 to 2013 to average at U.S.$109 per barrel. The polyolefin industry margin improved over 2012, but remained below historical levels. Feedstock prices declined during the summer months before recovering towards the end of the year. In the fertiliser segment ample global supply put pressure on prices resulting in lower margins compared to 2012.

Borealis was able to increase its polyolefins total sales volume year-on-year despite a declining sales volume for the European industry as a whole. Borealis saw its polyolefins volumes increase by 4 per cent. year-on-year, excluding the additional volumes from DEX Plastomers V.o.F., compared to the total European polyolefins market which slightly declined. Fertiliser sales volumes increased significantly following the acquisitions made during the year, up 50 per cent. from 2012. While depressed, the polyolefins margins improved in 2013 compared to 2012. The improvement was primarily due to lower

volatility in the underlying feedstock market and a slightly more optimistic economic outlook. The polyolefins business segment therefore delivered an improved profit contribution compared to 2012. In the fertiliser business unit margins were under pressure due to excess global supply.

In the first five months of 2014, the Brent crude oil price remained in a relatively narrow range of U.S.$107 to U.S.$109 per barrel before peaking in June at U.S.$112 per barrel. Naphtha followed a similar pattern as crude, averaging U.S.$927 per tonne in the first six months. The ethylene contract price experienced a steady decline from January to May in a long market, while propylene was short causing the propylene contract prices to increase over the same period.

The European polyolefins demand in the first six months of 2014 increased by 3 per cent. compared to the same period in 2013. Borealis' polyolefins sales in the first six months of 2014 were impacted by turnarounds, but Borealis was able to increase its share of speciality products in line with the market growth. In fertilisers, Borealis doubled its sales volumes in the first six months of 2014 compared to the same period in 2013 following the acquisition of Borealis Chimie and Rosier at the end of 30 June 2013.

(b) Commodity chemicals

In 2011, the cost of NOVA Chemicals' main feedstock for ethylene production, ethane, 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, which are primarily based on the price of natural gas in the markets where NOVA Chemicals operates, were lower than in 2010. Simultaneously, an increase in global crude oil prices resulted in high crude oil to natural gas ratios. The lower price for ethane combined with increased industry average sales prices for ethylene resulted in higher margins for NOVA Chemicals' olefins segments, and drove increased earnings for NOVA Chemicals and offset a decline in polyethylene margins.

In 2012, natural gas continued to be long in the market due to the shale based natural gas. The result was that the price of natural gas liquids, primarily ethane, remained lower than historical prices even as natural gas producers reduced their production to balance the supply and demand of natural gas. At the same time, global crude oil prices remained high relative to natural gas, resulting in high crude oil to natural gas ratios. The result was a decline in margins for NOVA Chemicals and a decline in profit compared to 2011.

The market price for ethylene, which is generally based on the highest cost global 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 in its Eastern Canadian operations that would produce more of the co-products.

The industry pricing for ethylene decreased in 2012 as compared to 2011 which, combined with NOVA Chemicals' stable cost position, resulted in a decrease in margin for NOVA Chemicals' olefins business in Joffre, Alberta.

In 2012, for the polyethylene business, prices for polyethylene declined more than the costs for feedstocks, resulting in lower profitability for this business segment. In addition, in late 2011, NOVA Chemicals' Mooretown low-density polyethylene facility in Ontario suffered an unplanned shutdown. Interim repairs were made and the modified facility was operated at lower production rates with some low-density polyethylene products being out of production for the majority of 2012. In mid-October 2012, the unit was taken off-line to begin repair work to return it to full operations. In January 2013, the unit returned to commercial operation at its full capacity.

During 2013, demand for polyethylene increased compared to 2012 with total industry sales up by just over 2 per cent. Moreover, North American industry utilisation rates remained high at almost 93 per cent. during 2013, with inventories holding at, or below, recent historical levels.

During 2013, natural gas continued to be long in the market due to the emergence of cost-effective shale based natural gas. This resulted in lower than historical natural gas prices. However, natural gas prices increased in 2013 compared to 2012, as natural gas producers reduced their production to balance the supply and demand of natural gas. The result of lower than historical natural gas prices is that the price of natural gas liquids ("**NGLs**"), primarily ethane (NOVA Chemicals' main source of feedstock for ethylene production), have also remained historically low. During 2013, natural gas producers targeted natural gas with more NGL content, resulting in an increase in supply of NGLs which in turn contributed to NGL prices continuing to remain lower than historical prices (including, lower than 2012 prices). At the same time, global crude oil prices remained high relative to natural gas, resulting in high crude oil to natural gas ratios.

The industry pricing for ethylene decreased in 2013 versus 2012. The decrease in ethylene price combined with NOVA Chemicals' stable cost position resulted in a decrease in margin for its olefins business in Joffre, Alberta and Corunna, Ontario.

At the Corunna olefins cracker in Ontario, the shift towards lighter, natural gas based feedstocks, versus heavier, crude oil based feedstocks continued in 2013. In the middle of 2012, NOVA Chemicals began to utilise volumes of ethane/propane mix which was more cost-effective than the feedstocks that it replaced. This shift resulted in higher profitability for the segment in 2013, but was offset by a decline in co-product prices and volumes as compared to 2012. During 2013, the project to revamp the cracker to utilise up to 100 per cent. NGLs reached key milestones and in December 2013 the cracker began utilising ethane extracted from natural gas in the Marcellus Shale Basin ("**Marcellus Shale Basin Ethane**") and will continue to ramp-up the amount of Marcellus Shale Basin Ethane until it is the primary feedstock at Corunna, Ontario, along with other NGLs.

NOVA Chemicals' polyethylene business sales volumes were up 11 per cent. in 2013 over 2012. For 2013, the lower feedstock costs and increased sales volumes resulted in higher profitability for NOVA Chemicals' polyethylene segment compared to 2012. In January 2013, NOVA Chemicals' Mooretown low-density polyethylene facility in Ontario returned to commercial operation at its full capacity, which also contributed to the increase in operating income during 2013 versus 2012.

Through the first half of 2014, North American olefin and polyethylene markets continued to grow modestly. Domestic demand for polyethylene increased slightly over the first half of 2013 by 1.6 per cent., while export sales were down year-on-year by approximately 9 per cent., leading to a small decline in total polyethylene sales from North American producers. North American industry utilisation rates remained high at just over 90 per cent. with inventories holding at, or below, recent historical levels.

High heating demand during the fourth coldest winter since 1970 caused North American natural gas prices at the benchmark Henry Hub pricing point to average 30 per cent. higher during the first half of 2014 compared to the same period in 2013. Natural gas prices remain higher than in 2013 as the market strives to make-up massive inventory shortfalls. Despite this, North American natural gas prices remain considerably lower than global natural gas prices (often indexed to crude oil prices), as producers continue to exploit low cost, NGLs rich shale gas resources. High first half 2014 natural gas prices caused the benchmark Mont Belvieu TX ethane price to average 19 per cent. higher than in the first half of 2013. High crop drying demand during the 2013 harvest season followed by export growth along with the cold 2013/14 winter drove propane prices 33 per cent. higher than the previous year. Since the end of the first half of 2014, both ethane and propane prices have fallen as producers' ongoing focus on drilling for natural gas with a high NGL content creates surpluses. Global crude oil prices remain high compared to North American natural gas, supporting strong crude to natural gas price ratios.

The industry pricing for ethylene increased in the first six months of 2014 versus the same period in 2013. However, the increase in ethylene pricing only partially offset NOVA Chemicals' higher feedstock and operating costs and its olefins business in Joffre, Alberta, experienced decreased margins in the first six months of 2014 versus the same period in 2013. The higher feedstock and operating costs were primarily attributable to the 43 per cent. increase in AECO (which is Alberta's gas trading price and one of North America's leading price-setting benchmarks) natural gas prices compared to 2013.

The project to convert the Corunna olefins cracker to utilise up to 100 per cent. NGLs is nearing completion and, as at the date of this Base Prospectus, the site is capable of running expected full ethane rates. NOVA Chemicals expects to reach full utilisation rates later this summer as ethane becomes available from its suppliers. NOVA Chemicals is currently running approximately 80 per cent. of its target volume of 37,000 barrels per day of Marcellus Shale Basin Ethane. NOVA Chemicals expects to discontinue cracking naphtha as a regular feed. At that point, NOVA Chemicals will be running 100 per cent. NGL feedstocks, for the first time in Corunna's history. During the first six months of 2014, while the introduction of Marcellus Shale Basin Ethane reduced the feedstock costs, this was more than offset by an increase in propane prices compared to the first six months of 2013. Industry average propane prices increased by 33 per cent. period-on-period, primarily due to a harsh winter which resulted in higher demand and supply shortages in the first half of 2014, compared to depressed pricing in the same period in 2013. The increase in feedstock and operating costs during the first six months of 2014 as compared to the same period in 2013 along with lower ethylene and co-product sales volumes resulted in lower margins in NOVA Chemicals' Corunna olefins segment period-on-period.

In the first six months of 2014, the polyethylene business operating profit nearly tripled as compared to the first six months of 2013, primarily due to higher sales prices, which were offset slightly by a 6 per cent. decrease in sales volumes.

Integrated Oil and Gas Businesses

In 2012, global economic growth started positively but began to erode as of mid-2012, due to the escalating crisis in the Eurozone and its contagion to the rest of the markets. The burgeoning economic crisis in Europe, and particularly in Spain, continued to have an impact on CEPSA's results, although international activities account for an increasingly larger share of the CEPSA group's earnings. The first indications of economic growth appeared in the fourth quarter of 2013.

Global demand for oil in 2013 grew slightly to 91.2 million barrels per day. Demand remained stable in the Organisation for Economic Co-operation and Development countries, standing at 46.0 million barrels per day. On the supply side, OPEC produced 36.8 million barrels per day in 2013, which was lower than in 2012.

Refining margins continued to decline in 2013. Publications by the International Energy Agency for the Mediterranean area, where CEPSA's refineries are located, showed that the margin for Hydroskimming-type refineries was increasingly negative whereas the margin for facilities with a cracking configuration was down but still remained positive.

The price of Brent crude oil averaged U.S.$108.7 per barrel during 2013, compared to U.S.$111.6 per barrel in 2012, a decrease of 2.6 per cent. The U.S. dollar averaged U.S.$1.328/euro in 2013, compared to the average of U.S.$1.284/euro in 2012, a depreciation of 3.4 per cent. of the U.S. dollar against the euro.

The price of Brent crude oil averaged U.S.$108.9 per barrel during the six months ended 30 June 2014 as compared to U.S.$107.5 per barrel for the corresponding period in 2013, an increase of 1.3 per cent. The U.S. dollar averaged U.S.$1.370/euro during the six month period ended 30 June 2014, compared to the average of U.S.$1.313/euro for the corresponding period in 2013, a depreciation of 4.3 per cent. of the U.S. dollar against the euro.

(a) Exploration and Production

The exploration and production business unit is responsible for crude oil and natural gas exploration and production activities. The most significant production assets are in Algeria and the Republic of Colombia. In relation to exploration, apart from Algeria and the Republic of Colombia, the portfolio also includes exploration blocks in Brazil, Peru and Suriname. In addition, in January 2014, CEPSA completed the acquisition of Coastal for U.S.$2.6 billion. Coastal is an international exploration and production company, based in Houston, United States, with principal assets in Thailand and Malaysia.

CEPSA's crude oil production from its working interests in 2013 averaged 87,800 barrels per day, 15.8 per cent. lower than in 2012, due to a decline in production in Algeria. CEPSA's entitlement in the period, which is the amount assigned to it after applying contractual provisions and before paying taxes, was 42,600 barrels per day, a decrease of 8.3 per cent. compared to 2012, as a result of decreased crude oil production and its effect on production sharing contracts.

Crude oil sales were 9.3 million barrels in 2013, lower than the 9.6 million barrels sold in 2012.

As at 31 December 2013, the activities of the exploration and production business unit focused on three countries: Algeria, Peru, and the Republic of Colombia, acting in different blocks either as an operator or as a partner of other companies. The first exploration well was drilled in Peru at the end of 2013. CEPSA continued its exploration efforts in Algeria in the Rhourde El Rouni block and CEPSA acquired 100 per cent. of Hess Rhourde El Rouni Limited.

For the six months ended 30 June 2014, CEPSA's crude oil production from its working interest averaged 100,800 barrels per day, compared to 91,700 barrels per day for the corresponding period in 2013, an increase of 10.7 per cent. CEPSA's entitlement in the six months ended 30 June 2014 was 60,700 barrels per day, an increase of 38.0 per cent. compared to the 44,000 barrels per day registered for the corresponding period in 2013.

(b) Refining

In refining and basic petrochemical manufacturing, a sizeable capital expenditure plan is being put into place to better meet changing market demands, reduce the shortage of gas, oil and other middle distillates and raise chemical production. Other key strategic plans include efficiency and operational enhancements in CEPSA's three refining platforms and the development of environmentally-friendly biofuel components for blending with gasoline and motor diesel.

With respect to downstream objectives, CEPSA remains focused on consolidating its presence in its traditional and niche markets, harnessing and driving synergies in activities with high added value and pursuing growth opportunities in other markets within its area of influence.

Refineries' production in 2013 declined by 7.5 per cent. compared to 2012. Product sales stood at 26.1 million tonnes in 2013, compared to 27.4 million tonnes in 2012.

Refineries' production reached 11.0 million tonnes during the six months ended 30 June 2014, compared to 11.6 million tonnes for the corresponding period in 2013. Products sales decreased slightly between the same periods, from 10.0 million tonnes to 9.9 million tonnes. Higher efficiency in manufacturing variable costs and internal consumption, better cracking spreads of gasoline and naphtha and greater contribution of aromatics were not able to counteract the lower cracking spreads of the rest of CEPSA's products and the higher freights of the distilled slate.

(c) Distribution and Marketing

CEPSA undertakes its sales and marketing activities through its own sales channels and with an extensive national and international network of agents and distributors. In addition to motor fuels, marketing activities included liquefied petroleum gas, asphalts and lubricants.

In 2013, marketing results were higher than in 2012 and were close to budget. A decrease in volume sales was offset by better margins.

Sales and marketing activities during the six months ended 30 June 2014 were lower than in the corresponding period in 2013, reflecting a decrease of 4.0 per cent. This was due to a decline in almost all segments except aviation, which was affected by improvements in main airports and air force supplies. The most significant declines were in direct sales, bunker (due to tight competition) and asphalts (caused by domestic market weakness).

(d) Petrochemicals

CEPSA is one of the world-leading producers of raw materials for biodegradable detergents (LAB/LABSA), polyester fibers (PTA/PIA/PET) and phenol-acetone and solvents. A new phenol-acetone facility is under construction in The People's Republic of China.

Sales in 2013 were similar to those in 2012 but sales margins fell by 4.0 per cent.

The LAB unit improved its sales volume and contribution margins, offsetting lower sales in the PTA/PIA/PET units, which were caused by higher market competition.

Compared to 2012, net income for petrochemicals was lower in 2013, mainly due to the difference in LAB/LABSA margins which could not be offset by better performance in phenol-acetone and PTA/PIA/PET units.

During the six months ended 30 June 2014, progress was made towards achieving improved efficiency and cost-containment goals, which are key strategic objectives in this area. CEPSA's aim is to build facilities in new geographical areas that will position it as a major global player in the chemicals business.

Products sales in the six months ended 30 June 2014 increased to 1.49 million tonnes, compared to 1.46 million tonnes in the six months ended 30 June 2013, which represents a 2.1 per cent. rise. Sales margins increased by 3.1 per cent. during the same comparable period.

CEPSA has built a phenol-cumene plant in Shanghai at the Shanghai Chemical Industrial Park in The People's Republic of China. The plant has been designed to produce phenol (250,000 tonnes per year) and cumene (360,000 tonnes per year). In April 2014, Sumitomo Corporation acquired 25 per cent. of CEPSA Chemical (Shanghai) Co., Ltd. which was wholly-owned by CEPSA. CEPSA expects to start production in this plant shortly.

(e) Gas and Power

The gas and power unit supplies the CEPSA group with gas and sells it in the wholesale and retail market. It also sells electricity to industrial customers and consumers from the tertiary sector.

The sale of gas through CEPSA Gas Comercializadora, S.A. (in which CEPSA has a 35.0 per cent. stake), and its transport through the Medgaz, S.A. deepwater pipeline (in which CEPSA has a 42.09 per cent. stake), are CEPSA's main activities in this business unit.

During 2013, the gas and power business environment remained a challenge for CEPSA's operations. Natural gas sales through CEPSA Gas Comercializadora, S.A. were 29,833 cubic feet, a decrease of 2.3 per cent. compared to 2012. This was offset by a minimal increase in gas transport sales, which was mainly attributable to the increase in CEPSA's equity stake in Medgaz, S.A. during 2013.

The power business sustained losses of €12.5 million as a result of the enforcement of new energy price regulations in 2013 and low electricity prices. Each of these factors had an adverse effect on CEPSA's cogeneration and combined cycle power plants, where production decreased by 36 per cent. compared to 2012.

Electricity sales in 2013 totalled 2,298.8 Gigawatt hours, a decrease of 35.6 per cent. compared to 2012.

For the six months ended 30 June 2014, net income amounted to €16 million, compared to €12.9 million for the six months ended 30 June 2013, an increase of 24 per cent. This increase was due to a drive to boost CEPSA's gas business, both in the Medgaz, S.A. deepwater pipeline and in the sales area.

However, the power unit remained sluggish due to stoppages at some plants and decommissioning of several facilities as a result of the new electricity regulation and pool prices, which was enacted in 2013.

Electricity sales for the six months ended 30 June 2014 totalled 1,044.8 Gigawatt hours, a decrease of 9.1 per cent. compared to the corresponding period in 2013. In addition, for the six months ended 30 June 2014, electricity sales pool price averaged 4.7 per cent. lower compared to the corresponding period in 2013.

Other Key Income Statement Items

Share of post-tax profit of associates and joint ventures. Share of post-tax profit of associates and joint ventures comprises the Group's proportionate share of the profit of its associates and joint ventures. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture, while a joint venture 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 8 ("*Investments in Associates and Joint Ventures*") to the 2013 Financial Statements for a list of significant associates and joint ventures as of 31 December 2013.

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

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 mostly comprises of 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 (as at the date of this Base Prospectus, the equity position in Daimler has been derecognised upon consolidation within the Group—see further Note 13.1 ("*Investments in Financial Instruments*") to the Unaudited Financial Statements) and its 6.75 per cent. stake in UniCredit (as at the date of this Base Prospectus, Aabar has exposure to a 5.06 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 2014, the Group's fair value gain on non-derivative financial instruments at fair value through profit or loss was U.S.$275 million, primarily relating to the fair value gain on UniCredit shares amounting to U.S.$291 million, which was partially offset by the fair value loss on Daimler shares amounting to U.S.$22 million; the Group's fair value loss on derivative financial instruments was U.S.$46 million, primarily relating to call and put options on Daimler and UniCredit. During the year ended 31 December 2013, the Group's fair value gain on non-derivative financial instruments at fair value through profit or loss was U.S.$1,740 million, primarily relating to fair value gain on Daimler and UniCredit shares; the Group's fair value loss on derivative financial instruments was U.S.$1,135 million, primarily relating to its investment in call and put options on Daimler and UniCredit. During the year ended 31 December 2012, the Group's fair value gain on non-derivative financial instruments at fair value through profit or loss was U.S.$487 million, primarily relating to fair value gain on Daimler shares; the Group's fair value loss on derivative financial instruments was U.S.$412 million, primarily relating to its investment in call and put options on Daimler and UniCredit. Please see Note 9 ("*Other gains (losses) on financial instruments*") to the Unaudited Financial Statements, Note 12 ("*Other gains (losses) on financial instruments*") and Note 42 ("*Events after the Reporting Period*") to the 2013 Financial Statements and Note 11 ("*Other losses on financial instruments*") to the 2012 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: diversified chemicals, commodity chemicals; 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 2014 and 2013 and for the years ended and as of 31 December 2013, 2012 and 2011.

	Diversified chemicals[2]	Commodity chemicals[3]	Industrial engineering services[4]	Diversified investments[5]	Integrated oil and gas businesses[6]	Others[7]	Total
				(U.S.$'000)			
Six months ended 30 June 2014							
Segment revenue	5,959,306	2,669,468	—	70,102	18,568,340	—	27,267,216
Segment profit for the period	336,015	412,356	—	396,856	82,135	2,456	1,229,818
Six months ended 30 June 2013							
Segment revenue	5,193,677	2,620,560	—	59,444	18,173,523	—	26,047,204
Segment profit for the period	188,636	386,156	—	172,589	85,991	28,033	861,405
Year ended 31 December 2013							
Segment revenue	10,815,289	5,278,125	—	119,456	36,621,892	—	52,834,762
Segment profit/(loss) for the year	561,308	629,915	—	611,085	567,047	(208,010)	2,161,345
Year ended 31 December 2012							
Segment revenue	9,700,599	5,054,734	—	103,757	37,043,239	—	51,902,329
Segment profit/(loss) for the year	617,346	543,715	154,420	(380,883)	640,683	180,965	1,756,246
Year ended 31 December 2011							
Segment revenue	9,881,120	5,241,163	—	93,156	19,102,970	—	34,318,409
Segment profit/(loss) for the year	705,272	615,183	(503,074)	(1,647,499)	90,683	784,127	44,692
As of 30 June 2014							
Segment assets[1]	10,771,711	6,281,453	—	16,750,741	22,549,329	13,328,654	69,681,888
Segment liabilities	5,180,929	3,146,151	—	11,050,356	12,065,049	19,089,905	50,532,390
As of 30 June 2013							
Segment assets[1]	9,802,662	5,701,136	—	16,202,924	19,288,742	12,473,994	63,469,458
Segment liabilities	4,938,743	2,498,459	—	11,517,292	9,458,728	19,185,350	47,598,572
As at 31 December 2013							
Segment assets[1]	10,623,988	6,205,118	—	19,020,910	20,050,298	12,486,527	68,386,841
Segment liabilities	5,223,959	2,684,114	—	13,810,319	9,477,563	19,653,875	50,849,830
As at 31 December 2012							
Segment assets[1]	9,216,423	5,641,205	—	18,109,447	19,745,230	12,448,134	65,160,439
Segment liabilities	4,394,187	2,782,481	—	13,366,763	9,596,333	19,456,664	49,596,428
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

(1) Consists of 'investments in associates and joint ventures', 'assets classified as 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 2014 and 31 December 2013, 2012 and 2011).

(2) Consists solely of Borealis and its consolidated subsidiaries, associates and joint ventures.

(3) Consists solely of NOVA Chemicals and its consolidated subsidiaries, associates and joint ventures.

(4) 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.

(5) Consists solely of Aabar and its consolidated subsidiaries, associates and joint ventures.

(6) Consists solely of CEPSA and its consolidated subsidiaries, associates and joint ventures.

(7) Includes the Company as a parent holding company of the Group and the Company's investments in Cosmo Oil, EDP, GEM, OMV, PARCO, SUMED, ELNG, DRPIC and Oil Search, as well as ADCOP, ChemaWEyaat and the Fujairah Refinery Project.

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 2013, 2012 and 2011.

	U.A.E.	Europe	North America	Rest of the world	Total
			(U.S.$'000)		
Segment revenue					
Year ended 31 December 2013	168,274	24,762,702	6,430,621	21,473,165	**52,834,762**
Year ended 31 December 2012	194,107	38,987,010	7,295,283	5,425,929	**51,902,329**
Year ended 31 December 2011	201,865	24,306,076	6,175,102	3,635,366	**34,318,409**
Segment non-current assets[1]					
As at 31 December 2013	2,829,460	7,848,289	4,021,322	5,278,434	**19,977,505**
As at 31 December 2012	6,419,331	9,968,903	3,875,698	2,140,964	**22,404,896**
As at 31 December 2011	5,502,486	9,935,381	3,863,499	2,379,540	**21,680,906**

(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 2013, 46.9 per cent. of the Group's revenue was derived from customers in Europe, 12.2 per cent. was derived from customers in North America, with the remaining 40.9 per cent. spread between the other geographical segments, compared with 75.1 per cent., 14.1 per cent. and 10.8 per cent., respectively, for the year ended 31 December 2012 and 70.8 per cent., 18.0 per cent. and 11.2 per cent., respectively, for the year ended 31 December 2011. 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 2014 and 2013

Revenue. The Group's revenue was U.S.$27,267 million in the six months ended 30 June 2014, compared to U.S.$26,047 million in the six months ended 30 June 2013, an increase of U.S.$1,220 million, or 4.7 per cent. The increase in revenue was primarily as a result of acquisitions made by Borealis and a higher average exchange rate of euro to U.S. dollar during the period.

Revenue from the diversified chemicals segment was U.S.$5,959 million in the six months ended 30 June 2014, compared to U.S.$5,194 million in the six months ended 30 June 2013, an increase of U.S.$765 million, or 14.7 per cent. The increase in revenue was primarily attributable to the fertiliser sales reaching a level of 2.5 million tonnes, mainly as a result of the acquisition of Borealis Chimie and Rosier compared to the same period last year; pricing improved across all business segments, except melamine.

Revenue from the commodity chemicals segment was U.S.$2,669 million in the six months ended 30 June 2014, compared to U.S.$2,621 million in the six months ended 30 June 2013, an increase of U.S.$48 million, or 1.8 per cent. The increase in revenue was primarily attributable to higher ethylene and polyethylene sales prices offset slightly by lower polyethylene and co-product sales volumes.

Revenue from the diversified investments segment was U.S.$70 million in the six months ended 30 June 2014, compared to U.S.$59 million in the six months ended 30 June 2013, an increase of U.S.$11 million, or 18.6 per cent. The increase in revenue was primarily attributable to growth in Falcon Bank's client portfolio (through the acquisition of Clariden Leu (Europe) Ltd.), which resulted in higher commission income and fees.

Revenue from the integrated oil and gas segment was U.S.$18,568 million in the six months ended 30 June 2014, compared to U.S.$18,174 million in the six months ended 30 June 2013, an increase of U.S.$394 million, or 2.2 per cent. The increase in U.S. dollar revenue figures was primarily nominal due to a higher average exchange rate of euro to U.S. dollar in the six months ended 30 June 2014 compared to the same period in 2013. In real terms, revenue dropped by 2.1 per cent. mainly due to the persisting economic uncertainty in Europe, particularly in Spain, which continues to weigh on CEPSA's electricity and natural gas sales.

Cost of sales. Cost of sales was U.S.$24,267 million in the six months ended 30 June 2014, compared to U.S.$23,446 million in the six months ended 30 June 2013, an increase of U.S.$821 million, or 3.5 per cent.

Cost of sales in the diversified chemicals segment was U.S.$5,111 million in the six months ended 30 June 2014, compared to U.S.$4,532 million in the six months ended 30 June 2013, an increase of U.S.$579 million, or 12.8 per cent. The increase was primarily a result of acquisitions made by the Group in 2013.

Cost of sales in the commodity chemicals segment was U.S.$1,964 million in the six months ended 30 June 2014, compared to U.S.$1,917 million in the six months ended 30 June 2013, an increase of U.S.$47 million, or 2.5 per cent. The increase in cost of sales was primarily due to higher prices for natural gas (43 per cent. increase period-on-period), higher propane prices (33 per cent. increase period-on-period) and higher West Texas Intermediate (WTI) crude oil prices (7 per cent. period-on-period).

Cost of sales in the diversified investments segment was U.S.$9 million in the six months ended 30 June 2014, compared to U.S.$13 million in the six months ended 30 June 2013, a decrease of U.S.$4 million, or 30.8 per cent. The decrease in cost of sales was primarily due to lower interest costs from banking activities during the period.

Cost of sales in the integrated oil and gas segment was U.S.$17,184 million in the six months ended 30 June 2014, compared to U.S.$16,984 million in the six months ended 30 June 2013, an increase of U.S.$200 million, or 1.2 per cent., mainly due to the variation in inventory effects.

Gross profit. Gross profit was U.S.$3,000 million in the six months ended 30 June 2014, compared to U.S.$2,601 million in the six months ended 30 June 2013, an increase of U.S.$399 million, or 15.3 per cent., which was largely in line with changes in revenue and cost of sales and was primarily due to the reasons set forth above.

Gross profit in the diversified chemicals segment was U.S.$848 million in the six months ended 30 June 2014, compared to U.S.$662 million in the six months ended 30 June 2013, an increase of U.S.$186 million, or 28.1 per cent.

Gross profit in the commodity chemicals segment was U.S.$705 million in the six months ended 30 June 2014, compared to U.S.$703 million in the six months ended 30 June 2013, an increase of U.S.$2 million, or 0.3 per cent.

Gross profit in the diversified investments segment was U.S.$61 million in the six months ended 30 June 2014, compared to U.S.$47 million in the six months ended 30 June 2013, an increase of U.S.$14 million, or 29.8 per cent.

Gross profit in the integrated oil and gas segment was U.S.$1,384 million in the six months ended 30 June 2014, compared to U.S.$1,189 million in the six months ended 30 June 2013, an increase of U.S.$195 million, or 16.4 per cent.

Share of post-tax profits of associates and joint ventures. Share of post-tax profits of associates and joint ventures was U.S.$469 million in the six months ended 30 June 2014, compared to U.S.$576 million in the six months ended 30 June 2013, a decrease of U.S.$107 million, or 18.6 per cent. This decrease was primarily attributable to the lower share of profit from the Company's investment in OMV. OMV's result from its refining segment dropped significantly as a consequence of planned shutdowns of its refinery plants in 2014. The decrease was offset by the higher contribution of post-tax profits from Borealis' and Aabar's investments in Borouge and RHB, respectively.

Foreign exchange gain, net. Foreign exchange gain, net was U.S.$66 million in the six months ended 30 June 2014, compared to a foreign exchange gain, net of U.S.$193 million in the six months ended 30 June 2013, a decrease of U.S.$127 million, or 65.8 per cent.

Finance income. Finance income was U.S.$247 million in the six months ended 30 June 2014, compared to U.S.$378 million in the six months ended 30 June 2013, a decrease of U.S.$131 million, or 34.7 per cent. The decrease resulted primarily from Aabar's derecognition of the equity position in Daimler and the absence of any cash dividend from its investment in UniCredit.

Finance costs. Finance costs were U.S.$631 million in the six months ended 30 June 2014, compared to U.S.$721 million in the six months ended 30 June 2013, a decrease of U.S.$90 million, or 12.5 per cent. This decrease was primarily due to Aabar's derecognition of the equity position in Daimler.

Other expense. Other expense was U.S.$41 million in the six months ended 30 June 2014, compared to U.S.$67 million in the six months ended 30 June 2013, a decrease of U.S.$26 million, or 38.8 per cent.

Gains on acquisitions and disposals. Gains on acquisitions and disposals were U.S.$176 million in the six months ended 30 June 2014, compared to U.S.$1 million in the six months ended 30 June 2013, an increase of U.S.$175 million. The increase was primarily due to the disposal of a 2.73 per cent. interest in Arabtec by Aabar at a gain amounting to U.S.$131 million and U.S.$57 million gains recognised by the Company on the exchange of its investment in the IPBC Bond into 196,604,177 ordinary shares of Oil Search.

Other gains (losses) on financial instruments. Other gains on financial instruments were U.S.$229 million in the six months ended 30 June 2014, compared to other losses of U.S.$154 million in the six months ended 30 June 2013, an increase of U.S.$383 million. During the six months ended 30 June 2014, the Group's fair value gain on non-derivative financial instruments at fair value through profit or loss was U.S.$275 million, primarily relating to the fair value gain on UniCredit shares amounting to U.S.$291 million which was partially offset by the fair value loss on Daimler shares amounting to U.S.$22 million and the Group's fair value loss on derivative financial instruments was U.S.$46 million, primarily relating to call and put options on Daimler and UniCredit.

Profit before tax from continuing operations. Profit before tax from continuing operations was U.S.$1,598 million in the six months ended 30 June 2014, compared to U.S.$1,106 million in the six months ended 30 June 2013, an increase of U.S.$492 million, or 44.5 per cent.

Tax expense. Tax expense was U.S.$368 million in the six months ended 30 June 2014, compared to U.S.$244 million in the six months ended 30 June 2013, an increase of U.S.$124 million, or 50.8 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. As a result of the foregoing, profit for the period was U.S.$1,230 million in the six months ended 30 June 2014, compared to U.S.$861 million in the six months ended 30 June 2013, an increase of U.S.$369 million, or 42.9 per cent.

Comparison of Years Ended 31 December 2013 and 2012

Revenue. Revenue was U.S.$52,835 million in 2013, compared to U.S.$51,902 million in 2012, an increase of U.S.$933 million, or 1.8 per cent. The increase in revenue was primarily attributable to a significant increase in revenue from Borealis which was offset by a decline in revenue from CEPSA.

Revenue from the diversified chemicals segment was U.S.$10,815 million in 2013, compared to U.S.$9,701 million in 2012, an increase of U.S.$1,114 million, or 11.5 per cent., due to the increase in polyolefins total sales volume by 4 per cent. The acquisitions of DEX Plastomers V.o.F., Borealis Chimie and Rosier during the year also contributed to the increase in sales volume.

Revenue from the commodity chemicals segment was U.S.$5,278 million in 2013, compared to U.S.$5,055 million in 2012, an increase of U.S.$223 million, or 4.4 per cent., reflecting higher sales prices and record sales volumes of the polyethylene segment.

Revenue from the diversified investments segment was U.S.$119 million in 2013, compared to U.S.$104 million in 2012, an increase of U.S.$15 million, or 14.4 per cent. This was primarily attributable to the acquisition of Clariden Leu (Europe) Ltd. by Falcon Bank in 2013, which resulted in an increase in portfolio clients.

Revenue from the integrated oil and gas segment was U.S.$36,622 million in 2013, compared to U.S.$37,043 million in 2012, reflecting a marginal decrease of U.S.$421 million or 1.1 per cent. This was primarily attributable to lower crude oil prices, tepid domestic consumer demand for motor fuels and new energy price regulations, which impacted CEPSA's revenue in 2013.

Cost of sales. Cost of sales was U.S.$47,617 million in 2013, compared to U.S.$46,342 million in 2012, an increase of U.S.$1,275 million, or 2.8 per cent. The increase in cost of sales was primarily due to higher sales volume generated in combination with increasing production input costs. Cost of sales as a percentage of the Group's revenue was 90.1 per cent. in 2013 and 89.3 per cent. in 2012.

Cost of sales in the diversified chemicals and commodity chemicals segments was U.S.$9,343 million and U.S.$4,136 million, respectively, in 2013, compared to U.S.$8,431 million and U.S.$3,954 million, respectively, in 2012, an increase of U.S.$912 million, or 10.8 per cent. and an increase of U.S.$182 million, or 4.6 per cent., respectively. The increase in cost of sales in the diversified chemicals segment was primarily due to higher volumes sold and acquisitions made in 2013, which resulted in an increase in production costs. The increase in cost of sales in the commodity chemicals segment was primarily due to higher prices for natural gas, increased propane cracking, an increase of U.S.$19 million in depreciation and an increase of U.S.$22 million related to impairment charges and other asset write-offs.

Cost of sales in the diversified investments segment was U.S.$24 million in 2013, compared to U.S.$20 million in 2012, an increase of U.S.$4 million, or 20 per cent. The increase in cost of sales was primarily due to higher interest costs.

Cost of sales in the integrated oil and gas segment was U.S.$34,114 million in 2013, compared to U.S.$33,937 million in 2012, a marginal increase of U.S.$177 million, or 0.5 per cent. This increase was primarily attributable to the depreciation of the U.S. dollar against the euro as at 31 December 2013.

Gross profit. Gross profit was U.S.$5,217 million in 2013, compared to U.S.$5,560 million in 2012, a decrease of U.S.$343 million, or 6.2 per cent., which was largely in line with changes in revenue and cost of sales and was primarily due to the reasons set forth above.

Gross profit in the diversified chemicals segment was U.S.$1,472 million in 2013, compared to U.S.$1,270 million in 2012, an increase of U.S.$202 million, or 15.9 per cent.

Gross profit in the commodity chemicals segment was U.S.$1,142 million in 2013, compared to U.S.$1,101 million in 2012, an increase of U.S.$41 million, or 3.7 per cent.

Gross profit in the diversified investments segment was U.S.$95 million in 2013, compared to U.S.$83 million in 2012, an increase of U.S.$12 million, or 14.5 per cent.

Gross profit in the integrated oil and gas segment was U.S.$2,508 million in 2013, compared to U.S.$3,106 million in 2012, a decrease of U.S.$598 million, or 19.3 per cent.

Share of post-tax profits of associates and joint ventures. Share of post-tax profits of associates and joint ventures was U.S.$965 million in 2013, compared to U.S.$1,098 million in 2012, a decrease of U.S.$133 million, or 12.1 per cent., which was mainly attributable to the decrease in the Company' share of profit in OMV and Borealis' share of profit in Borouge. The decreases in share of profit amounted to U.S.$58 million and U.S.$46 million, respectively.

Foreign exchange losses. Foreign exchange losses were U.S.$131 million in 2013, compared to a foreign exchange gain, net of U.S.$159 million in 2012, a decrease of U.S.$290 million. The decrease was primarily due to losses on translation of the Group's euro borrowings at 31 December 2013 at a higher euro to U.S. dollar exchange rate as compared to at 31 December 2012.

Finance income. Finance income was U.S.$637 million in 2013, compared to U.S.$723 million in 2012, a decrease of U.S.$86 million, or 11.9 per cent. The decrease resulted primarily from Aabar's disposal of certain investments from which dividends were being previously received.

Finance costs. Finance costs were U.S.$1,350 million in 2013, compared to U.S.$1,584 million in 2012, a decrease of U.S.$234 million, or 14.8 per cent. This decrease was primarily due to the repayment of borrowings made by Aabar and the Company during 2013, which consequently reduced the interest cost.

Other expense. Other expense was U.S.$143 million in 2013, compared to U.S.$171 million in 2012, a decrease of U.S.$28 million, or 16.4 per cent. The decrease was due to the reversal of impairment in investment properties made by Aabar in 2012.

Gains on acquisitions and disposals. Gains on acquisitions and disposals were U.S.$283 million in 2013, compared to U.S.$195 million in 2012, an increase of U.S.$88 million, or 45.1 per cent., mainly due to gain on disposal of CEPSA's 5 per cent. stake in Ocensa and the sale of 5 per cent. of CEPSA's stake in Compañia Logistica de Hidrocarburos CLH, S.A.

Other gains on financial instruments. Other gains on financial instruments were U.S.$527 million in 2013, compared to a loss on financial instruments of U.S.$317 million in 2012, an increase of U.S.$844 million. This increase was primarily due to improvement in the share price of Aabar's investments in Daimler and UniCredit, which resulted in a gain of U.S.$1,740 million in 2013, compared to U.S.$487 million in 2012. However, the gain on these investments was reduced by the loss on related derivatives positions amounting to U.S.$1,135 million, compared to U.S.$412 million in 2012.

Profit before tax from continuing operations. Profit before tax from continuing operations was U.S.$2,582 million in 2013, compared to U.S.$2,287 million in 2012, an increase of U.S.$295 million, or 12.9 per cent.

Tax expense. Tax expense was U.S.$421 million in 2013, compared to U.S.$671 million in 2012, a decrease of U.S.$250 million, or 37.3 per cent. The decrease was mainly caused by CEPSA's lower taxable income base in

2013. CEPSA's net profit before tax in 2013 was U.S.$827 million compared to U.S.$1,219 million in 2012. 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 (loss) for the year from discontinued operations. Profit for the year from discontinued operations was nil in 2013, compared to U.S.$140 million in 2012, a decrease of U.S.$140 million, or 100 per cent. The decrease was largely due to the disposal of Ferrostaal in 2012. There were no discontinued operations in 2013.

Profit for the year. As a result of the foregoing, profit for the year was U.S.$2,161 million in 2013, compared to U.S.$1,756 million in 2012, an increase of U.S.$405 million, or 23.1 per cent.

Comparison of Years Ended 31 December 2012 and 2011

Revenue. Revenue was U.S.$51,902 million in 2012, compared to U.S.$34,318 million in 2011, an increase of U.S.$17,584 million, or 51.2 per cent., reflecting the fact that CEPSA was consolidated from July 2011.

Revenue from the diversified chemicals segment was U.S.$9,701 million in 2012, compared to U.S.$9,881 million in 2011, a marginal decrease of U.S.$180 million, or 1.8 per cent., due to translation losses as a result of lower euro to U.S. dollar exchange rates in 2012 compared to 2011. Operations-wise, Borealis recognised an increase in revenue primarily attributable to the acquisition of PEC-Rhin S.A., Ottmarsheim, which contributed revenue of €127 million, as well as a 3 per cent. increase in the volume of polyolefin sales.

Revenue from the commodity chemicals segment was U.S.$5,055 million in 2012, compared to U.S.$5,241 million in 2011, a marginal decrease of U.S.$186 million, or 3.5 per cent., reflecting lower sales prices in the Group's olefins/polyolefins business unit throughout 2012.

Revenue from the diversified investments segment was U.S.$104 million in 2012, compared to U.S.$93 million in 2011, an increase of U.S.$11 million, or 11.8 per cent. due to higher commission and interest income.

Revenue from the integrated oil and gas segment was U.S.$37,043 million in 2012, compared to U.S.$19,103 million in 2011, an increase of U.S.$17,940 million or 93.9 per cent., resulting from the consolidation of CEPSA as a subsidiary as from July 2011.

Cost of sales. Cost of sales was U.S.$46,342 million in 2012, compared to U.S.$30,183 million in 2011, an increase of U.S.$16,159 million, or 53.5 per cent., resulting from the consolidation of CEPSA as a subsidiary as from July 2011. Cost of sales as a percentage of the Group's revenue was 89.3 per cent. in 2012 and 88.0 per cent. in 2011.

Cost of sales in the diversified chemicals and commodity chemicals segments was U.S.$8,431 million and U.S.$3,954 million, respectively, in 2012, compared to U.S.$8,343 million and U.S.$4,026 million, respectively, in 2011, an increase of U.S.$88 million, or 1.0 per cent. and a decrease of U.S.$72 million, or 1.8 per cent., respectively. The increase in cost of sales in diversified chemicals was primarily due to higher sales volume, feedstock pricing and volatility as well as the acquisition of PEC-Rhin S.A., Ottmarsheim. The decrease in cost of sales in the commodity chemicals segment was primarily due to lower feedstock costs, offset by an increase in depreciation and impairment charges in 2012 of U.S.$27 million and U.S.$15 million, respectively.

Cost of sales in the diversified investments segment was U.S.$20 million in 2012, compared to U.S.$21 million in 2011, a decrease of U.S.$1 million or 4.8 per cent. The decrease in cost of sales was primarily due to lower fees payable related to the management of mutual funds.

Cost of sales in the integrated oil and gas segment was U.S.$33,937 million in 2012, compared to U.S.$17,794 million in 2011, an increase of U.S.$16,143 million, or 90.7 per cent., resulting from the consolidation of CEPSA as a subsidiary as from July 2011.

Gross profit. Gross profit was U.S.$5,560 million in 2012, compared to U.S.$4,135 million in 2011, an increase of U.S.$1,425 million, or 34.5 per cent., which was largely in line with changes in revenue and cost of sales and was primarily due to the reasons set forth above.

Gross profit in the diversified chemicals segment was U.S.$1,270 million in 2012, compared to U.S.$1,538 million in 2011, a decrease of U.S.$268 million, or 17.4 per cent.

Gross profit in the commodity chemicals segment was U.S.$1,101 million in 2012, compared to U.S.$1,215 million in 2011, a decrease of U.S.$114 million, or 9.4 per cent.

Gross profit in the diversified investments segment was U.S.$83 million in 2012, compared to U.S.$72 million in 2011, an increase of U.S.$11 million, or 15.3 per cent.

Gross profit in the integrated oil and gas segment was U.S.$3,106 million in 2012, compared to U.S.$1,309 million in 2011, an increase of U.S.$1,797 million or 137.3 per cent.

Share of post-tax profits of associates and joint ventures. Share of post-tax profits of associates and joint ventures was U.S.$1,098 million in 2012, compared to U.S.$1,046 million in 2011, an increase of U.S.$52 million, or 5.0 per cent. The increase was primarily due to higher share of profits recognised by the Group on its investment in OMV and Borouge due to their stronger performance and RHB due to full year accounting compared to only three months in 2011.

Foreign exchange gain, net. Foreign exchange gain, net was U.S.$159 million in 2012, compared to a foreign exchange gain of U.S.$839 million in 2011, a decrease of U.S.$680 million, or 81.0 per cent. The decrease was primarily due to losses on translation of the Group's euro borrowings at 31 December 2012 at a higher euro to U.S. dollar exchange rate as compared to at 31 December 2011.

Finance income. Finance income was U.S.$723 million in 2012, compared to U.S.$765 million in 2011, a marginal decrease of U.S.$42 million, or 5.5 per cent. This decrease was primarily due to Aabar's lower interest income in 2012 as compared to 2011.

Finance costs. Finance costs were U.S.$1,584 million in 2012, compared to U.S.$1,452 million in 2011, an increase of U.S.$132 million, or 9.1 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.$171 million in 2012, compared to U.S.$344 million in 2011, a decrease of U.S.$173 million, or 50.3 per cent. The decrease was primarily due to no goodwill having been impaired during 2012.

Gains on acquisitions and disposals. Gains on acquisitions and disposals were U.S.$195 million in 2012, compared to U.S.$50 million in 2011, an increase of U.S.$145 million, or 290.0 per cent. In 2011, the Group recognised a fair value gain on acquisition of CEPSA amounting to U.S.$35 million. In 2012, the Group recognised primarily a gain on the recycling of cumulative fair value gain on Arabtec on the change in accounting from available-for-sale to investment in associate.

Other losses on financial instruments. Other losses on financial instruments were U.S.$317 million in 2012, compared to U.S.$1,490 million in 2011, a decrease of U.S.$1,173 million, or 78.7 per cent. This decrease was primarily due to a fair value gain on Daimler shares and mark-to-market gains on additional call spreads on Daimler shares (compared to significant fair value losses in 2011), which was partially offset by opposite mark-to-market changes on related derivatives. This decrease was also due to the improvement in the share price of other listed securities such as UniCredit. The decrease was offset by the impairment that the Group had to book on one of its available-for-sale investments due to the prolonged and significant decrease in its market price.

Profit before tax from continuing operations. Profit before tax from continuing operations was U.S.$2,287 million in 2012, compared to U.S.$953 million in 2011, an increase of U.S.$1,334 million, or 140.0 per cent.

Tax expense. Tax expense was U.S.$671 million in 2012, compared to U.S.$412 million in 2011, an increase of U.S.$259 million, or 62.9 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 (loss) for the year from discontinued operations. Profit for the year from discontinued operations was U.S.$140 million in 2012, compared to a loss of U.S.$496 million in 2011, an increase of U.S.$636 million, or 128.2 per cent. In 2012, the Group recorded profit from operations of Ferrostaal and gains on disposal of Ferrostaal, 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.$1,756 million in 2012, compared to U.S.$45 million in 2011, an increase of U.S.$1,711 million, or 3,802.2 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 2014 and 2013 and the years ended 31 December 2013, 2012 and 2011.

	Six months ended 30 June		Year ended 31 December		
	2014	2013	2013	2012	2011
			(U.S.$'000)		
Net cash from operating activities	515,188	1,528,122	4,428,372	2,546,976	1,600,539
Net cash (used in)/from investing activities	(1,484,141)	713,729	2,634,426	(2,060,558)	(10,292,202)
Net cash (used in)/from financing activities.	(1,052,564)	(2,701,641)	(5,259,163)	(917,884)	11,019,886
Net foreign exchange difference	(36,625)	(33,031)	102,498	55,298	(189,363)
Cash and cash equivalents at period end	4,760,702	4,419,890	6,818,844	4,912,711	5,288,879

Comparison of Six Months Ended 30 June 2014 and 2013

Net cash from operating activities. Net cash from operating activities was U.S.$515 million in the six months ended 30 June 2014, compared to net cash from operating activities of U.S.$1,528 million in the six months ended 30 June 2013, a decrease of U.S.$1,013 million, or 66.3 per cent., primarily due to a decrease of U.S.$891 million in changes in working capital and an increase of U.S.$295 million in income tax payments, offset by an increase of U.S.$173 million in profit before tax after non-cash adjustments.

Net cash (used in)/from investing activities. Net cash used in investing activities was U.S.$1,484 million in the six months ended 30 June 2014, compared to net cash from investing activities of U.S.$714 million in the six months ended 30 June 2013.

In the six months ended 30 June 2014, the Group made payments amounting to U.S.$2,588 million (net of cash acquired) to acquire controlling stakes in Coastal (see Note 4 ("*Business Combination*") of the Unaudited Financial Statements) and U.S.$1,050 million for fixed assets purchase.

These payments were offset by U.S.$2,000 million received from the Government as an interim payment against the agreed purchase price for the transfer of ADCOP to the ADNOC group, dividends and interest received by the Group (after consolidation adjustments) of U.S.$229 million and U.S.$155 million, respectively.

In the six months ended 30 June 2013, the Group made payments amounting to U.S.$391 million (net of cash acquired) to acquire controlling stakes in various entities and U.S.$1,036 million for fixed assets purchase.

These payments were offset by dividends and interest received by the Group (after consolidation adjustments) of U.S.$306 million and U.S.$136 million, respectively, and net movement pass-through on unwinding of collar positions, mainly on certain investments in UniCredit, amounting to U.S.$2,177 million.

Net cash (used in) financing activities. Net cash used in financing activities was U.S.$1,053 million in the six months ended 30 June 2014, compared to net cash used in financing activities of U.S.$2,702 million in the six months ended 30 June 2013. In the six months ended 30 June 2014, the Group received proceeds from borrowings of U.S.$4,520 million, offset by repayments on borrowings of U.S.$4,890 million. In the six months ended 30 June 2013, the Group received proceeds from borrowings of U.S.$3,855 million, offset by repayments on borrowings of U.S.$5,911 million.

Comparison of Years Ended 31 December 2013, 2012 and 2011

Net cash from operating activities. Net cash from operating activities was U.S.$4,428 million in the year ended 31 December 2013, U.S.$2,547 million in the year ended 31 December 2012 and U.S.$1,601 million in the year ended 31 December 2011. The U.S.$1,881 million increase in net cash from operating activities in 2013, compared to 2012 was primarily due to an increase of U.S.$2,142 million in changes in working capital, offset by a decrease of U.S.$233 million in income tax payments. The U.S.$946 million increase in net cash from operating activities in 2012, compared to 2011 was primarily due to an increase of U.S.$1,553 million in profit before tax after non-cash adjustments, offset by an increase of U.S.$539 million in changes in working capital and an increase of U.S.$68 million in income tax payments.

Net cash from/(used in) investing activities. Net cash from investing activities was U.S.$2,634 million in the year ended 31 December 2013, compared to net cash used in investing activities of U.S.$2,061 million in the year ended 31 December 2012 and U.S.$10,292 million in the year ended 31 December 2011.

In the year ended 31 December 2013, the Group made:

- payments amounting to U.S.$531 million (net of cash acquired) to acquire controlling stakes in various entities, including acquisitions of Clariden Leu (Europe) Ltd., Hess Rhourde El Rouni Limited, DEX Plastomers V.o.F., GPN S.A. (which was subsequently renamed Borealis Chimie) and Rosier (see Note 3 ("*Business Combinations*") of the 2013 Financial Statements);
- payments to acquire financial instruments of U.S.$220 million, primarily relating to the acquisition of various investments by Falcon Bank for trading purposes;
- payments to acquire investments in associates and joint ventures of U.S.$455 million, primarily relating to the acquisition of an additional 22.09 per cent. stake in Medgaz, S.A. by CEPSA and Aabar's subscription to Arabtec's rights issue; and
- payments to purchase fixed assets amounting to U.S.$2,063 million.

These payments were offset by dividends and interest received by the Group (after consolidation adjustments) of U.S.$424 million and U.S.$166 million, respectively, and movements in derivative financial investments and financial instruments amounting to U.S.$2,293 million and U.S.$886 million, respectively, mainly relating to the unwinding of certain collar positions in the investment in UniCredit and payment received by the Company from the Government amounting to U.S.$2,000 million as an interim payment against the agreed purchase price for the transfer of ADCOP to the ADNOC group.

In the year ended 31 December 2012, the Group made:

- payments to acquire 100 per cent. of Chevron España, S.A. (which was subsequently renamed CEPSA Carburantes y Lubricantes), for U.S.$178 million (net of cash received) (by CEPSA) and PEC-Rhin S.A., Ottmarsheim for U.S.$123 million (net of cash acquired) (by Borealis);
- payments to acquire derivative financial instruments of U.S.$1,635 million, primarily relating to Aabar's investment in Daimler and UniCredit;
- payments to acquire financial instruments of U.S.$1,668 million, primarily relating to the acquisition of an additional stake in UniCredit and Arabtec by Aabar;
- payments of U.S.$1,847 million to acquire property, plant and equipment, primarily relating to ADCOP and the purchase of fixed assets by CEPSA, Borealis and NOVA Chemicals; and
- payments to acquire, and advances on, investment properties of U.S.$167 million, primarily relating to real estate investments by Aabar.

These payments were offset by dividends and interest received by the Group (after consolidation adjustments) of U.S.$507 million and U.S.$241 million, respectively, proceeds from the sale of a 6 per cent. stake in Daimler of U.S.$3,129 million and net proceeds of U.S.$193 million from the retransfer of Ferrostaal.

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.

Net cash (used in)/from financing activities. Net cash used in financing activities was U.S.$5,259 million in the year ended 31 December 2013, U.S.$918 million in the year ended 31 December 2012, compared to net cash from financing activities of U.S.$11,020 million in the year ended 31 December 2011. In the year ended 31 December 2013, the Group received proceeds from borrowings of U.S.$6,749 million, offset by repayments on borrowings of U.S.$10,720 million and paid interest of U.S.$1,239 million. In the year ended 31 December 2012, the Group received proceeds from borrowings of U.S.$10,377 million, offset by repayments on borrowings of U.S.$9,702 million and paid interest of U.S.$1,328 million. 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 December 2011 in respect of QADIC.

Borrowings

The table below shows the breakdown of the Group's outstanding borrowings by individual Group company as of 30 June 2014 and 31 December 2013, 2012 and 2011:

	As of 30 June	As of 31 December		
	2014	2013	2012	2011
	(U.S.$'000)			
The Company	15,023,983	16,865,808	18,708,350	19,198,777
Aabar	7,229,575	9,007,087	10,621,128	9,733,156
NOVA Chemicals	852,159	861,899	793,393	1,741,109
Borealis	2,707,441	2,515,798	2,125,317	1,604,564
CEPSA	5,508,983	4,253,322	4,498,466	3,502,205
Total	**31,322,141**	**33,503,914**	**36,746,654**	**35,779,811**

As of 30 June 2014, the Company had U.S.$15,024 million of borrowings, comprising U.S.$3 million of short-term debt and U.S.$15,021 million of long-term debt.

The following table sets forth the breakdown of the Group's outstanding borrowings by currency as of 30 June 2014 and 31 December 2013, 2012 and 2011:

	As of 30 June	As of 31 December		
	2014	2013	2012	2011
	(U.S.$'000)			
Dirham denominated borrowings	803,421	1,038,199	2,720,189	5,884,478
Euro denominated borrowings	15,186,736	17,677,596	19,013,533	14,762,393
Sterling denominated borrowings	1,551,295	1,498,041	302,553	1,071,766
U.S. dollar denominated borrowings	12,943,125	12,636,282	12,967,664	13,103,214
Yen denominated borrowings	663,480	638,092	778,544	874,600
Others	174,084	15,704	964,171	83,360
Total loans	**31,322,141**	**33,503,914**	**36,746,654**	**35,779,811**

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 2013 on a contractual, undiscounted basis. In the table below, interest rates on variable rate loans have been based on rates prevailing on 31 December 2013.

	On demand	0-3 months	3-12 months	1-3 years	3-5 years	More than 5 years	Total
				(U.S.$'000)			
Interest bearing loans and borrowings	237,086	3,066,819	4,023,258	9,979,185	6,050,457	12,252,313	35,609,118

The Group's material borrowings as at 30 June 2014 comprise the following:

Listed notes and other borrowing instruments

	Maturity (Year)	Currency	Interest rate	30 June 2014[1]	31 December 2013[1]	Face Amount
				U.S.$'000		('000)
IPIC—Bond 1	2020	U.S.$	5.000%	1,486,213	1,485,361	U.S.$1,500,000
IPIC—Bond 2	2015	U.S.$	3.125%	997,724	996,944	U.S.$1,000,000
IPIC—Bond 3	2021	Euro	5.875%	1,683,839	1,688,583	Euro1,250,000
IPIC—Bond 4	2016	Euro	4.875%	1,701,793	1,705,780	Euro1,250,000
IPIC—Bond 5	2026	GBP	6.875%	932,260	902,158	GBP550,000
IPIC—Bond 6	2022	U.S.$	5.500%	1,492,782	1,492,432	U.S.$1,500,000
IPIC—Bond 7	2017	U.S.$	3.750%	1,494,643	1,493,719	U.S.$1,500,000
IPIC—Bond 8	2041	U.S.$	6.875%	743,072	743,028	U.S.$750,000
IPIC—Bond 9	2015	U.S.$	1.750%	747,688	746,896	U.S.$750,000
IPIC—Bond 10	2018	Euro	2.375%	1,088,832	1,092,105	Euro800,000
IPIC—Bond 11	2023	Euro	3.625%	1,149,734	1,153,376	Euro850,000
Aabar—Exchangeable bond (see below)	2016	Euro	4.000%	1,662,887	1,666,981	Euro1,250,000
Borealis—Bond 1	2017	Euro	5.375%	273,840	274,860	Euro200,000
Borealis—Bond 2	2019	Euro	4.000%	171,150	171,788	Euro125,000
NOVA Chemicals—Bond 4[2]	2019	U.S.$	8.625%	343,828	343,279	U.S.$350,000
NOVA Chemicals—Bond 6	2023	U.S.$	5.250%	493,755	493,411	U.S.$500,000
				16,464,040	**16,450,701**	

IPIC—Bond 1 to IPIC—Bond 11 (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.

(2) On 28 October 2014, NOVA Chemicals issued U.S.$500 million 5 per cent. senior notes due May 2025. The net proceeds of this issuance were partly used to redeem NOVA Chemicals—Bond 4 on 3 November 2014. The remaining net proceeds will be used for general corporate purposes.

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 2014[(1)] U.S.$'000	31 December 2013[(1)] U.S.$'000	Face Amount ('000)
IPIC—Loan 8	2026	AED	EIBOR + Margin	—	252,124	AED1,000,000
IPIC—Loan 10	2014	U.S.$	LIBOR + Margin	—	1,398,884	U.S.$1,400,000
IPIC—Loan 12[(2)]	On demand	U.S.$	LIBOR + Margin	2,828	237,086	U.S.$1,395,277
IPIC—Loan 13	2014	U.S.$	LIBOR + Margin	—	169,969	U.S.$170,000
IPIC—Loan 14	2014	Euro	EURIBOR + Margin	—	693,935	Euro505,000
IPIC—Loan 15	2018	JPY	LIBOR + Margin	663,480	638,092	JPY67,500,000
IPIC—Loan 16[(3)]	2016	Euro + U.S.$	EURIBOR/LIBOR +Margin	850,757	(12,339)	U.S.$580,000/ Euro330,000
Aabar—Loan 6	2014	Euro	Fixed rate	—	1,611,682	Euro1,171,000
Aabar—Loan 9	2014	Euro	EURIBOR + Margin	—	275,161	Euro200,000
Aabar—Loan 11	2014	Euro	Fixed rate	1,693,497	1,704,012	Euro1,244,000
Aabar—Loan 12	2015	AED	EIBOR + Margin	204,221	204,221	AED750,000
Aabar—Loan 16	2016	U.S.$	LIBOR + Margin	486,308	484,279	U.S.$493,610
Aabar—Loan 17	2016	AED	EIBOR + Margin	351,540	350,073	AED1,310,379
Aabar—Loan 18	2016	Euro	EURIBOR + Margin	682,898	686,197	Euro90,000
Aabar—Loan 19	2018	U.S.$	LIBOR + Margin	283,851	282,996	U.S.$290,440
Aabar—Loan 20	2018	AED	EIBOR + Margin	232,483	231,782	AED873,586
Aabar—Loan 21	2018	Euro	EURIBOR + Margin	481,593	484,482	Euro508,070
Aabar—Loan 22	2015	U.S.$	LIBOR + Margin	172,152	171,335	U.S.$100,000
Aabar—Loan 23	2016	GBP	LIBOR + Margin	567,792	548,245	GBP338,064
Borealis—Loan 1	2018	Euro	Fixed rate	195,796	196,525	Euro160,000
Borealis—Loan 3	2016-2028	Euro + U.S.$	EURIBOR/LIBOR + Margin	158,199	158,071	Euro123,000+ U.S.$75,000
Borealis—Loan 4	2019	Euro	Fixed rate	205,380	206,145	Euro150,000
CEPSA—Loan 1	2018	U.S.$	LIBOR + Margin	280,697	348,782	U.S.$350,000
CEPSA—Loan 3	2015	Euro	EURIBOR + Margin	273,840	274,860	Euro200,000
CEPSA—Loan 4	2016	Euro	EURIBOR + Margin	—	247,374	Euro180,000
CEPSA—Loan 5	2016	U.S.$	LIBOR + Margin	143,213	170,832	U.S.$200,000
CEPSA—Loan 6	2016	U.S.$	LIBOR + Margin	—	199,304	U.S.$200,000
CEPSA—Loan 7	2022	Euro	EURIBOR + Margin	205,380	206,145	Euro150,000
CEPSA—Loan 8	2015	Euro	EURIBOR + Margin	—	206,145	Euro150,000
CEPSA—Loan 9	2016	Euro	EURIBOR + Margin	—	199,274	Euro145,000
CEPSA—Loan 18	2015	U.S.$	LIBOR + Margin	150,373	149,478	U.S.$150,373
CEPSA—Loan 19	2025	Euro	EURIBOR + Margin	150,882	152,366	Euro110,197
CEPSA—Loan 20	2019	U.S.$	LIBOR + Margin	270,672	—	Euro197,686
CEPSA—Loan 21	2019	U.S.$	LIBOR + Margin	275,685	—	Euro275,685
CEPSA—Loan 22	2017	Euro	EURIBOR + Margin	684,600	—	Euro500,000
CEPSA—Loan 23	2014	U.S.$	LIBOR + Margin	196,488	—	Euro196,488
Others				4,517,640	3,534,100	—
				14,382,245	**16,661,617**	

(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) IPIC Loan (12) has an undrawn amount of U.S.$1,497,172 thousand as at 30 June 2014 (31 December 2013: U.S.$1,190,914 thousand).

(3) IPIC Loan (16): On 19 December 2013, the Company entered into a U.S.$2 billion multicurrency revolving facilities agreement with an interest rate at a margin over, in relation to any loan in U.S. dollars, LIBOR or, in relation to any loan in euro, EURIBOR. On 27 February 2014, facilities were partially drawn with an undrawn amount of U.S.$1,212,915 thousand at 30 June 2014 (31 December 2013: U.S.$2,067,038 thousand).

All IPIC loans are unsecured. Aabar loans are unsecured, except for Aabar loans 6, 11, 12 and 23 which are secured through pledges on land mortgage and certain securities. All loans within "Others" are unsecured, except for an amount of U.S.$14,576 thousand (31 December 2013: U.S.$15,807 thousand) which is secured on property, plant and equipment.

Except for the Guarantee of the Notes, the Company does not guarantee the debt of any Group companies, including those described above.

The Company agreed in 2012 to guarantee the obligations of certain subsidiaries of 1Malaysia Development Berhad ("**1MDB**"), 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, IPIC benefits from back-to-back guarantees and support from 1MDB and has secured for its Group the right:

- to acquire up to a 49 per cent. stake in Powertek Investment Holdings Sdn Bhd (formerly known as 1MDB Energy Sdn Bhd), a company which holds a 100 per cent. stake in Powertek Energy Sdn Bhd (formerly known as Tanjong Energy Holdings Sdn Bhd); and
- to acquire up to a 49 per cent. stake in 1MDB Energy (Langat) Sdn Bhd which holds a 100 per cent. stake in Mastika Lagenda Sdn Bhd, a company which owns a 75 per cent. stake in Kuala Langat Power Plant Sdn Bhd (formerly known as Genting Sanyen Power Sdn Bhd).

Please see Note 19 ("*Other Liabilities*") 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 2014 and 2013 and the years ended 31 December 2013, 2012 and 2011:

	Six months ended 30 June		Year ended 31 December		
	2014	**2013**	**2013**	**2012**	**2011**
			(U.S.$'000)		
SUMED	4,744	8,145	8,145	27,368	28,950
PARCO	25,200	12,600	12,600	13,650	3,600
OMV	139,492	126,334	126,334	114,121	84,605
CEPSA[(1)]	196,910	262,792	480,459	417,882	298,719
Borealis	61,712	49,225	49,225	93,407	90,816
NOVA Chemicals	250,025	149,250	149,250	—	75,000
Oil Search[(2)]	4,056	—	—	—	—
Cosmo Oil	2,832	—	—	16,408	16,049
EDP	35,554	35,178	47,051	25,268	24,825
GEM	—	—	—	—	1,935
Total dividend income[(3)]	**720,525**	**643,524**	**873,064**	**708,104**	**624,499**
IPBC Bond[(2)]	15,650	38,224	77,206	89,074	89,974
Interest on bank balances and deposits	36,597	31,867	69,583	75,425	102,666
Total interest income	**52,247**	**70,091**	**146,789**	**164,499**	**192,640**
Total dividend and interest income	**772,772**	**713,615**	**1,019,853**	**872,603**	**817,139**
Total interest expense	**372,757**	**350,083**	**698,510**	**752,007**	**569,398**

(1) In July and August 2011, the Company increased its stake in CEPSA to 100 per cent.

(2) Represents interest income on IPBC Bond. On 5 March 2014, the IPBC Bond converted into 196,604,177 ordinary shares in Oil Search, giving the Company a 12.94 per cent. stake based on shareholdings as at 30 June 2014.

(3) Transactions in foreign currencies are initially recorded by Group entities using their respective functional currency rate prevailing at the date of the transaction.

Shareholder Loan

In each of June 2010 and December 2011, the Department of Finance of the Government, on behalf of the Government and as part of the Government's U.S.$1.0 billion investment commitment in QADIC, provided the Company 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 expenditures for the years ended 31 December 2013, 2012 and 2011 by business segments were as follows:

	Diversified chemicals	Commodity chemicals	Industrial engineering services	Integrated oil and gas businesses	Diversified investments	Others	Total
				(U.S.$'000)			
Year ended 31 December 2013							
Property, plant and equipment	368,809	548,153	—	942,523	4,776	170,868	2,035,129
Investment properties	—	—	—	—	88,318	6,021	94,339
Intangible assets	65,690	1,669	—	28,193	24,396	—	119,948
Year ended 31 December 2012							
Property, plant and equipment	410,625	317,370	—	702,606	2,248	440,241	1,873,090
Investment properties	—	—	—	—	113,829	—	113,829
Intangible assets	71,709	9,145	—	35,558	7,128	—	123,540
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

As of 30 June 2014, the Company's contracted capital expenditures relating to ADCOP were approximately U.S.$264 million.

Contractual Commitments

The following table sets forth the Group's contractual commitments as of 30 June 2014:

		Payments Due By Period		
	Total	Less than 1 Year	1-5 Years	More than 5 Years
		(U.S.$ million)		
Feedstock purchase commitments	21,819,940	1,927,808	6,352,453	13,539,679
Operating lease commitments	1,490,472	314,031	705,059	471,382
Capital commitments:				
Property, plant and equipment	2,167,268	N/A	N/A	N/A
Investments in equity instruments	93,312	N/A	N/A	N/A
Intangible assets	10,381	N/A	N/A	N/A
Fiduciary assets	708,516	N/A	N/A	N/A
Investment properties	916,314	N/A	N/A	N/A
Total	**27,206,203**			

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 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 2014, total comprehensive income for the period was U.S.$1,697 million, compared to a total comprehensive income of U.S.$305 million in the six months ended 30 June 2013, an increase of U.S.$1,392 million, or 456.4 per cent. The increase was primarily attributable to: (i) profit for the period (of U.S.$1,230 million in the six months ended 30 June 2014, compared to U.S.$861 million in the six months ended 30 June 2013, an increase of U.S.$369 million); and (ii) other comprehensive income/(loss) for the period (income of U.S.$468 million in the six months ended 30 June 2014, compared to loss of U.S.$557 million in the six months ended 30 June 2013, an increase of U.S.$1,025 million).

In 2013, total comprehensive income for the year was U.S.$1,996 million, compared to a total comprehensive income for the year of U.S.$1,629 million in 2012, an increase of U.S.$367 million or 22.5 per cent. The increase

was primarily attributable to: (i) profit for the year (of U.S.$2,161 million in 2013, compared to U.S.$1,756 million in 2012, an increase of U.S.$405 million); and (ii) other comprehensive loss for the year (loss of U.S.$165 million in 2013, compared to U.S.$127 million in 2012, an increase of U.S.$38 million).

In 2012, total comprehensive income for the year was U.S.$1,629 million, compared to a loss of U.S.$2,541 million in 2011, an increase of U.S.$4,170 million or 164.1 per cent. The increase was primarily attributable to: (i) profit for the year (of U.S.$1,756 million in 2012, compared to U.S.$45 million in 2011, an increase of U.S.$1,711 million); and (ii) other comprehensive loss for the year (loss of U.S.$127 million in 2012, compared to U.S.$2,585 million in 2011, a decrease of U.S.$2,458 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 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 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 analysis in the following sections relate to the positions as at 31 December 2013 and 2012.

The sensitivity analysis has 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 2013.

The analysis excludes 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:

	2013			2012		
	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	(56,120)	—	+10	(16,109)	—
Natural gas	+10	(23,700)	2,832	+10	(16,600)	3,700
Electricity	+10	—	26,719	+10	—	33,184
Propylene	+10	35,294	—	+10	32,170	—
Polyethelene	+10	186,281	—	+10	156,259	—
Other petrochemical feedstock*	+10	49,405	—	+10	85,455	—

* 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. dollars is excluded from the sensitivity analysis.

	Change	Effect on profit before tax	Effect on equity
	(basis points)	(U.S.$'000)	(U.S.$'000)
2013			
CHF	+50bps	178	38
EUR	+50bps	(117,293)	(151,476)
JPY	+50bps	(4,427)	(32)
CAD	+50bps	(73,472)	(10,910)
GBP	+50bps	(13,274)	423
Others	+50bps	24,541	132,971
		(183,747)	**(28,986)**
2012			
CHF	+50bps	248	59
EUR	+50bps	(122,785)	(52,171)
JPY	+50bps	3,988	(28)
CAD	+50bps	(68,438)	(28,152)
GBP	+50bps	(9,973)	475
Others	+50bps	13,792	148,811
		(183,168)	**68,994**

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 the Group's Investment Activities*

and Businesses – Interest rate fluctuations may increase the cost of the Group's current and future borrowings" and *"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.

With all other variables held constant, a 50 basis points decrease in interest rates would have increased the Group's profit by U.S.$40.2 million in 2013 (2012: U.S.$48.0 million), through the impact on all floating rate borrowings. There would have been no material impact on the Group's equity.

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. 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:

	2013			2012		
	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	83,945	105,672	+10	51,888	101,225
Middle East (excluding U.A.E.)	+10	—	25,000	+10	—	25,000
North America	+10	—	—	+10	586	—
Asia and Pacific	+10	3,360	35,178	+10	6,294	42,528
Africa	+10	—	3,671	+10	—	3,671

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 a decrease of U.S.$80.4 million on profit before tax (2012: decrease by U.S.$43.8 million).

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 except for loans and other banking receivables due from banking customers.

The Group has established procedures to minimise the risk of default by trade debtors including credit verification in order to be able to trade 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 derivative financial assets, held-to-maturity investments, trade and other receivables, cash and short-term deposits and other assets. The Group's exposure to credit risk arises from defaults of counterparties, with maximum exposure equal to the 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.

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 the pattern of economic benefits that are expected from the use of such property, plant and equipment. 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, the growth rate used for extrapolation purposes and the terminal value.

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.

Impairment of investments of quoted associates

The Group's investments in its associates are accounted for using the equity method of accounting. For quoted associates, the Group compares, at the reporting date, the carrying values of those associates to their market values for any indications of impairment to the carrying values. If any such indication exists, the Group estimates the recoverable amount of the associates through an estimation of their value in use. Estimating the value in use requires the Group to make an estimate of the expected future cash flows for the periods and also choose a

suitable discount rate in order to calculate the present value of those cash flows. The Group also reviews analysts' reports on the quoted associates to understand the market expectations and price consensus targets.

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.

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.

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. A tax reserve is used to provide for uncertain tax provisions which consist of potential tax liabilities associated with possible disputes with tax authorities.

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 models. 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.

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. Also, given the allocation of assets, the market value of the plans' assets are sensitive to changes in the capital markets. All assumptions are reviewed at each reporting date.

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

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 commercial 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.

Legal claims

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

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 December 2011, the Government also 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 2014.

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 2014, the Company's consolidated total assets were U.S.$69.7 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 group;
- 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. The pipeline is intended to help mitigate the risk of a suspension of crude 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 and is currently capable of carrying 850,000 barrels per day of crude exports;
- the multi-billion dollar ChemaWEyaat initiative 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 comprised of 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 Abu Dhabi crude oil, such as Murban and Upper Zakum, and other regional and opportunity crude oils;
- the ELNG Project, a 50/50 joint venture with Mubadala Petroleum, a business unit of Mubadala, involving the development of a new LNG regasification facility 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 30 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, Cosmo Oil and Oil Search.

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 DRPIC.

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, CEPSA and OMV.

Additional Investments

The Company's additional investments comprise diversified investments in the aerospace, financial services, food security, construction and real estate sectors (among others), each held through 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 (currently 30.5 per cent.), 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 98.31 per cent.) in Aabar.

The Company subscribed for the IPBC Bond which, at maturity and in certain other circumstances, was exchangeable into a 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 98.31 per cent.).

The Company increased its stake in CEPSA to 100 per cent.

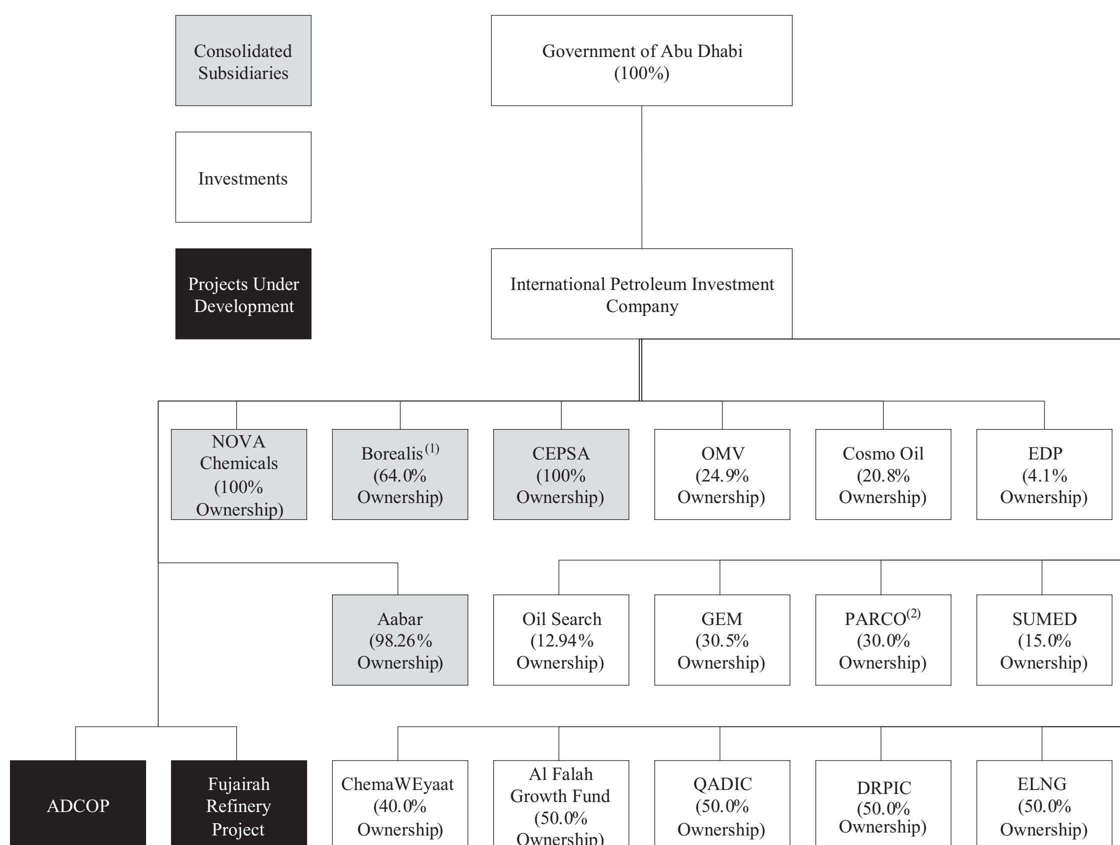
The Company increased its stake in OMV to 24.9 per cent.

2012 The Company re-transferred and MAN purchased the Company's 70.0 per cent. share in Ferrostaal for €350 million.

2014 The Company exchanged the IPBC Bond for 196,604,177 ordinary shares in Oil Search which gave the Company a 12.94 per cent. stake in Oil Search.

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) as of 30 June 2014:



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

(2) 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, Aa2 (stable outlook) by Moody's and AA (stable outlook) by S&P. In the case of each of the rating agencies, the Company's 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 IPIC Square, Muroor (4th) Road, 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. From 31 December 2010 to 30 June 2014, the Company's consolidated total assets increased from U.S.$47.9 billion to U.S.$69.7 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.

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 and one is the Chairman of the U.A.E. Central Bank. 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 December 2011, the Government also 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 2014. In addition, while the Government does not guarantee the obligations of the Company, the Department of Finance of the Government 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**") in respect of Borouge 3 to expand capacity by a further 2.5 million tonnes per year of polyethylene and polypropylene. In June 2014, some Borouge 3 units successfully commenced operations and other units are expected to start-up in the last quarter of 2014 and through 2015. 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 advisers 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 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 is 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 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.$412 million, U.S.$630 million and U.S.$544 million to the Group's consolidated profit for the six months ended 30 June 2014, the year ended 31 December 2013 and the year ended 31 December 2012, 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	98.31	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	15.0	2 of 14	Available-for-Sale	Egypt	Private
GEM	Commercial tankers	2004	30.5	2 of 7	Equity Method	U.A.E.	Private
Oil Search	Oil exploration	2009[4]	12.94	—	Available-for-Sale	Papua New Guinea	Public
ELNG	Petrochemicals	2012	50.0	2 of 5	Equity Method	U.A.E.	Private
DRPIC	Refining and marketing	2012	50.0	3 of 6	Equity Method	Oman	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.

(4) Denotes the date of subscription by the Company in the IPBC Bond which the Company exchanged in March 2014 for a 12.94 per cent. stake in Oil Search.

In addition to the investments listed in the table above, the Company is also involved in a number of projects, including ADCOP, ChemaWEyaat and the Fujairah 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

The Company holds 100 per cent. of the issued share capital of CEPSA. Based in Madrid, Spain, CEPSA is a leading Spanish integrated hydrocarbons and petrochemicals group. CEPSA has four business areas: exploration and production; distribution and marketing; petrochemicals; and gas and power. CEPSA's main exploration and production assets are located in North and East Africa, South America and South East Asia. In January 2014, a CEPSA subsidiary, Condor Acquisition (Cayman) Limited, acquired Coastal for CAD 2.3 billion (U.S.$2.2 billion). Coastal is an international exploration and production company, based in Houston, United States, with principal assets in Thailand and Malaysia. 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/ distribution segment, manufacturing and selling feedstock for the production of high value-added components chiefly used in making new-generation plastics and biodegradable detergents. CEPSA operates petrochemicals manufacturing facilities located in Spain, Canada and Brazil, and a facility under construction in The People's Republic of China. It has also entered into a joint venture in Indonesia, Sinarmas CEPSA Pte Ltd, to manufacture and distribute fatty alcohol globally. 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, S.A., a joint venture created to design, build and operate a gas pipeline linking Algeria and Europe via Spain in which CEPSA has a 42.09 per cent. stake as at the date of this Base Prospectus. As of 30 June 2014, CEPSA had approximately 11,000 employees.

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 across 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.

For the six months ended 30 June 2014, CEPSA contributed U.S.$18.6 billion of revenue (after consolidation elimination entries), representing 68.1 per cent. of the Group's consolidated total revenue for the period. As of 30 June 2014, CEPSA had total assets of U.S.$22.5 billion (after consolidation elimination entries), representing 32.3 per cent. of the Group's consolidated total assets at such date.

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 2014, Borealis had approximately 6,200 employees.

For the six months ended 30 June 2014, Borealis contributed €4.4 billion (U.S.$6.0 billion) of revenue (after consolidation elimination entries), representing 21.9 per cent. of the Group's consolidated total revenue for the period. As of 30 June 2014, Borealis had total assets of €7.8 billion (U.S.$10.8 billion) (after consolidation elimination entries), representing 15.5 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 2014, Borouge and Borouge Pte together had approximately 3,000 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. In June 2014, some Borouge 3 units successfully commenced operations and other units are expected to start-up in the last quarter of 2014 and through 2015.

Borouge and Borealis have developed an innovation centre in Abu Dhabi, which is currently operational. The focus of the innovation centre is to develop practical solutions for advanced plastic material applications, and the innovation centre works closely with Borealis' existing European innovation centres in Austria, Finland and Sweden. With state of the art equipment, the innovation centre:

- represents a significant investment in research capabilities to meet customer needs in the Asia Pacific and MENA regions;
- forms 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;
- complements and ensures full support for the Borouge 2 market introduction and "Borstar" grade application development;
- will introduce wire and cable applications in conjunction with Borouge 3; and
- initially focuses 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 principally comprise the diversified chemicals and commodity chemicals business units, which produce and market ethylene, polyethylene, higher-value polyethylene and a variety of chemical and energy products. As of 30 June 2014, NOVA Chemicals had approximately 2,600 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 2014, NOVA Chemicals contributed U.S.$2.7 billion of revenue (after consolidation elimination entries), representing 9.8 per cent. of the Group's consolidated total revenue for the period. As of 30 June 2014, NOVA Chemicals had total assets of U.S.$6.3 billion (after consolidation elimination entries), representing 9.0 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 95.71 per cent. as at 31 December 2012. In June 2013, a shareholder loan of AED 7.34 billion provided by the Company to Aabar in 2011 was converted into non-interest bearing convertible bonds of Aabar, which were then converted into new shares of Aabar, increasing the Company's shareholding in Aabar to 97.80 per cent. as at 30 June 2013 (31 December 2013: 97.83 per cent.). As at the date of this Base Prospectus, the Company has a 98.31 per cent. stake in Aabar.

Aabar is a diversified investment company with domestic and international investments across a broad range of sectors including aerospace, automotive, construction, commodities and food security, financial services and real estate.

For the six months ended 30 June 2014, Aabar contributed U.S.$70.1 million of revenue (after consolidation elimination entries), representing 0.3 per cent. of the Group's consolidated total revenue for the period. As of 30 June 2014, Aabar had total assets of AED 61.5 billion (U.S.$16.8 billion) (after consolidation elimination entries), representing 24.1 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 by: (i) diversifying the Company's portfolio; and (ii) 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	Date of Initial Investment	Percentage Ownership	Headquarters
Falcon Bank	Private	April 2009	100.0	Switzerland
UniCredit	Public	June 2010	5.06	Italy
Virgin Galactic	Private	October 2010	37.8	U.S.A.
Glencore	Public	May 2011	0.75	Switzerland
Banvit	Public	August 2011	16.32	Turkey
RHB	Public	September 2011	21.22	Malaysia
Arabtec	Public	Second half 2011	35.27	U.A.E.
alizz islamic bank . . .	Public	October 2012	20.0	Sultanate of Oman

Source: Aabar.

Details of these investments are described below:

- *Falcon Bank*. In April 2009, Aabar acquired 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, London, Singapore and Zurich.
- *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. During 2013, Aabar reduced by 1.65 per cent. its stake in UniCredit by unwinding underlying collar positions, reducing its stake in UniCredit. As at the date of this Base Prospectus, Aabar had a 5.06 per cent. stake in UniCredit. Founded in 1998 and headquartered in Milan, Italy, UniCredit is a major financial institution with strong roots in 17 European countries and an established international network in approximately 50 markets, with about 147,000 employees and approximately 8,700 branches.
- *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. as at 30 June 2014.

- *Glencore*. In May 2011, Aabar acquired a 1.4 per cent. stake in Glencore as part of Glencore's initial public offering. On 2 May 2013, Glencore completed its acquisition of the remaining 66 per cent. stake in Xstrata plc through issuance of new shares of the company, which diluted Aabar's stake to 0.75 per cent. as at the date of this Base Prospectus. 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 21.22 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 21.57 per cent. in the first half of 2012. In June 2014, Aabar sold shares comprising 2.73 per cent. of Arabtec's issued share capital in the market, reducing Aabar's stake to 18.84 per cent. In November 2014, Aabar raised its stake in Arabtec to 35.27 per cent. Arabtec was established in the Emirate of Dubai 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.
- *alizz islamic bank*. In the third quarter of 2012, Aabar acquired a 20 per cent. stake, as a founding shareholder, of alizz islamic bank. alizz islamic bank was established as one of the Sultanate of Oman's first Islamic banks and completed its initial public offering in October 2012, with the listing of its share capital in the Sultanate of Oman in December 2012. alizz islamic bank commenced commercial operations in the third quarter of 2013. It offers a comprehensive range of commercial and retail services to the high-growth Islamic banking market in the Sultanate of Oman.

Joint Venture Investments

In Malaysia, Aabar has entered into a joint venture with 1MDB and established a new company, Abu Dhabi Malaysia Investment Company, with Aabar owning a 50.0 per cent. stake and 1MDB owning the remaining 50.0 per cent. The joint venture will invest in energy and strategic real estate projects.

In Algeria, Aabar has entered into joint ventures with the Government of Algeria and others to build vehicles and engine manufacturing plants.

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. As at the date of this Base Prospectus, Aabar has completed three residential developments, Al Durrah Tower, Rawdhat 59 and Rawdhat 69 & 77, on Al Reem Island in Abu Dhabi. Aabar plans to complete other residential and commercial projects during the coming years. 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 One57, a luxury apartment building 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 2014, OMV had approximately 26,800 employees.

OMV has been assigned ratings of A- (stable) by Fitch and A3 (stable) by Moody's.

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 three refineries in Japan and markets its products domestically through a network of over 3,200 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 2014, Cosmo Oil had 2,819 employees.

Cosmo Oil has been assigned a rating of Ba2 (negative) by Moody's.

The U.A.E. and Japan enjoy strong commercial ties, with Japan being one of the largest importers 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 2014. 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 been assigned ratings of BBB (stable) by Fitch, Ba1 (positive) by Moody's and BB+ (stable) 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 power sector.

Pak-Arab Refinery Limited (PARCO)

The Company and OMV currently hold indirectly 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 refined products pipelines, storage 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 Mahmood Kot and three refined products pipelines (with a total length of 1,170 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 1974 between the Company, Egyptian General Petroleum, Saudi Arabian Oil Company, three Kuwaiti companies and Qatar Petroleum, in which the Company has a 15.0 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 Red Sea 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 government of the Sultanate of Oman, and Thales, a French electronics and information systems company. The Company holds a 30.5 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 2014, 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 Qatar Holding ("**QH**"), which is a part of the Qatar Investment Authority. In each of June 2010 and December 2011, the Government provided the Company 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 the Company's statement of financial position as at 30 June 2014.

The Company and QH 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 QH, and a further U.S.$950 million to be paid by each of them in the future.

Oil Search Limited (Oil Search)

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.

In March 2014, in accordance with its terms, the IPBC Bond converted into 196,604,177 ordinary shares in Oil Search, making the Company one of the largest shareholders in Oil Search with an approximate 12.94 per cent. stake based on shareholdings as at 30 June 2014. Please see Note 24 ("*Other Assets*") to the 2013 Financial Statements.

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 upstream operations in Papua New Guinea, Iraq (Kurdistan), Yemen and Tunisia. Oil Search's main growth asset is a 29 per cent. interest in an LNG development project operated by ExxonMobil and established in the Southern and Western Highlands of

Papua New Guinea (the "**PNG LNG Project**"). The PNG LNG Project commenced production of LNG in April 2014 while the first shipment of its LNG cargo was made in late May 2014. Oil Search anticipates that the PNG LNG Project will eventually quadruple Oil Search's annual production volumes.

The Company's investment in the IPBC Bond, and its consequential holding in 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 LNG project.

ELNG Project

In September 2011, the Company's board of directors approved participation in a joint venture project with Mubadala Petroleum, a business unit of Mubadala, for the development of a new LNG regasification facility in the Emirate of Fujairah. The ELNG Project is a strategic Government initiative to import additional gas supplies to meet energy demand from the U.A.E.'s growing economy, especially in the Northern Emirates of the U.A.E. A new joint venture company, ELNG, has been established to implement the project, with the Company owning a 50.0 per cent. stake and Mubadala Petroleum owning the remaining 50.0 per cent.

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 contemplated the formation of a joint venture project company, DRPIC, 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 regional crude oil with a processing capacity of approximately 230,000 barrels per day.

A new joint venture company, DRPIC, has been established in the Sultanate of Oman, with the Company owning a 50.0 per cent. stake and OOC owning the remaining 50.0 per cent. The Company has awarded the project management consultancy contract, process license contracts and front-end engineering and design ("**FEED**") contract and the project is currently in the FEED phase.

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 owners are currently considering a number of financing options, including, but not limited to, non-recourse project financing.

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 projects and 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, agribusiness and real estate as well as information and communications technology.

Xojet Inc.

In January 2011, Aabar acquired a 28.0 per cent. stake in Xojet Inc., increasing this stake incrementally to 47.46 per cent. As at the date of this Base Prospectus, Aabar has transferred its investment in Xojet Inc. to the Company. Xojet Inc. was founded in 2006 and is headquartered in San Francisco with operations across the United States. The company provides private aviation services to clients across the United States and other jurisdictions.

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 is an important strategic project for the Government. It provides a link between Abu Dhabi's onshore oil fields and a deep-water port located in the Emirate of Fujairah on the Indian Ocean, thus

allowing crude oil exports to bypass the Strait of Hormuz. It helps to mitigate the risk of suspension of 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 8 million barrels of crude oil. The pipeline became partially operational in July 2012 and is currently capable of carrying 850,000 barrels per day of crude exports. The pipeline is expected to achieve full capacity of handling 1.5 million barrels per day of crude oil in the coming years.

Ownership and operation of ADCOP is to be transferred to the ADNOC group on completion of the project and a price for this transfer has been agreed between ADNOC and the Company. To date, the Company has received a payment of U.S.$4 billion in two installments as interim payments against the agreed purchase price. Please see Note 14 ("*Asset Held For Sale*") of the Unaudited Financial Statements.

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 the date of this Base Prospectus. 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. In December 2013, ChemaWEyaat and Indorama Ventures Public Company Limited ("**IVL**") signed an agreement to develop the Tacaamol Aromatics Complex and to form a new joint venture company, Abu Dhabi Integrated Chemicals Company ("**Tacaamol**"), with ChemaWEyaat owning a 51.0 per cent. stake and IVL owning the remaining 49.0 per cent. The Company has appointed a project management consultant, process design work has been completed and the FEED phase for utilities is in progress.

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 has been designed to process a mixture of U.A.E. and other regional and opportunity crude oils with a processing capacity of 200,000 barrels per day. The refinery will produce middle distillates 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.

Project design and the FEED work have been completed, with bidding for EPC Contracts in progress.

The Fujairah Refinery Project is expected to have a total 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.

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 Chemical Canada ULC and its European affiliate ("**Dow Canada**") are involved in litigation in relation to a jointly-owned ethylene plant at Joffre, Alberta, Canada. Dow Canada has claimed for losses and damages in an amount to be proven at trial, which Dow Canada estimates at an amount exceeding U.S.$400 million. Dow Canada has proposed further amendments to its pleadings, the effect of which, among other things, will be to alter the amount of its claims for losses and damages, which Dow Canada now estimates to be at least U.S.$800 million. The amount of NOVA Chemicals' counterclaim is estimated in its most recent amendment at approximately U.S.$350 million. NOVA Chemicals has proposed further amendments to its statement of defense and counterclaim the effect of which, among other things, will be to alter the amount of the counterclaim, which is now estimated to be at least U.S.$50 million. Approval of either party's amendment is subject to the consent of the other party or court order. A trial is currently scheduled to commence in January 2015.

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 and Dow was awarded certain amounts for damages and pre-judgment interest. In 2012, after unsuccessful appeals, NOVA Chemicals paid Dow approximately U.S.$77 million. A Supplemental Damages Bench Trial was held on 30 April 2013 and 1 May 2013 to determine any additional damages that should be awarded to Dow based on sales of certain grades of polyethylene resin in the United States during the post-judgment period through expiration of the patents on 15 October 2011. The court issued its verdict in March 2014 with Dow being awarded approximately U.S.$30 million in supplemental damages. In April 2014, NOVA Chemicals filed a notice of appeal.

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). A trial on the infringement issue began in September 2013 and concluded in November 2013. In May 2014, an adverse judgment was issued against NOVA Chemicals. In August 2014, NOVA Chemicals filed a notice of appeal and a subsequent trial to determine damages will be held if the judgment is affirmed on appeal at a future date.

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 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 ChemaWEyaat 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 the Civil Service Council, board member of ADIA and board member of Mubadala.

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 Energy Authority 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. 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, Chairman of Emirates Telecommunications Corporation and Vice Chairman of Itissalat Al Maghrib (Maroc Telecom).

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 Borealis, Chairman of CEPSA, Chairman of NOVA Chemicals, Chairman of Arabtec, 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 and Corporate Services Department

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 M. Al Hashmi is the Company's Chief Financial Officer.

Board positions: Board member, audit committee member and nomination and remuneration committee member of Aabar; Vice Chairman of the supervisory board, audit committee member and compensation and remuneration committee member of OMV; Chairman of Falcon Bank; board member of Falcon Private Wealth Ltd; and board member of Banvit.

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 PARCO; board member of Aabar; board member of Borealis supervisory board; board member of Arabtec; board member of NOVA Chemicals; board member of Cosmo Oil; and board member of QADIC.

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 Director of the Corporate Services Department of the Company.

Board positions: Board member of Arabtec.

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 2013 amounted to U.S.$7.0 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 and projects meet the Company's specified investment criteria and that the portfolio is effectively managed. 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; 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, which is 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 into the following divisions: Human Resources; Information Technology; General Services; and Media and Communication.

Corporate Services Department

The Corporate Services Department, which is headed by Mohamed Abdulla Al Suwaidi, 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.

Projects Division

The Projects Division is responsible for the execution and management of the Company's projects under development. The Projects Division reports to the Managing Director.

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 at 30 June 2014, the Company had approximately 200 employees and the consolidated companies in the Group had approximately 20,700 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 accountholders. 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 accountholder 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 Participant 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

PROSPECTIVE INVESTORS ARE HEREBY INFORMED THAT ANY TAX DISCUSSION HEREIN WAS NOT WRITTEN AND IS NOT INTENDED TO 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 Code.

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.

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 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: (i) 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; (ii) it provides for stated interest, paid or compounded at least annually, at: (a) one or more qualified floating rates; (b) a single fixed rate and one or more qualified floating rates; (c) a single objective rate; or (d) a single fixed rate and a single objective rate that is a qualified inverse floating rate; and (iii) 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 United States Internal Revenue Service ("**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

Under 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 transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Luxembourg will elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015.

The Council of the European Union formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or secured for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover additional types of income payable on securities.

The proposed financial transactions tax

On 14 February 2013, the European Commission issued a proposal (the "**Commission's Proposal**"), including a draft directive, for a financial transaction tax ("**FTT**") to be adopted in certain participating EU Member States (Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia) (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including: (i) by transacting with a person established in a participating Member State; or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Notes.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

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: (i) employee benefit plans (as defined in Section 3(3) of ERISA) subject to Title I of ERISA; (ii) plans as defined in and subject to Section 4975 of the Code, including individual retirement accounts and Keogh plans (collectively, "**Plans**"); (iii) 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 (iv) 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 18 December 2014, 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 (or Pricing Supplement, as applicable). 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)) or, as the case may be, named in the relevant Pricing Supplement, 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 Registered 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 Registered 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 Registered 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 UNITED STATES 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 UNITED STATES 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

[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.

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 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

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 (MKT Module) 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 persons whose ordinary business is to buy and sell shares or debentures (whether as principal or agent); (b) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (c) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) 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 has not offered or sold, and will not offer or sell, any Notes except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

(i) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more;

(ii) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(iii) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

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 "**Offers 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 places 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:

  (A) 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;

(B) where no consideration is or will be given for the transfer;

(C) where the transfer is by operation of law;

(D) as specified in Section 276(7) of the SFA; or

(E) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

State of Kuwait

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, the following:

No Notes have been licensed for offering in the State of Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. The offering of 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 Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities. 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 has not offered, sold or delivered and will not offer, sell or deliver at any time, directly or indirectly, any Notes in the State of Qatar (including the Qatar Financial Centre) except: (i) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (ii) 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.

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.

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 all Notes of the tranche of which such Notes are a part, 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 such tranche, 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) (or any substantially identical successor United States Treasury Regulation section, including without limitation, substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (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) (or any substantially identical successor United States Treasury Regulation section, including without limitation, substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010);

(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)) (or any substantially identical successor United States Treasury Regulation section, including without limitation, substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) 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) (or any substantially identical successor United States Treasury Regulation section, including without limitation, substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (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 Code 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.

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 or, as the case may be, in the relevant Pricing Supplement.

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 was authorised by a resolution of the board of directors of the Issuer dated 14 December 2014 and by a resolution of the board of directors of the Company dated 13 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 (other than Non-PD 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 (other than Non-PD Notes) 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 such Notes is expected to be granted on or before 24 December 2014.

Non-PD Notes may be issued pursuant to the Programme.

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 a 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 2014;

(iii) the audited consolidated financial statements of the Company as of and for the years ended 31 December 2013 and 31 December 2012, 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 and Pricing Supplements (save that a Pricing Supplement will only be available for inspection by a holder of a Non-PD Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of such 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 (or Pricing Supplement, as applicable). 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 (or Pricing Supplement, as applicable).

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 (see further "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Borrowings—Listed notes and other borrowing instruments*" on page 108), 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 2014.

There has been no material adverse change in the prospects of the Company or the Group since 31 December 2013.

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 Company does highlight the litigation between NOVA Chemicals, Dow Canada and Dow. The Company does not expect this litigation to have a material adverse effect on the Company and/or the Group's financial position or profitability. Please see "*Description of the Group—Legal Proceedings*".

Auditors

The consolidated financial statements of the Company for each of the years ended 31 December 2013 and 31 December 2012 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 2014 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 shareholding 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 2014, 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 5 ("*Group Information*") to the 2013 Financial Statements. The Company also participates in investments in associates and joint ventures, details of which are set out in Note 8 ("*Investments in Associates and Joint Ventures*") to the 2013 Financial Statements.

The Company's address is IPIC Square, Muroor (4th) Street, P.O. Box 7528, Abu Dhabi, U.A.E. The Company's telephone number is +971 2 633 6555.

INDEX TO FINANCIAL STATEMENTS

Review report in respect of the unaudited interim condensed consolidated financial statements of the Company as of and for the six months ended 30 June 2014 . . . . . F-3

Unaudited interim condensed consolidated financial statements of the Company as of and for the six months ended 30 June 2014 . . . . . F-4

Auditors' report in respect of the consolidated financial statements of the Company as of and for the year ended 31 December 2013 . . . . . F-28

Consolidated financial statements of the Company as of and for the year ended 31 December 2013 . . . . . F-30

Auditors' report in respect of the consolidated financial statements of the Company as of and for the year ended 31 December 2012 . . . . . F-124

Consolidated financial statements of the Company as of and for the year ended 31 December 2012 . . . . . F-126

International Petroleum Investment Company PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2014
(UNAUDITED)

Ernst & Young
P.O. Box: 136
27th Floor, Nation Tower 2
Abu Dhabi Corniche
Abu Dhabi, United Arab Emirates

Tel: +971 2 417 4400
Fax: +971 2 627 3383
abudhabi@ae.ey.com
ey.com/mena

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 2014, comprising the interim consolidated statement of financial position as at 30 June 2014 and the related interim consolidated statements of profit or loss, 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

30 September 2014
Abu Dhabi

A member firm of Ernst & Young Global Limited

International Petroleum Investment Company PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Period ended 30 June 2014 (Unaudited)

	Notes	Six months ended 30 June 2014	2013
		US$'000	US$'000
Revenues		**27,267,216**	26,047,204
Cost of sales		**(24,267,290)**	(23,445,985)
Gross profit		**2,999,926**	2,601,219
Share of post tax profits of associates and joint ventures		**468,851**	575,559
Selling and distribution costs		**(1,210,711)**	(1,134,359)
General and administrative expenses		**(640,771)**	(490,316)
Research and development expenses		**(183,988)**	(124,143)
Operating profit		**1,433,307**	1,427,960
Net foreign exchange gains		**65,967**	193,126
Finance income	6	**246,781**	378,093
Finance costs	7	**(631,335)**	(721,430)
Other income		**119,322**	47,855
Other expenses		**(40,767)**	(66,591)
Gains on acquisitions and disposals	8	**175,924**	963
Other gains (losses) on financial instruments	9	**228,760**	(154,454)
Profit for the period from continuing operations before tax		**1,597,959**	1,105,522
Income tax expense		**(368,141)**	(244,117)
PROFIT FOR THE PERIOD		**1,229,818**	861,405
Profit for the period attributable to:			
Equity holder of the parent		**1,087,692**	775,597
Non-controlling interests		**142,126**	85,808
		1,229,818	861,405
		US$	US$
Basic and diluted earnings per share attributable to equity holder of the parent	10	**311**	222
Basic and diluted earnings per share from continuing operations attributable to equity holder of the parent	10	**311**	222

The attached notes 1 to 25 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 2014 (Unaudited)

	Six months ended 30 June	
	2014	**2013**
	US$'000	**US$'000**
PROFIT FOR THE PERIOD	**1,229,818**	861,405
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange gains (losses) on translation of foreign subsidiaries	**50,387**	(286,659)
Net losses arising on hedge of net investments	**(24,612)**	(2,645)
Net losses arising on cash flow hedges	**(27,929)**	(36,855)
Net gains (losses) arising on changes in fair value of available-for-sale financial assets	**453,226**	(196,422)
Share of other comprehensive income of associates and joint ventures	**55,463**	(142,140)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**506,535**	(664,721)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Net actuarial (losses) gains arising on defined benefit plans	**(38,923)**	108,241
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**(38,923)**	108,241
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**467,612**	(556,480)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,697,430**	304,925
Total comprehensive income for the period attributable to:		
Equity holder of the parent	**1,561,712**	238,914
Non-controlling interests	**135,718**	66,011
	1,697,430	304,925

The attached notes 1 to 25 form part of these interim condensed consolidated financial statements.

International Petroleum Investment Company PJSC and its subsidiaries

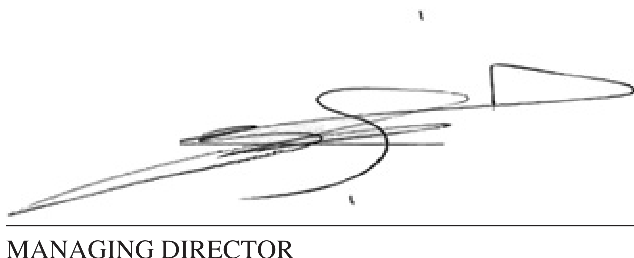
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2014 (Unaudited)

	Notes	30 June 2014	(Audited) 31 December 2013
		US$'000	US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**17,908,162**	15,047,083
Intangible assets	12	**2,818,730**	2,734,359
Investment properties		**2,283,055**	2,196,063
Investments in associates and joint ventures		**11,427,107**	11,026,029
Deferred tax assets		**684,730**	625,202
Investments in financial instruments	13	**4,263,244**	2,689,647
Trade and other receivables		**126,581**	256,106
Other assets		**3,456,380**	4,672,507
		42,967,989	39,246,996
Current assets			
Inventories		**5,815,753**	4,759,166
Trade and other receivables		**7,061,762**	7,135,027
Investments in financial instruments	13	**3,504,193**	5,545,077
Other assets		**1,797,752**	1,202,463
Cash and short term deposits		**4,760,702**	6,818,844
		22,940,162	25,460,577
Asset classified as held for sale	14	**3,773,737**	3,679,268
TOTAL ASSETS		**69,681,888**	68,386,841
EQUITY AND LIABILITIES			
Equity attributable to equity holder of the parent			
Share capital	15	**3,500,000**	3,500,000
Shareholder loan	16	**1,000,000**	1,000,000
Retained earnings		**11,662,859**	10,632,997
Other reserves	17	**608,953**	127,838
		16,771,812	15,260,835
Non-controlling interests		**2,377,686**	2,276,176
Total equity		**19,149,498**	17,537,011

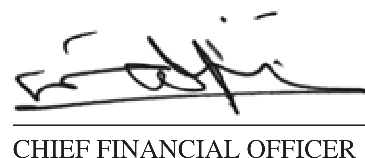
International Petroleum Investment Company PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION—(Continued)
At 30 June 2014 (Unaudited)

	Notes	30 June 2014	(Audited) 31 December 2013
		US$'000	US$'000
EQUITY AND LIABILITIES continued			
Non-current liabilities			
Borrowings	18	**26,912,901**	26,116,428
Defined benefit plan deficit		**624,385**	621,300
Deferred tax liabilities		**2,371,972**	2,173,750
Derivative financial liabilities		**309,968**	330,302
Provisions	20	**558,654**	479,034
Trade and other payables		**41,498**	51,032
Other liabilities	19	**570,617**	545,658
		31,389,995	30,317,504
Current liabilities			
Trade and other payables		**8,267,565**	7,379,566
Borrowings	18	**4,409,240**	7,387,486
Other liabilities	19	**1,792,632**	2,095,262
Derivative financial liabilities		**463,009**	1,577,293
Provisions	20	**170,881**	92,719
		15,103,327	18,532,326
Liabilities classified as held for sale		**4,039,068**	2,000,000
Total liabilities		**50,532,390**	50,849,830
TOTAL EQUITY AND LIABILITIES		**69,681,888**	68,386,841



MANAGING DIRECTOR



CHIEF FINANCIAL OFFICER

The attached notes 1 to 25 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 2014 (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 2013	3,500,000	1,000,000	8,955,568	324,956	13,780,524	1,783,487	15,564,011
Profit for the period	—	—	775,597	—	775,597	85,808	861,405
Other comprehensive income for the period	—	—	—	(536,683)	(536,683)	(19,797)	(556,480)
Total comprehensive income for the period	—	—	775,597	(536,683)	238,914	66,011	304,925
Acquisition of additional interest in subsidiaries	—	—	(238,929)	—	(238,929)	263,996	25,067
Dividends paid to non-controlling shareholders	—	—		—	—	(40,116)	(40,116)
Movement in other reserves	—	—	(526)	1,234	708	16,291	16,999
Balance at 30 June 2013	3,500,000	1,000,000	9,491,710	(210,493)	13,781,217	2,089,669	15,870,886
Balance at 1 January 2014	3,500,000	1,000,000	10,632,997	127,838	15,260,835	2,276,176	17,537,011
Profit for the period	—	—	1,087,692	—	1,087,692	142,126	1,229,818
Other comprehensive income for the period	—	—	—	474,020	474,020	(6,408)	467,612
Total comprehensive income for the period	—	—	1,087,692	474,020	1,561,712	135,718	1,697,430
Acquisition of additional interest in subsidiaries	—	—	(50,277)	—	(50,277)	(23,005)	(73,282)
Disposal of interest in a subsidiary	—	—	—	—	—	42,624	42,624
Dividends paid to non-controlling shareholders	—	—	—	—	—	(53,837)	(53,837)
Movement in other reserves	—	—	(7,553)	7,095	(458)	10	(448)
Balance at 30 June 2014	**3,500,000**	**1,000,000**	**11,662,859**	**608,953**	**16,771,812**	**2,377,686**	**19,149,498**

The attached notes 1 to 25 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 2014 (Unaudited)

	Notes	Six months ended 30 June	
		2014	2013
		US$'000	US$'000
OPERATING ACTIVITIES			
Profit before tax		**1,597,959**	1,105,522
Adjustments for:			
Depreciation and amortisation of fixed assets		**1,096,214**	909,967
Net impairment of fixed assets		**13,401**	8,834
Gains on disposals and acquisitions		**(175,924)**	(963)
Other (gains) losses on financial instruments		**(228,760)**	154,454
Finance income		**(246,781)**	(378,093)
Finance costs		**631,335**	721,430
Unrealised exchange difference		**(327,712)**	(216,214)
Share of post tax profits of associates and joint ventures		**(468,851)**	(575,559)
Other non-cash adjustments		**26,398**	14,686
		1,917,279	1,744,064
Working capital changes:			
Inventories		**(1,032,334)**	25,119
Trade and other receivables		**(50,394)**	(393,616)
Trade and other payables		**764,427**	670,865
Other assets and liabilities		**(523,166)**	(252,551)
		1,075,812	1,793,881
Income tax paid		**(560,624)**	(265,759)
Net cash from operating activities		**515,188**	1,528,122
INVESTING ACTIVITIES			
Purchase of subsidiaries, net of cash acquired	4	**(2,588,242)**	(390,633)
Purchase of financial instruments		**(35,486)**	(94,903)
Acquisition of associates and joint ventures		**(72,307)**	(141,590)
Purchase of fixed assets		**(1,049,798)**	(1,036,408)
Advance received against asset held for sale	14	**2,000,000**	—
Movement in financial instruments		**39,443**	2,176,934
Interest received		**154,511**	135,758
Dividends received		**229,458**	305,865
Payments against other assets		**(161,720)**	(241,294)
Net cash (used in) from investing activities		**(1,484,141)**	713,729
FINANCING ACTIVITIES			
Proceeds from borrowings		**4,520,015**	3,855,467
Repayments of borrowings		**(4,890,244)**	(5,911,105)
Interest paid		**(628,498)**	(770,021)
Dividends paid to non-controlling shareholders		**(53,837)**	(40,116)
Other financing activities		**—**	164,134
Net cash used in financing activities		**(1,052,564)**	(2,701,641)
DECREASE IN CASH AND CASH EQUIVALENTS		**(2,021,517)**	(459,790)
Net foreign exchange difference		**(36,625)**	(33,031)
Cash and cash equivalents at 1 January		**6,818,844**	4,912,711
CASH AND CASH EQUIVALENTS AT 30 JUNE		**4,760,702**	4,419,890

The attached notes 1 to 25 form part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION

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

The interim condensed consolidated financial statements for the six months ended 30 June 2014 were authorised for issue by the management on 30 September 2014.

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 2014 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 2013. In addition, results for the six months ended 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

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 2013 except for the adoption of the new standards and interpretations effective as of 1 January 2014, noted below:

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- IAS 32 Offsetting Financial Assets and Financial Liabilities—Amendments to IAS 32
- IFRIC Interpretation 21 Levies (IFRIC 21)
- Recoverable Amount Disclosures for Non-Financial Assets—Amendments to IAS 36 Impairment of Assets
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting—Amendments to IAS 39

The adoption of the above standards and interpretations 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 consolidated statement of profit or loss for the six months ended 30 June 2014 and 30 June 2013.

4 BUSINESS COMBINATION

The Group made the following acquisition during the period ended 30 June 2014, which is further described below:

From the date of acquisitions to 30 June 2014, the acquired entity (see note 4.1) has contributed US$ 274,497 thousand to the revenue and US$ 41,893 thousand to the profit of the Group. If the business combination had taken place at 1 January 2014, there would not have been any material impact on Group's revenue and the Group's net profit for the period.

4.1 Acquisition of Coastal Energy Company

On 17 January 2014, CEPSA acquired the entire share capital of Coastal Energy Company, an international oil and gas exploration and development company with operations in offshore Thailand and Malaysia.

The business combination has been accounted for using the acquisition method on a provisional basis. The interim condensed consolidated financial statements include the results of Coastal Energy Company for the six-month period from the acquisition date.

Assets acquired and liabilities assumed

The provisional fair value of the identifiable assets and liabilities of Coastal Energy Company as at the acquisition date was:

	Provisional fair value recognised on acquisition	Provisional fair value recognised on acquisition
	EUR'000	US$'000
Assets		
Property, plant and equipment	2,172,693	2,942,043
Investments in associates	49,948	67,635
Inventories	15,268	20,674
Trade receivables	40,697	55,108
Other assets	1,562	2,115
	2,280,168	3,087,575
Liabilities		
Trade payables	150,104	203,256
Deferred tax liabilities	187,830	254,341
Provisions	30,823	41,736
	368,757	499,333
Total identifiable net assets at fair value	1,911,411	2,588,242
Provisional goodwill	—	—
Cost of business combination	1,911,411	2,588,242

Cash outflow on the acquisition of the entire share capital is as follows:

	US$ 000
Consideration paid	2,588,242
Cash acquired with Coastal Energy Company	—
Net cash outflows from investing activities	2,588,242

The purchase price allocation is expected to be finalised before 31 December 2014.

5 OPERATING SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products, services and location and has six reportable operating segments as follows:

Diversified chemicals

This segment is engaged in providing plastics solutions based on polyolefin and developing its base chemical business which comprises phenol, acetone, melamine and agrochemicals.

Commodity chemicals

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.

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, asset management, private banking services and certain minority investments.

Corporate and others

This segment holds minority 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 results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss for the year 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:

	Diversified chemicals	Commodity chemicals	Diversified investments	Integrated oil and gas	Corporate and others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Six months ended 30 June 2014						
Key components of the segments are						
Revenue from external customers	**5,959,306**	**2,669,468**	**70,102**	**18,568,340**	**—**	**27,267,216**
Share of post-tax profits of associates and joint ventures	**235,522**	**—**	**56,878**	**39,998**	**136,453**	**468,851**
Depreciation and amortization of fixed assets	**(233,831)**	**(150,769)**	**(7,203)**	**(697,077)**	**(1,025)**	**(1,089,905)**
Net impairment of fixed assets	**(6,170)**	**(1,066)**	**(352)**	**(5,813)**	**—**	**(13,401)**
Finance income	**1,729**	**2,583**	**111,969**	**31,067**	**99,433**	**246,781**
Finance costs	**(54,365)**	**(26,620)**	**(109,070)**	**(68,523)**	**(372,757)**	**(631,335)**
Gains on acquisitions and disposals	**—**	**—**	**135,014**	**(16,338)**	**57,248**	**175,924**
Other (losses) gains on financial instruments	**(965)**	**—**	**196,346**	**3,334**	**30,045**	**228,760**
Tax expense	**(35,856)**	**(140,401)**	**7,191**	**(199,075)**	**—**	**(368,14)**
Profit for the period (segment results)	**336,015**	**412,356**	**396,856**	**82,135**	**2,456**	**1,229,818**
Six months ended 30 June 2013						
Key components of the segments are						
Revenue from external customers	5,193,677	2,620,560	59,444	18,173,523	—	26,047,204
Share of post-tax profits of associates and joint ventures	179,333	—	30,957	30,702	334,567	575,559
Depreciation and amortization of fixed assets	(185,672)	(151,024)	(6,046)	(558,559)	(8,666)	(909,967)
Net impairment of fixed assets	(6,890)	(489)	—	(1,455)	—	(8,834)
Finance income	2,082	739	222,709	39,149	113,414	378,093
Finance costs	(42,981)	(67,275)	(217,374)	(42,928)	(350,872)	(721,430)
Gains on acquisitions and disposals	—	162	—	801	—	963
Other (losses) gains on financial instruments	(3,379)	—	3,680	(73,726)	(81,029)	(154,454)
Tax expense	(44,341)	(116,557)	385	(83,604)	—	(244,117)
Profit for the period (segment results)	188,636	386,156	172,589	85,991	28,033	861,405

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

	Diversified chemicals	Commodity chemicals	Diversified investments	Integrated oil and gas	Corporate and others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 30 June 2014						
Assets						
Investments in associates and joint ventures	**2,984,947**	**—**	**3,191,760**	**757,856**	**4,492,544**	**11,427,107**
Asset classified as held for sale	**—**	**—**	**72,954**	**—**	**3,700,783**	**3,773,737**
Other segment assets	**7,786,764**	**6,281,453**	**13,486,027**	**21,791,473**	**5,135,327**	**54,481,044**
Total assets	**10,771,711**	**6,281,453**	**16,750,741**	**22,549,329**	**13,328,654**	**69,681,888**
Liabilities						
Liabilities classified held for sale	**—**	**—**	**39,068**	**—**	**4,000,000**	**4,039,068**
Other segment liabilities	**5,180,929**	**3,146,151**	**11,011,288**	**12,065,049**	**15,089,905**	**46,493,322**
Total liabilities	**5,180,929**	**3,146,151**	**11,050,356**	**12,065,049**	**19,089,905**	**50,532,390**
At 31 December 2013						
Assets						
Investments in associates and joint ventures	2,784,365	—	3,070,888	686,778	4,483,998	11,026,029
Asset classified as held for sale	—	—	—	—	3,679,268	3,679,268
Other segment assets	7,839,623	6,205,118	15,950,022	19,363,520	4,323,261	53,681,544
Total assets	10,623,988	6,205,118	19,020,910	20,050,298	12,486,527	68,386,841
Liabilities						
Liability classified held for sale	—	—	—	—	2,000,000	2,000,000
Other segment liabilities	5,223,959	2,684,114	13,810,319	9,477,563	17,653,875	48,849,830
Total liabilities	5,223,959	2,684,114	13,810,319	9,477,563	19,653,875	50,849,830

6 FINANCE INCOME

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Dividend income	**60,064**	179,937
Interest income	**186,717**	198,156
	246,781	378,093

7 FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Interest expense on borrowings and derivatives	**(599,288)**	(697,677)
Other finance costs	**(32,047)**	(23,753)
	(631,335)	(721,430)

8 GAINS ON ACQUISITIONS AND DISPOSALS

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
(Loss) gain on disposal of property, plant and equipment	**(16,031)**	2,439
Gain (loss) on disposal of financial instruments (i)	**57,455**	(2,236)
Gain on partial disposal of an associate (ii)	**130,704**	—
Other gains	**3,796**	760
	175,924	963

(i) In 2014, gain on disposal of financial instruments amounting to US$ 57,248 thousand relates to Day 1 gains on exchange of the Company's investment in mandatorily exchangeable bonds (the "IPBC Bonds") of Independent Public Business Corporation of Papua New Guinea into 196,604,177 shares of Oil Search Limited ("OSH"), an exploration and production company listed on the Australian Stock Exchange.

(ii) In the period ended 30 June 2014, Aabar disposed 2.73% ownership stake in Arabtec Holding PJSC at a gain amounting to US$ 130,704 thousand. As at 30 June 2014, Aabar owned 18.84% stake in Arabtec Holding PJSC.

9 OTHER GAINS (LOSSES) ON FINANCIAL INSTRUMENTS

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Net fair value gains on non-derivative financial instruments at fair value through profit or loss (i)	**274,589**	69,495
Net fair value losses on derivative financial instruments (ii)	**(45,828)**	(153,580)
Net (loss) gain on ineffective portion of cash flow hedges	**(3)**	240
Impairment loss on financial instruments at amortised cost	**—**	(71,115)
Other gains on financial instruments	**2**	506
	228,760	(154,454)

(i) Net fair value gains on non-derivative financial instruments at fair value through profit or loss during the period include the following:

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Fair value (loss) gain on Daimler AG shares	**(22,335)**	191,646
Fair value gain (loss) on Unicredit SpA shares	**290,894**	(118,053)

(ii) Net fair value losses on derivative financial instruments during the period include the following:

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Call and put options on Daimler AG shares (note a)	**10,860**	(218,770)
Call and put options on Unicredit SpA (note a)	**(184,243)**	(20,021)
Call spreads on Daimler AG shares (note b)	**76,736**	149,457

(a) Aabar entered into funded collar transactions upon the purchase of equity shares in both Daimler AG and Unicredit SpA. The rationale for entering into such funded collar transactions was to raise 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. The accounting for these call and put options and related equity instruments are recognised separately on gross basis in the interim condensed consolidated financial statements and accordingly Aabar still maintains significant exposure to the share price of Unicredit SpA. At Aabar group level, the exposure to the variability in the present value of the future net cash flows from the equity position in Daimler AG, the underlying derivatives and loan is extinguished. Accordingly the equity position in Daimler AG has been de-recognised.

(b) Aabar holds long-term derivative contracts to further participate in the upside of Daimler AG share which were terminated in 2013. They also include fair value changes of the call spread entered into to offset fair value changes in the call options embedded in the exchangeable bonds.

10 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	
	2014	**2013**
	US$'000	**US$'000**
Net profit attributable to ordinary equity holder of the parent for basic earnings	**1,087,692**	775,597
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	**311**	222

11 PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment during the period ended 30 June 2014 amounted to US$ 3,885,281 thousand (30 June 2013: US$ 1,381,065 thousand) of which US$ 2,942,043 thousand were acquired through business combinations (30 June 2013: US$ 421,085 thousand).

12 INTANGIBLE ASSETS

During the period ended 30 June 2014, the Group invested US$ 35,666 thousand into intangible assets (30 June 2013: US$ 57,688 thousand) of which US$ nil were acquired through business combinations (30 June 2013: US$ 10,421 thousand).

13 INVESTMENTS IN FINANCIAL INSTRUMENTS

	30 June 2014	(Audited) 31 December 2013
	US$'000	US$'000
Non-derivative financial instruments:		
Financial assets at fair value through profit or loss (note 13.1)		
Held-for-trading	**426,123**	482,798
Designated on initial recognition	**2,531,822**	5,067,979
	2,957,945	5,550,777
Held to maturity investments	**18,412**	18,318
Available-for-sale financial assets (note 13.2)	**3,894,157**	1,818,240
	6,870,514	7,387,335
Derivative financial instruments (note 13.3)	**896,923**	847,389
	7,767,437	8,234,724
Non-current	**4,263,244**	2,689,647
Current	**3,504,193**	5,545,077
	7,767,437	8,234,724

13.1 Financial assets at fair value through profit or loss

	30 June 2014	(Audited) 31 December 2013
	US$'000	US$'000
Daimler AG shares (i)	**—**	2,835,735
Unicredit SpA (ii)	**2,472,828**	2,181,935
Others	**485,117**	533,107
	2,957,945	5,550,777
Non-current	**49,230**	50,310
Current	**2,908,715**	5,500,467
	2,957,945	5,550,777

i) The Group had 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. The shares in Daimler AG were pledged as collateral against certain term loans. At the Group level, the exposure to the variability in the present value of the future net cash flows from the equity position in Daimler AG, the underlying derivatives and related loans are extinguished. Accordingly the equity position in Daimler AG has been de-recognised.

ii) 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.

13.2 Available-for-sale financial assets

	30 June 2014	(Audited) 31 December 2013
	US$'000	US$'000
Quoted investments:		
Glencore Xstrata Plc (formerly, Glencore International Plc)	**550,343**	511,956
Energias de Portugal	**744,646**	544,654
Cosmo Oil Company Limited	**376,907**	335,923
Oil Search Limited (note i)	**1,793,309**	—
Others	**83,039**	78,058
	3,548,244	1,470,591
Unquoted investments at fair value	**266,236**	280,634
Unquoted investments carried at cost	**79,677**	67,015
	3,894,157	1,818,240

Quoted investments

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

(note i)—In March 2014, the Company's investment in mandatory exchangeable bonds (the "IPBC Bonds") of independent Public Business Corporation of the Government of Papua New Guinea, was exchanged into 196,604,177 shares of Oil Search Limited ("OSH").

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.

13.3 Derivative financial instruments

Included in derivative financial instruments is an amount of US$ 528,375 thousand (31 December 2013: US$ 528,375 thousand) which represents the fair value of the option that the Group holds in certain subsidiaries of IMBD (See note 19).

14 ASSET HELD FOR SALE

At 30 June 2013, the Company transferred the cost of construction of ADCOP from property, plant and equipment to asset held for sale because it met the requirements under IFRS 5—Non-current Assets Held for Sale and Discontinued Operations. During the six months period ended 30 June 2014, additional cost of US$ 21,515 thousand has been incurred on Abu Dhabi Crude Oil Pipeline (ADCOP), which includes capitalised borrowing cost of US$ nil (2013: US$ 44,926). The effective interest rate was nil (2013:1.41%).

The Company has been in discussion with the Government of the Emirate of Abu Dhabi and Abu Dhabi National Oil Company (ADNOC) for the transfer of ADCOP to the latter. The pricing and other aspects of the transaction have been agreed by the parties in early 2014. On 19 September 2013 and 17 April 2014 the Company received US$ 2 billion respectively on each date from the Government of the Emirate of Abu Dhabi, as down-payment for the consideration of ADCOP which was used to pay down debt. The US$ 4 billion down-payment has been recorded as liability held for sale to correspond with the classification of the related asset.

15 SHARE CAPITAL

	Authorised		Issued and fully paid	
	30 June 2014	(Audited) 31 December 2013	30 June 2014	(Audited) 31 December 2013
	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

16 SHAREHOLDER LOAN

In June 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 were provided to meet the Company's obligations in its investment in Qatar and Abu Dhabi Investment Company QSC ("QADIC"). An amount of US$ 50 million was provided to QADIC in July 2010, based on a cash call.

The US$ 1 billion received is 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 US$ 1 billion as a shareholder loan within equity.

17 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	Share of reserves of associates	Other reserves	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2013							
Balance at 1 January 2013	2,312,383	(1,453,790)	(28,285)	(337,013)	(267,099)	98,760	324,956
Other comprehensive income for the period	(192,916)	(282,263)	(27,666)	108,226	(142,064)	—	(536,683)
Movement in other reserves	—	223	—	1,011	—	—	1,234
Balance at 30 June 2013	2,119,467	(1,735,830)	(55,951)	(227,776)	(409,163)	98,760	(210,493)
2014							
Balance at 1 January 2014	**2,314,463**	**(1,635,332)**	**(37,064)**	**(152,223)**	**(460,766)**	**98,760**	**127,838**
Other comprehensive income for the period	**452,519**	**34,963**	**(25,047)**	**(38,909)**	**50,494**	**—**	**474,020**
Movement in other reserves	**—**	**7,093**	**—**	**5**	**(3)**	**—**	**7,095**
Balance at 30 June 2014	**2,766,982**	**(1,593,276)**	**(62,111)**	**(191,127)**	**(410,275)**	**98,760**	**608,953**

18 BORROWINGS

	30 June 2014	(Audited) 31 December 2013
	US$'000	US$'000
Overdrafts	**473,713**	384,881
Listed notes and other borrowing instruments	**16,464,040**	16,450,701
Unlisted borrowings	**14,382,245**	16,661,617
Others	**2,143**	6,715
	31,322,141	33,503,914
Non-current	**26,912,901**	26,116,428
Current	**4,409,240**	7,387,486
	31,322,141	33,503,914

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

	30 June 2014	(Audited) 31 December 2013
	US$'000	US$'000
The Company	**15,023,983**	16,865,808
Aabar	**7,229,575**	9,007,087
NOVA	**852,159**	861,899
Borealis	**2,707,441**	2,515,798
CEPSA	**5,508,983**	4,253,322
	31,322,141	33,503,914

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

	30 June 2014	(Audited) 31 December 2013
	US$'000	US$'000
EUR	**15,186,736**	17,677,596
USD	**12,943,125**	12,636,282
AED	**803,421**	1,038,199
JPY	**663,480**	638,092
GBP	**1,551,295**	1,498,041
Others	**174,084**	15,704
	31,322,141	33,503,914

At 30 June 2014 and 31 December 2013, the Company has not guaranteed the borrowings of any of the Group companies. However, the Company has provided guarantees together with 1Malaysia Development Berhad ("1MDB"), a strategic development company wholly-owned by the Government of Malaysia, amounting to US$ 3.5 billion (see note 19 for further details) in relation to certain obligations of subsidiaries of 1MDB.

Details of the group borrowings are as follows:

Listed notes and other borrowing instruments

	Maturity	Currency	Coupon rate	30 June 2014	(Audited) 31 December 2013
				US$'000	US$'000
IPIC—Bond 1	2020	US$	5.000%	**1,486,213**	1,485,361
IPIC—Bond 2	2015	US$	3.125%	**997,724**	996,944
IPIC—Bond 3	2021	EUR	5.875%	**1,683,839**	1,688,583
IPIC—Bond 4	2016	EUR	4.875%	**1,701,793**	1,705,780
IPIC—Bond 5	2026	GBP	6.875%	**932,260**	902,158
IPIC—Bond 6	2022	US$	5.500%	**1,492,782**	1,492,432
IPIC—Bond 7	2017	US$	3.750%	**1,494,643**	1,493,719
IPIC—Bond 8	2041	US$	6.875%	**743,072**	743,028
IPIC—Bond 9	2015	US$	1.750%	**747,688**	746,896
IPIC—Bond 10	2018	EUR	2.375%	**1,088,832**	1,092,105
IPIC—Bond 11	2023	EUR	3.625%	**1,149,734**	1,153,376
Aabar—Exchangeable bond (see note below)	2016	EUR	4.000%	**1,662,887**	1,666,981
Borealis—Bond 1	2017	EUR	5.375%	**273,840**	274,860
Borealis—Bond 2	2019	EUR	4.000%	**171,150**	171,788
NOVA—Bond 4	2019	US$	8.625%	**343,828**	343,279
NOVA—Bond 6 (note i)	2023	US$	5.250%	**493,755**	493,411
				16,464,040	16,450,701

Aabar—Exchangeable bond

On 27 May 2011, Aabar issued EUR 1,250,000 thousand 4% 5 year senior unsecured exchangeable bonds, which may be 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 2014 US$'000	(Audited) 31 December 2013 US$'000
IPIC—Loan 8	2026	AED	EIBOR + Margin	**—**	252,124
IPIC—Loan 10	2014	US$	LIBOR + Margin	**—**	1,398,884
IPIC—Loan 13	2014	US$	LIBOR + Margin	**—**	169,969
IPIC—Loan 12 (note i)	On demand	US$	LIBOR + Margin	**2,828**	237,086
IPIC—Loan 14	2014	EUR	EURIBOR + Margin	**—**	693,935
IPIC—Loan 15	2018	JPY	LIBOR + Margin	**663,480**	638,092
IPIC—Loan 16 (note ii)	2016	EUR/ US$	EURIBORILIBOR + Margin	**850,757**	(12,339)
Aabar—Loan 6	2014	EUR	Fixed rate	**—**	1,611,682
Aabar—Loan 9	2014	EUR	EURIBOR + Margin	**—**	275,161
Aabar—Loan 11	2014	EUR	Fixed rate	**1,693,497**	1,704,012
Aabar—Loan 12	2015	AED	EIBOR + Margin	**204,221**	204,221
Aabar—Loan 16	2016	US$	LIBOR + Margin	**486,308**	484,279
Aabar—Loan 17	2016	AED	EIBOR + Margin	**351,540**	350,073
Aabar—Loan 18	2016	EUR	EURIBOR + Margin	**682,898**	686,197
Aabar—Loan 19	2018	US$	LIBOR + Margin	**283,851**	282,996
Aabar—Loan 20	2018	AED	EIBOR + Margin	**232,483**	231,782
Aabar—Loan 21	2018	EUR	EURIBOR + Margin	**481,593**	484,482
Aabar—Loan 22	2015	US$	LIBOR + Margin	**172,152**	171,335
Aabar—Loan 23	2016	GBP	LIBOR + Margin	**567,792**	548,245
Borea1is—Loan 1	2018	EUR	Fixed rate	**195,796**	196,525
Borealis—Loan 3	2016 – 2028	EUR/ US$	EURIBORILIBOR + Margin	**158,199**	158,071
Borealis—Loan 4	2019	EUR	Fixed rate	**205,380**	206,145
CEPSA—Loan 1	2018	US$	LIBOR + Margin	**280,697**	348,782
CEPSA—Loan 3	2015	EUR	EURIBOR + Margin	**273,840**	274,860
CEPSA—Loan 4	2016	EUR	EURIBOR + Margin	**—**	247,374
CEPSA—Loan 5	2016	US$	LIBOR + Margin	**143,213**	170,832
CEPSA—Loan 6	2016	US$	LIBOR + Margin	**—**	199,304
CEPSA—Loan 7	2022	EUR	EURIBOR + Margin	**205,380**	206,145
CEPSA—Loan 8	2015	EUR	EURIBOR + Margin	**—**	206,145
CEPSA—Loan 9	2016	EUR	EURIBOR + Margin	**—**	199,274
CEPSA—Loan 18	2015	USD	LIBOR + Margin	**150,373**	149,478
CEPSA—Loan 19	2025	EUR	EURIBOR + Margin	**150,882**	152,366
CEPSA—Loan 20	2019	USD	LIBOR + Margin	**270,672**	—
CEPSA—Loan 21	2019	USD	LIBOR + Margin	**275,685**	—
CEPSA—Loan 22	2017	EUR	EURIBOR + Margin	**684,600**	—
CEPSA—Loan 23	2014	USD	LIBOR + Margin	**196,488**	—
Others				**4,517,640**	3,534,100
				14,382,245	16,661,617

(note i)—IPIC loan (12) has an undrawn amount of US$ 1,497,172 thousand as at 30 June 2014 (31 December 2013: US$ 1,190,914 thousand)

(note ii)—On 19 December 2013, the Company entered into a US$ 2 billion multicurrency revolving facilities agreement with an interest rate at a margin over, in relation to any loan in US$, LIBOR or, in relation to any loan in euro, EURIBOR. On 27 February 2014, facilities were partially drawn with an undrawn amount of US$ 1,212,915 thousand at 30 June 2014 (31 December 2013: US$ 2,067,038 thousand).

(note iii)—All of IPIC loans are unsecured. Aabar loans are unsecured, except for Aabar—Loan 6, 11, 12 and 23 which are secured through pledges on land mortgage and certain securities.

(note iv)—All loans within Others are unsecured except for an amount of US$ 14,576 thousand (31 December 2013: US$ 15,807 thousand) which is secured on property, plant and equipment.

19 OTHER LIABILITIES

Included in other liabilities is deferred income on guarantees provided by the Company amounting to US$ 293,872 thousand (31 December 2013: US$ 311,721 thousand).

As part of the state-to-state relationship between the Emirate of Abu Dhabi and Malaysia, the Company agreed in 2012 to guarantee the obligations of certain subsidiaries of 1Malaysia Development Berhad (“1MDB”), a strategic development company wholly-owned by the Government of Malaysia, in respect of two financings in the energy and power sector amounting to US$ 3.5 billion in total. In respect of these financings, the Company benefits from back-to-back guarantees and support from 1MDB and has secured for its Group the right:

a) to acquire up to a 49% stake in Powertek Investment Holdings Sdn Bhd (formerly known as 1MDB Energy Sdn Bhd), a company which holds a 100% stake in Powertek Energy Sdn Bhd (formerly known as “Tanjong Energy Holdings Sdn Bhd”); and

b) to acquire up to a 49% stake in the shares of 1MDB Energy (Langat) Sdn Bhd which holds a 100% stake in Mastika Lagenda Sdn Bhd, a company which owns 75% stake in Kuala Langat Power Plant Sdn Bhd (formerly known as “Genting Sanyen Power Sdn Bhd”).

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

20 PROVISIONS

	Decommissioning	Legal disputes	Others	Total
	US$'000	US$'000	US$'000	US$'000
At 1 January 2014	168,818	113,161	289,774	571,753
Additions	761	7,263	143,144	151,168
On business combinations	42,255	—	—	42,255
Accretion expenses	2,610	1,243	1,017	4,870
Utilised	(2,042)	(2,842)	(21,406)	(26,290)
Reversed	—	(109)	(11,487)	(11,596)
Exchange adjustments	(519)	(256)	(1,850)	(2,625)
Balance at 30 June 2014	**211,883**	**118,460**	**399,192**	**729,535**

	30 June 2014	(Audited) 31 December 2013
	US$'000	US$'000
Classified as:		
Non-current	**558,654**	479,034
Current	**170,881**	92,719
	729,535	571,753

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

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

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

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

21 COMMITMENTS AND CONTINGENCIES

	30 June 2014	(Audited) 31 December 2013
	US$'000	US$'000
Guarantees		
Financial guarantees (see note 19)	**3,500,000**	3500 000
Guarantees and letters of credit	**2,364,388**	2137054
Guarantees in favor of associated companies	**17,248**	2,976
	5,881,636	5,640,030
Feedstock purchase commitments		
Up to 1 year	**1,927,808**	2062,215
1 to 5 years	**6,352,453**	6516,775
Beyond 5 years	**13,539,679**	13,728,975
	21,819,940	22,307,965
Operating lease commitments		
Up to 1 year	**314,031**	250,474
1 to 5 years	**705,059**	746,304
Beyond 5 years	**471,382**	528,142
	1,490,472	1,524,920
Capital commitments		
Property, plant and equipment	**2,167,268**	1,918,686
Investment property	**916,314**	752,714
Investments in equity instruments	**93,312**	240,906
Intangible assets	**10,381**	7,795
Fiduciary assets *	**708,516**	837,195
	3,895,791	3,757,296

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

22 LITIGATIONS

Nova litigations

In 2005, The Dow Chemical Company ("Dow Chemical") filed suit against Nova Chemicals in the Federal District Court in Delaware alleging that certain grades of Nova Chemicals' SURPASS® polyethylene film resins infringe two Dow Chemical patents. In 2010, a jury trial took place and a judgment of infringement against NOVA Chemicals was entered on 18 June 2010. Dow Chemical was awarded certain amounts for damages and pre-judgment interest. In 2012, after unsuccessful appeals; NOVA Chemicals paid Dow Chemical approximately $77 million. A Supplemental Damages Bench Trial was held on 30 April 2013 and 1 May 2013 to determine any additional damages that should be awarded to Dow Chemical based on sales of certain grades of NOVA Chemicals' SURPASS resin in the United States from 1 January 2010 through the expiration of the patents on 15 October 2011. The court issued a decision in March 2014. Approximately $30 million was awarded to Dow Chemical for supplemental damages. In April 2014, Nova Chemicals filed a Notice of Appeal with the court and it will be required to post at least $30 million as security for the appeal.

In December 2010, Dow Chemical filed a Statement of Claim against Nova Chemicals in Federal Court in Canada alleging that certain grades of Nova Chemicals' SURPASS polyethylene film resins infringe a Dow Chemical Canadian patent. Nova Chemicals filed its statement of defense and counterclaim in March 2011. A trial on the infringement issue commenced in September 2013 and concluded in November 2013. In May 2014, the judge for the Federal Court issued an adverse judgment. In August 2014, Nova Chemicals filed a Notice of Appeal with the Federal Court of Appeal. A subsequent trial to determine damages will be held if the judgment is affirmed on appeal at a future date.

A claim was filed against Nova Chemicals in the Court of Queen's Bench of Alberta by Dow Chemical Canada ULC and its European affiliate (collectively, "Dow") concerning the third ethylene plant at Nova Chemicals' Joffre site. Dow has amended its initial statement of claim and has claimed for further losses and damages in an amount to be proven at trial of this action. In its most recent amendment, Dow estimates its claim at an amount exceeding $400 million. Nova Chemicals initially counterclaimed in the same action, and also amended its statement of defense and counterclaim. The amount of its counterclaim is estimated in its most recent amendment at approximately $350 million. Nova Chemicals have proposed further amendments to its statement of defense and counterclaim the effect of which, among other things, will be to alter the amount of its counterclaim. Nova Chemicals' counterclaim is now estimated to be at least $50 million. Approval of these amendments is subject to Dow's consent or court order. A trial is currently scheduled to commence in January 2015.

23 RELATED PARTY TRANSACTIONS

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

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

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

Cash and cash equivalents and borrowings include US$ 1,160,021 thousand (31 December 2013: US$ 610,678 thousand) and US$ 834,129 thousand (31 December 2013: US$ 2,485,528 thousand), respectively, with/from entities in which the Government of the Emirate of Abu Dhabi has control or exert significant influence. Interest income and finance cost include US$ 4,035 thousand (30 June 2013: US$ 3,030 thousand) and US$ 19,183 thousand (30 June 2013: US$ 65,388 thousand), respectively, relating to balances with these entities.

The Company has received US$ 4 billion from the Government of the Emirate of Abu Dhabi in relation to ADCOP (note 14).

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	
	2014	2013
	US$'000	US$'000
Short-term benefits	**3,247**	2,958

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

	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 2014				
Associates	**1,458,964**	**872,943**	**37,446**	**195**
Joint ventures	**199,175**	**582,307**	**3,821**	**151**
Entities under common management of	**—**	**—**	**—**	**—**
key management personnel of the Company	**5,822**	**—**	**65,465**	**—**
Others	**—**	**10,496**	**102**	**256**
	1,663,961	**1,465,746**	**106,834**	**602**
Six months ended 30 June 2013				
Associates	1,387,758	815,117	25,381	—
Joint ventures	224,826	559,796	—	—
Entities under common management of key management personnel of the Company	7,728	—	54,858	—
Others	3,680	223,357	—	—
	1,623,992	1,598,270	80,239	—

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 2014						
Associates	**264,721**	**539,299**	**4,720**	**580,107**	**30,051**	**33,537**
Joint ventures	**81,080**	**144,482**		**382,374**	**3**	
Entities under common management of	**—**	**—**	**—**	**—**	**—**	**—**
key management personnel of the Company	**—**	**—**	**804,018**	**780,312**	**—**	**68,056**
Others	**6,794**	**—**	**—**	**—**	**—**	**—**
	352,595	**683,781**	**808,738**	**1,742,793**	**30,054**	**101,593**
At 31 December 2013(Audited)						
Associates	318,314	569,199	536,987	519,566	17,774	—
Joint ventures	79,970	53,647	233,822	233,822	4	41,410
Entities under common management of key management personnel of the Company	—	—	1,222,640	714,847	—	68,201
Others	33,862	1,547	—	—	—	4,138
	432,146	624,393	1,993,449	1,468,235	17,778	113,749

24 SUBSIDIARIES

The interim condensed consolidated financial statements include the interim financial statements of the Company and all its material subsidiaries as at 30 June 2014. The significant operating subsidiaries are listed in the following table:

Name of company	Country of incorporation	Percentage holding	
		30 June 2014	31 December 2013
Borealis AG (“Borealis”)	Austria	**64%**	64%
Aabar Investments PJS (“Aabar”)	United Arab Emirates	**98.26%**	97.83%
NOYA Chemicals Corporation (“NOYA”)	New Brunswick, Canada	**100%**	100%
Compañia Espanola de Petróleos, S.A.U. (“CEPSA”)	Spain	**100%**	100%

25 EVENTS AFTER THE REPORTING PERIOD

(i) In July 2014, Cepsa entered into a 50:50 joint venture with Golden Agri-Resources Ltd, a wholly-owned company of Sin Annas Group, for the production, development, sale and distribution of industrial vegetable alcohols.

(ii) In September 2014, Borealis completed the acquisition of DuPont Holding Netherland B.V.‘s shares of Speciality Polymers Antwerp N.V. Previously, Speciality Polymers Antwerp N.V., located in Zwijndrecht (Antwerp, Belgium) was a joint venture between DuPont Holding Netherlands B.V. (67%) and Borealis Polymers N.V. and Borealis Kallo N.V. (together 33%).

(iii) In September 2014, Borealis signed an agreement on the refinancing of its EUR 1 billion Syndicated Revolving Credit Facility. The new facility replaces the existing 2012 financing and extends the maturity to 2019 with an additional extension option of up to two years.

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

Ernst & Young
P.O. Box: 136
27th Floor, Nation Tower 2
Abu Dhabi Corniche
Abu Dhabi, United Arab Emirates

Tel: +971 2 417 4400
Fax: +971 2 627 3383
abudhabi@ae.ey.com
ey.com/mena

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 2013 and the consolidated statement of profit or loss, consolidated statement of other 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 financial position of the Group as at 31 December 2013 and its financial performance and 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

21 April 2014
Abu Dhabi

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2013

	Notes	2013	2012
		US$'000	US$'000
CONTINUING OPERATIONS			
Revenue	14	**52,834,762**	51,902,329
Cost of sales	15	**(47,617,357)**	(46,341,860)
Gross profit		**5,217,405**	5,560,469
Share of post tax profits of associates and joint ventures	8	**964,668**	1,097,982
Selling and distribution costs	15	**(2,317,339)**	(2,274,186)
General and administrative expenses	15	**(1,107,543)**	(945,864)
Research and development expenses	15	**(253,987)**	(263,761)
Operating profit		**2,503,204**	3,174,640
Net foreign exchange (losses) gains		**(131,127)**	159,150
Finance income	9	**637,074**	723,001
Finance costs	10	**(1,349,570)**	(1,584,233)
Other income	15	**255,003**	107,172
Other expenses	15	**(142,826)**	(170,606)
Gains on acquisitions and disposals	11	**283,440**	194,695
Other gains (losses) on financial instruments	12	**527,234**	(316,598)
Profit before tax from continuing operations		**2,582,432**	2,287,221
Income tax expense	13	**(421,087)**	(671,029)
Profit for the year from continuing operations		**2,161,345**	1,616,192
DISCONTINUED OPERATIONS			
Profit after tax for the year from discontinued operations	16	**—**	140,054
PROFIT FOR THE YEAR		**2,161,345**	1,756,246
Profit for the year attributable to:			
Equity holder of the parent		**1,917,576**	1,511,965
Non-controlling interests		**243,769**	244,281
		2,161,345	1,756,246
		US$	US$
Basic and diluted earnings per share attributable to equity holder of the parent	17	**548**	432
Basic and diluted earnings per share from continuing operations attributable to equity holder of the parent	17	**548**	394

The attached notes 1 to 43 form part of these consolidated financial statements.

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
Year ended 31 December 2013

	2013	2012
	US$'000	US$'000
PROFIT FOR THE YEAR	**2,161,345**	1,756,246
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange gains on translation of foreign subsidiaries	**269,689**	190,761
Net losses arising on hedge of net investments	**(420,023)**	(374,026)
Net (losses) gains arising on cash flow hedges	**(4,571)**	11,087
Net gains arising on changes in fair value of available-for-sale financial assets	**1,100**	103,967
Share of other comprehensive income of associates and joint ventures	**(193,723)**	44,483
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(347,528)**	(23,728)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Impact of changes in tax rates on deferred income tax	**(1,163)**	27,669
Actuarial gains (losses) arising on defined benefit plans	**183,485**	(131,376)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**182,322**	(103,707)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**(165,206)**	(127,435)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,996,139**	1,628,811
Total comprehensive income for the year attributable to:		
Equity holder of the parent	1,719,221	1,357,899
Non-controlling interests	276,918	270,912
	1,996,139	1,628,811

The attached notes 1 to 43 form part of these consolidated financial statements.

International Petroleum Investment Company PJSC and its subsidiaries

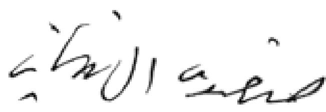
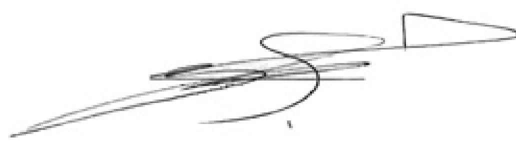
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2013

	Notes	2013	2012
		US$'000	US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	**15,047,083**	17,780,031
Intangible assets	19	**2,734,359**	2,638,852
Investment properties	21	**2,196,063**	1,986,013
Investments in associates and joint ventures	8	**11,026,029**	10,254,712
Deferred tax assets	13	**625,202**	390,618
Investments in financial instruments	22	**2,689,647**	3,158,072
Trade and other receivables	23	**256,106**	253,350
Other assets	24	**4,672,507**	4,948,562
		39,246,996	41,410,210
Current assets			
Inventories	25	**4,759,166**	5,496,191
Trade and other receivables	23	**7,135,027**	6,370,553
Investments in financial instruments	22	**5,545,077**	5,997,564
Other assets	24	**1,202,463**	973,210
Cash and short term deposits	26	**6,818,844**	4,912,711
		25,460,577	23,750,229
Asset classified as held for sale	16	**3,679,268**	—
TOTAL ASSETS		**68,386,841**	65,160,439
EQUITY AND LIABILITIES			
Equity attributable to equity holder of the parent			
Share capital	27	**3,500,000**	3,500,000
Shareholder loan	28	**1,000,000**	1,000,000
Retained earnings		**10,632,997**	8,955,568
Other reserves	29	**127,838**	324,956
		15,260,835	13,780,524
Non-controlling interests		**2,276,176**	1,783,487
Total equity		**17,537,011**	15,564,011

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION—(Continued)
At 31 December 2013

	Notes	2013 US$'000	2012 US$'000
EQUITY AND LIABILITIES continued			
Non-current liabilities			
Borrowings	30	**26,116,428**	25,173,437
Defined benefit plan deficit	31	**621,300**	859,350
Deferred tax liabilities	13	**2,173,750**	2,285,436
Derivative financial liabilities	35	**330,302**	217,682
Provisions	32	**479,034**	426,942
Trade and other payables	33	**51,032**	45,284
Other liabilities	34	**545,658**	624,598
		30,317,504	29,632,729
Current liabilities			
Trade and other payables	33	**7,379,566**	5,872,859
Borrowings	30	**7,387,486**	11,573,217
Other liabilities	34	**2,095,262**	1,833,674
Derivative financial liabilities	35	**1,577,293**	637,844
Provisions	32	**92,719**	46,105
		18,532,326	19,963,699
Liability classified as held for sale	16	**2,000,000**	—
Total liabilities		**50,849,830**	49,596,428
TOTAL EQUITY AND LIABILITIES		**68,386,841**	65,160,439

CHAIRMAN MANAGING DIRECTOR CHIEF FINANCIAL OFFICER

The attached notes 1 to 43 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 2013

	Attributable to equity holder of the parent						
	Share capital	Shareholder loan	Retained earnings	Other reserves	Total	Non-controlling interests	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
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 year	—	—	1,511,965	—	1,511,965	244,281	1,756,246
Other comprehensive income for the year	—	—	—	(154,066)	(154,066)	26,631	(127,435)
Total comprehensive income for the year	—	—	1,511,965	(154,066)	1,357,899	270,912	1,628,811
Dividends paid to non-controlling shareholders	—	—	—	—	—	(79,167)	(79,167)
Acquisition of additional interest in a subsidiary	—	—	(7,456)	—	(7,456)	(7,683)	(15,139)
Recycle of reserves on disposal of interest in a subsidiary (note 4.1)	—	—	16,295	(44,170)	(27,875)	(165,202)	(193,077)
Movement in other reserves	—	—	(339)	(149)	(488)	(87)	(575)
Balance at 31 December 2012	3,500,000	1,000,000	8,955,568	324,956	13,780,524	1,783,487	15,564,011
Profit for the year	—	—	1,917,576	—	1,917,576	243,769	2,161,345
Other comprehensive income for the year	—	—	—	(198,355)	(198,355)	33,149	(165,206)
Total comprehensive income for the year	—	—	1,917,576	(198,355)	1,719,221	276,918	1,996,139
Dividends paid to non-controlling shareholders	—	—	—	—	—	(49,869)	(49,869)
Acquisition of additional interest in a subsidiary	—	—	(239,946)	—	(239,946)	249,160	9,214
Reserves for disposal group held for sale	—	—	—	—	—	16,472	16,472
Movement in other reserves	—	—	(201)	1,237	1,036	8	1,044
Balance at 31 December 2013	**3,500,000**	**1,000,000**	**10,632,997**	**127,838**	**15,260,835**	**2,276,176**	**17,537,011**

The attached notes 1 to 43 form part of these consolidated financial statements.

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2013

	Notes	2013	2012
		US$'000	US$'000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		**2,582,432**	2,287,221
Profit before tax from discontinued operations		**—**	91,415
Profit before tax		**2,582,432**	2,378,636
Adjustments for:			
Depreciation and amortisation of fixed assets	15	**1,884,383**	1,829,299
Net impairment of fixed assets	15	**(98,130)**	20,563
Gains on disposals and acquisitions		**(283,440)**	(306,533)
Other (gains) losses on financial instruments		**(527,234)**	308,938
Finance income		**(637,074)**	(728,214)
Finance costs		**1,349,570**	1,590,092
Unrealised exchange difference		**140,422**	(213,436)
Share of post tax profits of associates and joint ventures		**(964,668)**	(1,114,760)
Other non-cash adjustments		**102,095**	277,487
		3,548,356	4,042,072
Working capital changes:			
Inventories		**1,140,497**	(199,746)
Trade and other receivables		**(463,724)**	(109,482)
Trade and other payables		**1,135,778**	(323,855)
Other assets and liabilities		**(350,284)**	(47,038)
		5,010,623	3,361,951
Income tax paid		**(582,251)**	(814,975)
Net cash from operating activities		**4,428,372**	2,546,976
INVESTING ACTIVITIES			
Purchase of subsidiaries, net of cash acquired	3	**(531,060)**	(300,897)
Purchase of financial instruments		**(220,059)**	(1,668,365)
Acquisition of associates and joint ventures		**(455,319)**	(139,291)
Purchase of fixed assets		**(2,063,388)**	(2,112,954)
Movement in derivative financial instruments		**2,292,780**	(1,635,086)
Advance received against asset held for sale	16	**2,000,000**	—
Proceeds on disposal of a subsidiary	4	**—**	193,155
Movement in financial instruments		**885,638**	3,276,758
Interest received		**166,439**	241,073
Dividends received		**424,408**	507,359
Receipts from (payments on) other assets		**134,987**	(422,310)
Net cash from (used in) investing activities		**2,634,426**	(2,060,558)
FINANCING ACTIVITIES			
Proceeds from borrowings		**6,749,151**	10,376,828
Repayments of borrowings	30	**(10,719,568)**	(9,701,668)
Interest paid		**(1,238,877)**	(1,328,087)
Dividends paid to non-controlling shareholders		**(49,869)**	(79,167)
Accounts receivable securitisation		**—**	(182,000)
Other financing activities		**—**	(3,790)
Net cash used in financing activities		**(5,259,163)**	(917,884)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,803,635**	(431,466)
Net foreign exchange difference		**102,498**	55,298
Cash and cash equivalents at 1 January		**4,912,711**	5,288,879
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	26	**6,818,844**	4,912,711

The attached notes 1 to 43 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 the Emirate 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 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.

The consolidated financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 21 April 2014.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been presented in US Dollars (“US$”), which is the functional currency of the Company and presentation currency of the Group. All values are rounded to the nearest thousand (US$’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. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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, as would be required if the Group had directly disposed of the related assets or liabilities.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Group applied, for the first time, certain standards and amendments. These include IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IAS 19 *Employee Benefits* (Revised 2011), IFRS 13 *Fair Value Measurement* and amendments to IAS 1 *Presentation of Financial Statements*. In addition, the application of IFRS 12 *Disclosure of Interests in Other Entities* resulted in additional disclosures in the consolidated financial statements.

Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

IFRS 10 *Consolidated Financial Statements* and IAS 27 *Separate Financial Statements*

IFRS 10 *Consolidated financial statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the Group. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. There is no impact of these standards on Group's financial position or performance.

IFRS 11 *Joint Arrangements* and IAS 28 *Investment in Associates and Joint Ventures*

The application of IFRS 11 does not have any impact on the Group's accounting for its interest in joint ventures and joint operations. Application of IFRS 11 mandates to use equity accounting for joint arrangements classified as joint ventures in contrast to IAS 31-*Interests in Joint Ventures* where proportionate consolidation was also a choice. Since the Group already uses the equity method for joint ventures in the consolidated financial statements, there is no impact on Group's financial position or performance.

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. While the Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities. IFRS 12 disclosures are provided in notes 5, 6 and 8.

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. IFRS 13 defines fair value as an exit price. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in note 36.

IAS 1 *Presentation of Items of Other Comprehensive Income—Amendments to IAS 1*

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on available-of-sale financial assets) have to be presented separately from items that will not be. The amendments affect presentation only and have no impact on the Group's financial position or performance.

IAS 19 *Employee Benefits* (Revised 2011)

The Group applied IAS 19 (Revised 2011) retrospectively in the current year in accordance with the transitional provisions set out in the revised standard. The effect of the changes was not material to the overall consolidated financial statements, and was therefore recorded in the 2013 consolidated statement of profit or loss. No restatement was done. The effect of the prior year adjustments recorded in 2013 amounted to US$ 28,227 thousand.

As stated in the Group's accounting policies, actuarial gains and losses for defined benefit plans are recognised in full in the period in which they occur in consolidated other comprehensive income and as such actuarial gains and losses are also immediately recognised in consolidated retained earnings and are not reclassified to profit or loss in subsequent periods. Therefore, the amendment which eliminates the "corridor method" does not impact the Group's financial position or performance. However, net benefit expense increased as a result of applying the rate used to discount the benefit obligation as the rate used for calculating expected return on plan assets. The adjustment required to reflect the actual return on plan assets as compared to the expected return on plan assets was recorded in consolidated other comprehensive income.

IAS 19 (Revised 2011) also requires more extensive disclosures. These have been provided in note 31. IAS 19 (Revised 2011) has been applied retrospectively, with following permitted exceptions:

- The carrying amounts of other assets have not been adjusted for changes in employee benefit costs that were included before 1 January 2012.
- Sensitivity disclosures for the defined benefit obligation for comparative period (year ended 31 December 2012) have not been provided.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards and interpretations 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.

IFRS 9 *Financial Instruments*

In November 2009 IFRS 9 was issued which introduced new requirements for the classification and measurement of financial assets. It was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition. Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. IFRS 9 also allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

In November 2013, the IASB issued new IFRS 9 requirements related to hedge accounting (except accounting for open portfolio or macro hedging) which align hedge accounting more closely with risk management, resulting in more useful information to users of financial statements. The requirements also establish a more principal based approach to hedge accounting and address inconsistencies and weakness in the hedge accounting model in IAS 39.

IFRS 9 has not yet been fully finalised as the impairment of financial assets phase is still under deliberation. The mandatory date of application is 1 January 2018. The Group is currently assessing the impact that IFRS 9 will have on the Group's financial position and performance, but based on preliminary analyses, no material impact is expected.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments are not expected to be relevant to the Group.

IAS 32 *Offsetting Financial Assets and Financial Liabilities—Amendments to IAS 32*

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IFRIC Interpretation 21 *Levies* (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

Recoverable Amount Disclosures for Non-Financial Assets—Amendments to IAS 36 *Impairment of Assets*

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied.

IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting—Amendments to IAS 39*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novation.

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 (GFA).

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 13.

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 amortization 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 the pattern of economic benefits that are expected from the use of such property, plant and equipment. 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, the growth rate used for extrapolation purposes and the terminal value.

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 statement of profit or loss.

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 statement of profit or loss.

Impairment of investments of quoted associates

The Group's investments in its associates are accounted for using the equity method of accounting. For quoted associates, the Group compares, at the reporting date, the carrying values of those associates to their market

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

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.

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.

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. A tax reserve is used to provide for uncertain tax provisions which consist of potential tax liabilities associated with possible disputes with tax authorities. Further details on taxes are disclosed in note 13.

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.

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. Also, given the allocation of assets, the market value of the plans' assets are sensitive to changes in the capital markets. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the yields of high quality corporate bonds in the respective country, with terms to maturity that approximate the duration or match the projected cash flows to the Group's pension obligations. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases are based on the Group's long-term view of compensation trends and pension indexation is based on expected future inflation rates for the respective country. Further details about the assumptions used are given in note 31.

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 commercial 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.

Legal claims

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

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 Group 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 and any resulting gain or loss is recognised in 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 in accordance 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.

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of profit or loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group, 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.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of associates and joint ventures in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decision about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the consolidated financial statements only to the extent of the other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

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 statement of profit or loss 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 statement of profit or loss.

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 of the Group. 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 rates of exchange on the reporting date.

All differences are taken to the consolidated statement of profit or loss with the exception of all monetary items that are designated as and provide an effective hedge of a net investment in a foreign operation, translation of long-term receivables that are considered part of investments in subsidiaries or associated companies and employee benefit plan liabilities. Items designated as hedge of a net investment and the translation of long-term receivables that are considered part of investments are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated statement of profit or loss. Resulting gains and losses from the translation of employee benefit plan liabilities are reported in other comprehensive income with no recycling to the consolidated statement of profit or loss. 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 recognized in other comprehensive income or profit or loss is also recognized 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 statements of profit or loss 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 statement of profit or loss.

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.

Fair value measurement

The Group measures financial instruments such as financial assets at fair value through profit or loss, available for sale investments and derivative financial instruments at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost and non-financial assets such as investment properties, are disclosed in note 21 and note 36 respectively.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2—Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3—Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revenue recognition

Revenue is recognized 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 recognized.

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 Group'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 is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the consolidated statement of profit or loss.

Rental income

The Group's policy for recognition of revenue from operating leases is described below, under "Leases".

Construction contracts

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 statement of profit or loss. 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. These provisions are included in deferred tax liabilities.

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 profits 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 is incurred during the measurement period or recognised 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;
- 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 statement of profit or loss; 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, 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 recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized 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 statement of profit or loss 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 32 for further information about the measurement of the decommissioning provision.

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	5 to 67 years
Machinery, tools, and technical equipment	3 to 20 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 prospectively as a change in accounting estimate, 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 statement of profit or loss 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

Investment in exploration and production are recognized 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 capitalized 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 amortized over a period not exceeding the term of contract.

Drilling costs are capitalized 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 capitalized 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 Group taking account of the estimates based on the contractual clauses.

Impairment tests are performed periodically for each field and any impairment losses are recognized in the consolidated 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 amortization 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 or assets, 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 recognised in the consolidated statement of profit or loss.

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 statement of profit or loss 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 capitalized 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 statement of profit or loss 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
Residential properties	25 to 40 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 statement of profit or loss 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 initially recorded as advances on investment properties and the related capital commitments are disclosed in the commitments and contingencies (refer to note 40). When the investment property recognition criteria are met, advances on investment properties are reclassified to investment properties.

Properties under construction are recorded at cost, and upon completion are transferred to the appropriate category of investment property and thereafter depreciated.

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 statement of profit or loss 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:

Concessions, patents and licences	10 to 20 years
Software	3 to 7 years
Development costs	3 to 10 years
Customer and flagging contracts	5 to 20 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 statement of profit or loss 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 statement of profit or loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as a property, plant and equipment and 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 market price prevailing at the beginning of the year to which it relates and are recognized with a credit to other liabilities;
- emission rights acquired from the market are measured at acquisition cost;
- 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.

Emission rights are recognised as non-amortisable intangible assets and are derecognised when they are delivered, transferred to third parties or expire. At the end of the compliance period the Group delivers CO_2 emission rights equal to the volume of emissions made during the year. If the net realisable value of the emissions rights is less than their carrying amount, the value of the emission rights owned will be reduced to market value.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined as follows:

- For plastics solutions, costs of all finished goods inventories are determined on first-in first-out (FIFO) basis, except for spare parts and raw materials which are parts determined based on average cost;
- For petroleum refinery, costs of all inventories are determined on weighted average costs; and
- For industrial engineering services, cost of inventories is determined based on FIFO.
- For integrated oil and gas, crude oil, oil derivatives and petrochemicals products, acquired as raw materials, are measured based on weighted average costs.

In case of refined products, the costs are allocated in proportion to the selling price of the related products (isomargin method) due to the complexity of allocating production costs to each item.

Cost includes purchase cost, freight, insurance and other related expenses incurred in bringing the inventories 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 realizable value of the inventories at the end of each year and recognizes 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 realizable value because of changed economic circumstances, the amount of the write-down is reversed.

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, where these bank overdrafts form part of the Group's working capital management.

Amounts due from banks arising from banking activities maturing within three months or less are 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 and contingent liabilities

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 statement of profit or loss 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. Refer to note 32 for further information about provisions.

Contingent liabilities are possible obligations, whose existence will only be confirmed by future events not wholly within the Group's control or present obligation where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised in the consolidated financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote.

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.

The cost of defined contribution benefits is expensed as earned by employees. Certain group companies also provide medical care and life insurance to eligible retirees and their dependents. These benefits are unfunded and are expensed as the employees provide service.

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 and sponsors both defined benefit and defined contribution plans.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales', 'general and administrative expenses' and 'selling and distribution costs' in consolidated statement of profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

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 financial assets 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 or 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 or repurchasing 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 or loss are carried in the consolidated statement of financial position at fair value with gains or losses recognised in the consolidated statement of profit or loss.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 *Financial Instruments: Recognition and Measurement* are satisfied.

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 statement of profit or loss. 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. Amortized 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 statement of profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Due from banks and loans and other receivables due from banking customers

Due from banks and loans and other 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 receivables due from banking customers are subsequently measured at amortised cost using the effective interest rate, 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 effective interest rate. The effective interest rate amortisation is included in revenue from banking activities in the consolidated statement of profit or loss. The losses arising from impairment are recognised in the consolidated statement of profit or loss.

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).

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 EIR method, less impairment. Amortized 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 statement of profit or loss 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 statement of profit or loss, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the consolidated statement of profit or loss.

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 statement of profit or loss.

Loans, borrowings, customer deposits and other amounts due to banking customers

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 statement of profit or loss 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 or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the consolidated statement of profit or loss.

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 recognized 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 recognized less cumulative amortization.

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; and 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 loans, receivables and advances to customers carried at amortised cost, the Group first assesses whether 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.

The amount of any impairment 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.

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 statement of profit or loss. Interest income (recorded as finance income in the consolidated statement of profit or loss) 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. 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 the consolidated statement of profit or loss.

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 statement of profit or loss, is removed from other comprehensive income and recognised in the consolidated statement of profit or loss. Impairment losses on equity investments are not reversed through the consolidated statement of profit or loss; 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 them 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 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 recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes 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.

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 statement of profit or loss.

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, call and put options and commodity contracts to hedge its foreign exchange risks, interest rate risks, fair value risks and commodity price 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 statement of profit or loss, 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 statement of profit or loss. 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 statement of profit or loss.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the consolidated statement of profit or loss over the remaining term to maturity. EIR 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 statement of profit or loss.

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 statement of profit or loss.

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 statement of profit or loss.

Amounts taken to other comprehensive income are transferred to the consolidated statement of profit or loss when the hedged transaction affects the consolidated statement of profit or loss, 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 statement of profit or loss. 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 remains 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 statement of profit or loss. 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 statement of profit or loss.

Derivative instruments that do not meet the IAS 39 criteria or are not designated as effective hedging instrument are classified as current or non-current or separated into current and non-current based on an assessment of the facts and circumstances (i.e. the underlying contracted cash flows).

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 cash flows are discounted to their present value using a pre-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 statement of profit or loss 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 statement of profit or loss 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 as at 31 December 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 joint ventures

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 joint ventures. The Group determines at each

reporting date whether there is any objective evidence that investments in associates and joint ventures 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 joint ventures and their carrying values and recognises the amount in the consolidated statement of profit or loss.

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 a subsidiary of the Group, 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 fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are reported in the consolidated financial statements as off balance sheet items, as they are not the assets of the Group.

3 BUSINESS COMBINATIONS

3.1 2013 BUSINESS COMBINATIONS

The Group made several acquisitions during the year ended 31 December 2013, which are further described below.

From the date of acquisitions to 31 December 2013 the acquired entities (see notes 3.1.1 to 3.1.5 below) have contributed US$ 650,363 thousand to the revenue and loss of US$ 53,351 thousand to the profit for the year before tax of the Group. If the business combinations had taken place at 1 January 2013, the Group's revenue would have been US$ 54,052,865 thousand and the Group's net profit for the year would have been US$ 2,089,308 thousand.

3.1.1 Acquisition of Clariden Leu (Europe) Ltd.

On 31 March 2013, Falcon Private Bank Ltd., a wholly owned subsidiary of Aabar acquired the entire share capital of Clariden Leu (Europe) Ltd., a wholly owned subsidiary of Credit Suisse Group AG based in London, United Kingdom. Clariden Leu (Europe) Ltd. offers wealth and asset management services to private clients in the key markets: Eastern Europe, Middle East and Africa and other emerging markets. Clariden Leu (Europe) Ltd. was later renamed to "Falcon Private Wealth Ltd.". The cost of business combination was US$ 43,634 thousand which includes a contingent consideration of US$ 3,960 thousand as earn-out payments. There was no goodwill recorded on the acquisition.

3.1.2 Acquisition of Hess Rhourde el Rouni Ltd.

On 10 June 2013, CEPSA acquired the entire share capital of Hess Rhourde el Rouni Ltd., a company engaged in exploration and production. The cost of business combination was US$ 75,221 thousand. There was no goodwill recorded on the acquisition.

3.1.3 Acquisition of DEX Plastomers

On 1 March, 2013 Borealis acquired the entire share capital of DSM Plastomers B.V. and Exxon Chemical Holland Ventures B.V., each holding a 50% interest in DEX Plastomers V.O.F. in Heerlen, The Netherlands. All three entities are referred herein as DEX Plastomers.

DEX Plastomers is one of the Netherland's leading producers of C8 plastomers and linear low density polyethylene products which uses LldPE Compact Solution Technology. The acquisition underpins Borealis' commitment to its innovation strategy, as Borealis believes there is significant potential in DEX Plastomers' technology.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of DEX Plastomers as at the acquisition date was:

	Fair value recognised on acquisition	Fair value recognised on acquisition
	Euro'000	US$'000
Assets		
Property, plant and equipment	**13,736**	**17,915**
Intangible assets	**16,188**	**21,113**
Inventories	**52,049**	**67,882**
Trade receivables	**16,542**	**21,574**
Other assets	**9,646**	**12,580**
Cash and cash equivalents	**7,387**	**9,634**
	115,548	**150,698**
Liabilities		
Deferred tax liabilities	**(3,385)**	**(4,414)**
Trade payables	**(34,092)**	**(44,463)**
Other liabilities	**(4,803)**	**(6,264)**
	(42,280)	**(55,141)**
Total identifiable net assets at fair value	**73,268**	**95,557**
Goodwill arising from business combination	**48,791**	**63,633**
Cost of business combination	**122,059**	**159,190**

The cost of business combination of DEX Plastomers includes a contingent consideration liability of US$ 4,582 thousand representing earn-out payments to be partially paid. These are estimated at the fair value of the expected earn-out payments at the acquisition date. Any changes in the estimate of the contingent consideration will be recognized in the consolidated statement of profit or loss. Additionally as at 31 December 2013, an amount of US$ 122 thousand had not been paid.

Cash outflow on the acquisition of the entire share capital is as follows:

	US$ 000
Consideration paid	**154,486**
Cash acquired with DEX Plastomers	**(9,634)**
Net cash outflows from investing activities	**144,852**
Transaction costs	**1,848**
	146,700

The goodwill of US$ 63,633 thousand (Euro 48,791 thousand) comprises the value of expected synergies and other benefits from combining the assets and activities of DEX Plastomers with those of Borealis. The purchase price allocation has been completed as of 31 December 2013.

3.1.4 Acquisition of GPN S.A.

On 28 June 2013, Borealis acquired the entire share capital of GPN S.A. in Nantere, France, from Elf Aquitaine Fertilisants S.A., Nantere France (the Seller, a 100% subsidiary of TOTAL S.A., Paris, France). GPN S.A. was renamed to Borealis Chimie S.A.S., referred herein as Borealis Chimie.

Borealis Chimie is France's largest manufacturer of nitrogen fertilizers and nitrogen oxide reducers. The acquisition is in line with Borealis' strategy to grow the fertilizer business and to become a leading producer in Europe.

Assets acquired and liabilities assumed

The provisional fair value of the identifiable assets and liabilities of Borealis Chimie 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	**167,083**	**217,291**
Intangible assets	**6,274**	**8,160**
Deferred tax assets	**10,000**	**13,005**
Inventories	**53,161**	**69,136**
Trade receivables	**57,260**	**74,467**
Other assets	**47,798**	**62,161**
Cash and cash equivalents	**2,366**	**3,077**
	343,942	**447,297**
Liabilities		
Defined benefit plan deficit	**(20,470)**	**(26,622)**
Provisions	**(23,974)**	**(31,178)**
Trade payables	**(61,822)**	**(80,400)**
Other liabilities	**(27,393)**	**(35,624)**
	(133,659)	**(173,824)**
Total identifiable net assets at fair value	**210,283**	**273,473**
Provisional goodwill arising on business combination	**5,603**	**7,287**
Cost of business combination	**215,886**	**280,760**

The cost of business combination of Borealis Chimie includes a contingent consideration liability of US$ 74,446 thousand (EUR 57,244 thousand) representing earn-out payments to be partially paid. These are estimated at the fair value of the expected earn-out payments at the acquisition date. Any changes in the estimate of the contingent consideration will be recognized in the consolidated profit or loss. The additional consideration shall be transferred to the Seller no later than seven months after the third anniversary of the acquisition date.

In addition, an expected purchase price adjustment of US$ 24,506 thousand (EUR 18,843 thousand) is still subject to finalisation of the closing balance sheet review.

Cash outflow on the acquisition of the entire share capital is as follows:

	US$ 000
Consideration paid	**230,820**
Cash acquired with Borealis Chimie	**(3,077)**
Net cash outflows from investing activities	**227,743**
Transaction costs	**1,881**
	229,624

The purchase price allocation will be finalised in 2014.

3.1.5 Acquisition of Rosier S.A. ("Rosier")

On 28 June 2013, Borealis acquired from Elf Aquitaine Fertilisants S.A., Nantere, France (the Seller, a 100% subsidiary of TOTAL S.A., Paris, France) its controlling interest of 56.86% in Rosier S.A., Moustier, Belgium listed on NYSE Euronext Brussels. As Borealis acquired a controlling interest in Rosier S.A. it was required to launch a mandatory takeover bid for the remaining outstanding shares, where Borealis tendered for an additional 18.19% shares, thereby holding 75.05% shares issued by Rosier S.A. by the end of the acceptance period on 9 October 2013.

Rosier is a mineral fertilizer manufacturer and markets its products in more than 80 countries worldwide. The acquisition is in line with Borealis' strategy to grow the fertilizer business and to become the leading producer in Europe. The cost of the business combination was US$ 77,751 thousand.

The business combination has been accounted for using the acquisition method and measuring the non-controlling interest at fair value. The acquisition date fair value of acquired assets and liabilities is preliminary and may be adjusted as additional information is obtained. The purchase price allocation will be finalised in 2014. The fair value of the non-controlling interest has been determined in line with the stock share price value on the day of acquisition. The consolidated financial statements includes the results of Rosier for the six-month period from acquisition date. No provisional goodwill has been recorded as of 31 December 2013.

3.2 2012 BUSINESS COMBINATIONS

The Group made several acquisitions during the year ended 31 December 2012, which are further described below:

From the date of acquisitions to 31 December 2012, the acquired entities (see note 3.2.1 and 3.2.2 below) have contributed US$ 262,677 thousand to the revenue and US$ 33,866 thousand to the profit before tax of the Group. If the business combinations had taken place at 1 January 2012, the Group revenue would have been US$ 51,971,810 thousand and the Group's profit for before tax from continuing operations for the year would have been US$ 2,290,686 thousand.

3.2.1 Acquisition of Chevron España, S.A.

On 30 March 2012, CEPSA acquired the entire share capital of Chevron España, S.L.U. 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 acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Chevron España, S.A. for the nine-month period from the acquisition date.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Chevron España, S.A. as at the acquisition date was:

	Fair value recognised on acquisition	Fair value recognised on acquisition
	EUR'000	US$'000
Assets		
Property, plant and equipment	20,345	27,124
Intangible assets	102,120	136,147
Inventories	15,256	20,339
Trade receivables	12,744	16,990
Other assets	237	316
Cash and cash equivalents	33,552	44,732
	184,254	245,648
Liabilities		
Trade payables	(26,881)	(35,838)
Other liabilities	(985)	(1,313)
	(27,866)	(37,151)
Total identifiable net assets at fair value	156,388	208,497
Goodwill arising on acquisition	10,386	13,847
Cost of business combination	166,774	222,344

The goodwill of US$ 13,847 thousand (EUR 10,386 thousand) comprises the value of expected synergies and other benefits from combining the assets and activities of Chevron España S.A with those of CEPSA. None of the recognised goodwill is deductible for income tax purposes.

The fair value of trade receivables amounted to US$ 16,990 thousand (EUR 12,744 thousand) on acquisition. The trade receivables acquired have been collected during the year.

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

3.2.2 Acquisition of PEC-Rhin

On 31 January 2012, Borealis acquired the entire share capital of PEC-Rhin S.A. in Ottmarsheim, France from Borealis Chimie S.A.S. (former GPN S.A., in Nanterre, France, a 100% subsidiary of Total TOTAL S.A. in Paris, France). PEC-Rhin S.A. was renamed to Borealis PEC-Rhin S.A.S., referred herein as PEC-Rhin. 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 cost of the business combination was US$ 142,827 thousand.

The fair value of the net assets acquired amounted to US$ 91,908 thousand. Goodwill arising on acquisition amounted to US$ 50,919 thousand. The purchase price allocation has been completed as of 31 December 2012.

4 DISPOSAL OF A SUBSIDIARY

4.1 Retransfer of Ferrostaal in 2012

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.

4.2 Derecognition of options over non-controlling interests in Ferrostaal in 2011

As a result of the settlement agreement between IPIC, IPIC KG and MAN (see note 4.1), the put and call options over the 30% interest in Ferrostaal was terminated and therefore the Group, from this date, has derecognised its previous interest in Ferrostaal arising through the put and call options. The derecognition had been recorded within equity as transactions between owners.

5 GROUP INFORMATION

5.1 Interests in subsidiaries

The consolidated financial statements include financial statements of the Company and each of its subsidiaries as at 31 December 2013. The significant subsidiaries of the Company are listed in the following table:

Name of company	Country of incorporation	Percentage holding	
		31 December 2013	31 December 2012
Borealis AG ("Borealis")	Austria	**64%**	64%
Aabar Investments PJS ("Aabar")	United Arab Emirates	**97.83%**	95.71%
NOVA Chemicals Corporation ("NOVA")	New Brunswick, Canada	**100%**	100%
Compañía Española de Petróleos, S.A.U. ("CEPSA")	Spain	**100%**	100%

Borealis

Borealis is domiciled in Austria, and is a leading provider of chemical and innovative plastic solutions. Borealis has two main areas of operations: Polyolefins and Base Chemicals. Within Polyolefins Borealis focuses on three specific market sectors infrastructure, automotive and advanced packaging. Base Chemicals includes the product range phenol and aromatics, feedstock and olefins, melamine and fertiliser.

Aabar

Aabar is a private joint stock company registered and incorporated in Abu Dhabi, United Arab Emirates ("UAE") and is engaged in investing activities in various growth industries. The company was delisted from Abu Dhabi Securities Exchange effective 14 September 2010 and subsequently converted from public joint stock company ("PJSC") to private joint stock company ("PJS").

NOVA

NOVA is registered in New Brunswick, Canada and operates in the chemical sector. It has two main areas of operations: Olefins/Polyolefins and Performance Styrenics. NOVA's polyethylene and styrenic polymer resins are used in a wide range of applications including rigid and flexible packaging, containers, plastic bags, plastic pipe, consumer electronics, building and construction materials, housewares and other industrial and consumer goods. In addition to NOVA's principal business of producing and selling plastics and chemicals, NOVA offers some proprietary technologies for licensing.

CEPSA

CEPSA is registered in Madrid, Spain. CEPSA and its affiliated companies form an integrated business group which operate in the oil and gas industry, both within Spain and abroad, and engages in business activities related to the exploration and extraction of crude oil, the production of petrochemical and energy products, asphalts, lubricants and polymers, their distribution and marketing, as well as gas distribution electricity generation.

5.2 Interests in joint operations

The Group has the following significant investments in certain oil and gas exploration and production assets, which are accounted for as interests in joint operations. The accompanying consolidated financial statements include the assets, liabilities, expenses and income in proportion to the Group's ownership interest. The breakdown of the main assets and operations are as follows:

Name	Country	Operator	Activity	% of Ownership	
				31 December 2013	31 December 2012
Ourhoud	Algeria	Sonatrach	Research and Production	**39.76%**	39.76%
Timimoun	Algeria	Total Exploration & Production Algeria	Research and Production	**11.25%**	11.25%
BMS	Algeria	Hess ReR	Research and Production	**45.00%**	—
Block CE-M-717	Brazil	Premier Oil	Exploration	**50.00%**	—
Block CE-M-665	Brazil	Premier Oil	Exploration	**50.00%**	—
Tiple	Colombia	Cepsa Colombia	Exploration	**70.00%**	70.00%
Garibay	Colombia	Cepsa Colombia	Exploration	**50.00%**	50.00%
Puntero	Colombia	Cepsa Colombia	Exploration	**70.00%**	70.00%
Cabrestero	Colombia	Parex	Exploration	**50.00%**	100.00%
Merecure	Colombia	Cepsa Colombia	Exploration	**70.00%**	70.00%
El Porton	Colombia	Cepsa Colombia	Exploration	**50.00%**	50.00%
Lianos 26	Colombia	Cepsa Colombia	Exploration	**80.00%**	80.00%
Lianos 22	Colombia	Cepsa Colombia	Exploration	**55.00%**	55.00%
CPE-3	Colombia	Cepsa Colombia	Exploration	**50.00%**	—
Eden	Colombia	Parex	Exploration	**15.00%**	—
Cebucan	Colombia	Petrobras	Exploration	**30.00%**	30.00%
Balay	Colombia	Petrobras	Exploration	**30.00%**	30.00%
Cpo 14	Colombia	Metapetroleum	Exploration	**38.00%**	37.50%
Cpo 12	Colombia	Metapetroleum	Exploration	**30.00%**	30.00%
Rio Paez	Colombia	Hocol	Exploration	**17.00%**	17.00%
San Jacinto	Colombia	Hocol	Exploration	**17.00%**	17.00%
PPN (30%)	Colombia	Gran Tierra	Exploration	**30.00%**	30.00%
Caracara	Colombia	Cepsa Colombia	Research and Production	**70.00%**	70.00%
CPR Espinal	Colombia	Petrobas	Research and Production	**17.00%**	15.00%
La Canada Norte	Colombia	Hocol	Research and Production	**16.67%**	16.67%
Block 127	Peru	Cepsa Peru SA	Exploration	**80.00%**	80.00%
Block 114	Peru	Cepsa Peru SA	Exploration	**60.00%**	60.00%
Block 131	Peru	Cepsa Peru SA	Exploration	**70.00%**	70.00%
Block 130	Peru	Cepsa Peru SA	Exploration	**100.00%**	100.00%
Rodaballo	Spain	Repsol	Research and Production	**15.00%**	15.00%
Casablanca	Spain	Repsol	Research and Production	**7.40%**	7.40%
Montanazo	Spain	Repsol	Research and Production	**7.25%**	7.25%
Boqueron	Spain	Repsol	Research and Production	**4.50%**	4.50%

At 31 December 2013 the Group also held a 50% (31 December 2012: 50%) interest in an ethylene plant and a 20% (31 December 2012: 20%) interest in a cogeneration facility located in Alberta, Canada.

5.3 Investments in associates

The Group has the following significant investments in associates:

Name of company	Country of incorporation	Percentage holding *	
		31 December 2013	31 December 2012
Abu Dhabi Polymers Company Limited ("Borouge")	United Arab Emirates	**40.00%**	40.00%
Pak-Arab Refinery Limited ("PARCO")	Pakistan	**40.00%**	40.00%
OMV AG ("OMV")	Austria	**24.90%**	24.90%
RHB Capital Berhad ("RHB Capital")	Malaysia	**21.43%**	21.88%
Galactic Ventures LLC ("Virgin Galactic")	British Virgin Islands	**37.80%**	37.80%
Compañia Logistica de Hidrocarburos CLH, S.A	Spain	**9.15%**	14.15%
Arabtec Holding PJSC	United Arab Emirates	**21.57%**	21.57%

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

Borouge

Borouge is headquartered in Abu Dhabi, United Arab Emirates ("UAE"). It is jointly owned by Abu Dhabi National Oil Company ("ADNOC") (60%) and Borealis (40%), and its main operation is production of innovative, value creating plastic solutions.

PARCO

PARCO is based in Pakistan, and 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, a crude oil pipeline running from Karachi to Multan and two refined products pipelines.

OMV

OMV is based in Vienna, Austria, and is listed on the Vienna Stock Exchange. It 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 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.

RHB

RHB Capital is incorporated in Kuala Lumpur, Malaysia, and is the holding company of RHB Banking Group, one of the largest fully integrated financial products and services providers in Malaysia.

Virgin Galactic

Galactic Ventures LLC is based in California, United States of America. It develops passenger-carrying suborbital space vehicles which will provide commercial spaceflight services.

Compañia Logistica de Hidrocarburos CLH, S.A.

The CLH group was formed by the Company Logistics of Hydrocarbons CLH, S.A. and its subsidiary company, HCL Aviation, S.A. and it is the leading company in transport and storage of petroleum products in the Spanish market. The main activity of CLH is the storage, transport and distribution of petroleum products throughout the Iberian Peninsula and the Balearic Islands. On 20 December 20, 2013, CEPSA sold a 5% holding in Compañia Logistica de Hidrocarburos CLH, S.A. which brought its interest in the Company to 9.15%.

Arabtec Holding PJSC

Arabtec was established in Dubai, UAE in 1975 and listed on the Dubai Financial Market. It is one of the largest construction companies in UAE by market capitalisation and has executed a number of high profile construction projects.

5.4 Investments in joint ventures

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

Name of company	Country of incorporation	Percentage holding *	
		2013	2012
Medgaz, S.A.	Spain	**** 42.09%**	—

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

** previously accounted for as interest in associate. Percentage holding was 20%.

Medgaz, S.A.

Medgaz, S.A. is a key strategic project for CEPSA, providing the most direct and cost-effective way of supplying natural gas to Southern Europe. The gas that is transported through the pipeline is used in CEPSA's refining and petrochemical processes, as well as in its cogeneration and combined-cycle plants, which in turn provide steam and electrical power to its main facilities.

CEPSA has exercised its right of first refusal on the sale of the previous shareholders' interests in the consortium which brought its total shareholding in Medgaz, S.A. to 42.09% as of 31 December 2013.

6 MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests are provided below:

	Country of incorporation and operation	Attributable to non-controlling interests					
		% holding		Accumulated balances		Profit for the year	
		31 December 2013	31 December 2012	31 December 2013	31 December 2012	2013	2012
				US$ 000	US$ 000	US$ 000	US$ 000
Borealis AG	Austria	**36%**	36%	**1,932,926**	1,693,678	**202,491**	223,071

The non-controlling interest of 36% in Borealis is owned by OMV AG, which in turn is owned 24.9% by the Company.

The summarised financial information (before consolidation adjustments) of Borealis is provided below:

	2013	2012
	US$'000	US$'000
Summarised statement of profit or loss:		
Revenue	**10,815,289**	9,700,599
Profit for the year	**561,308**	617,346
Other comprehensive income	**77,555**	51,562
Total comprehensive income	**638,863**	668,908
Dividend paid to non-controlling interests	**27,689**	53,339

Summarised statement of financial position:

	2013	2012
	US$'000	US$'000
Non-current assets	**7,383,775**	6,400,278
Current assets	**3,203,107**	2,780,513
Non-current liabilities	**(3,272,675)**	(2,518,122)
Current liabilities	**(1,951,284)**	(1,876,065)

Summarised cash flow information:

	2013	2012
	US$'000	US$'000
Operating cash flows	**742,753**	351,476
Investing cash flows	**(876,908)**	(651,226)
Financing cash flows	**133,401**	258,668
Net decrease in cash and cash equivalents	**(754)**	(41,082)

7 OPERATING SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products, services and location and has six reportable operating segments as follows:

Diversified chemicals

This segment is engaged in providing plastics solutions based on polyolefin and developing its base chemical business which comprises phenol, acetone, melamine and agrochemicals.

Commodity chemicals

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.

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, asset management, private banking services and certain minority investments.

Corporate and others

This segment holds minority 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 results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss for the year 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:

	Diversified chemicals	Commodity chemicals	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
Year ended 31 December 2013							
Key components of the segments are							
Revenue from external customers	**10,815,289**	**5,278,125**	**—**	**119,456**	**36,621,892**	**—**	**52,834,762**
Share of post-tax profits of associates and joint ventures	**466,188**	**—**	**—**	**57,816**	**61,918**	**378,746**	**964,668**
Depreciation and amortization of fixed assets	**(411,246)**	**(304,206)**	**—**	**(15,986)**	**(1,137,159)**	**(15,786)**	**(1,884,383)**
Net impairment of fixed assets	**(16,589)**	**(12,001)**	**—**	**134,707**	**(7,987)**	**—**	**98,130**
Finance income	**7,133**	**1,224**	**—**	**327,749**	**98,968**	**202,000**	**637,074**
Finance costs	**(94,468)**	**(121,333)**	**—**	**(331,570)**	**(103,688)**	**(698,511)**	**(1,349,570)**
Gains on acquisitions and disposals	**—**	**270**	**—**	**—**	**283,170**	**—**	**283,440**
Other losses on financial instruments	**(5,615)**	**—**	**—**	**689,116**	**(48,284)**	**(107,983)**	**527,234**
Tax expense	**(71,335)**	**(101,897)**	**—**	**11,883**	**(259,738)**	**—**	**(421,087)**
Profit (loss) for the year from continuing operations	**561,308**	**629,915**	**—**	**611,085**	**567,047**	**(208,010)**	**2,161,345**
Profit (loss) for the year from discontinuing operations	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Profit (loss) for the year (segment results)	**561,308**	**629,915**	**—**	**611,085**	**567,047**	**(208,010)**	**2,161,345**
Year ended 31 December 2012							
Key components of the segments are							
Revenue from external customers	9,700,599	5,054,734	—	103,757	37,043,239	—	51,902,329
Share of post-tax profits of associates and joint ventures	502,825	—	—	106,743	56,900	431,514	1,097,982
Depreciation and amortization of fixed assets	(346,174)	(295,173)	—	(15,218)	(1,172,734)	—	(1,829,299)
Net impairment of fixed assets	(5,661)	(24,634)	—	17,775	(8,043)	—	(20,563)
Finance income	9,968	5,148	—	392,833	81,490	233,562	723,001
Finance costs	(79,512)	(139,300)	—	(495,455)	(117,555)	(752,411)	(1,584,233)
Gains on acquisitions and disposals	—	8	—	167,959	19,424	7,304	194,695
Other losses on financial instruments	(10,287)	—	—	(316,289)	41,759	(31,781)	(316,598)
Tax expense	(10,849)	(155,808)	—	73,993	(578,365)	—	(671,029)
Profit (loss) for the year from continuing operations	617,346	558,081	—	(380,883)	640,683	180,965	1,616,192
Profit (loss) for the year from discontinuing operations	—	(14,366)	154,420	—	—	—	140,054
Profit (loss) for the year (segment results)	617,346	543,715	154,420	(380,883)	640,683	180,965	1,756,246

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

	Diversified chemicals	Commodity chemicals	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 31 December 2013							
Assets							
Investments in associates and joint ventures	**2,784,365**	**—**		**3,070,888**	**686,778**	**4,483,998**	**11,026,029**
Asset classified as held for sale	**—**	**—**	**—**	**—**	**—**	**3,679,268**	**3,679,268**
Other segment assets	**7,839,623**	**6,205,118**	**—**	**15,950,022**	**19,363,520**	**4,323,261**	**53,681,544**
Total assets	**10,623,988**	**6,205,118**	**—**	**19,020,910**	**20,050,298**	**12,486,527**	**68,386,841**
Liabilities							
Liability classified held for sale	**—**	**—**	**—**	**—**	**—**	**2,000,000**	**2,000,000**
Other segment liabilities	**5,223,959**	**2,684,114**	**—**	**13,810,319**	**9,477,563**	**17,653,875**	**48,849,830**
Total liabilities	**5,223,959**	**2,684,114**	**—**	**13,810,319**	**9,477,563**	**19,653,875**	**50,849,830**
Other segment information							
Additions during the year							
Property, plant and equipment	**368,809**	**548,153**	**—**	**4,776**	**942,523**	**170,868**	**2,035,129**
Investment properties *	**—**	**—**	**—**	**88,318**	**—**	**6,021**	**94,339**
Intangible assets	**65,690**	**1,669**	**—**	**24,396**	**28,193**	**—**	**119,948**
At 31 December 2012							
Assets							
Investments in associates and joint ventures	2,310,032	—	—	2,943,963	608,851	4,391,866	10,254,712
Other segment assets	6,906,391	5,641,205	—	15,165,484	19,136,379	8,056,268	54,905,727
Total assets	9,216,423	5,641,205	—	18,109,447	19,745,230	12,448,134	65,160,439
Total liabilities	4,394,187	2,782,481	—	13,366,763	9,596,333	19,456,664	49,596,428
Other segment information							
Additions during the year							
Property, plant and equipment	410,625	317,370	—	2,248	702,606	440,241	1,873,090
Investment properties *	—	—	—	113,829	—	—	113,829
Intangible assets	71,709	9,145	—	7,128	35,558	—	123,540

Geographical information

The following tables present geographical information on revenue and certain non-current assets:

	UAE	Austria	USA	Canada	Spain	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
*Revenue from external customers **							
Year ended 31 December 2013	**168,274**	**412,230**	**3,967,582**	**2,463,039**	**24,350,472**	**21,473,165**	**52,834,762**
Year ended 31 December 2012	194,107	440,603	4,043,899	2,628,144	25,387,525	19,208,051	51,902,329
2013							
Non-current assets							
Property, plant and equipment	**307,063**	**1,168,671**	**17,203**	**3,646,053**	**5,265,386**	**4,642,707**	**15,047,083**
Intangible assets	**326,334**	**254,214**	**6,460**	**351,606**	**1,160,018**	**635,727**	**2,734,359**
Investment properties	**2,196,063**	**—**	**—**	**—**	**—**	**—**	**2,196,063**
2012							
Non-current assets							
Property, plant and equipment	3,759,815	1,072,048	17,225	3,462,763	5,263,630	4,204,550	17,780,031
Intangible assets	673,503	196,708	7,969	374,139	1,094,453	292,080	2,638,852
Investment properties	1,986,013	—	—	—	—	—	1,986,013

* The revenue information above is based on the location of the customers.

8 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2013	31 December 2012
	US$'000	US$'000
Share of net assets:		
Associates	**10,253,902**	10,017,969
Joint ventures	**772,127**	236,743
	11,026,029	10,254,712

	2013	2012
	US$'000	US$'000
Share of post-tax profits from continuing operations		
Associates	**936,165**	1,084,015
Joint ventures	**28,503**	13,967
	964,668	1,097,982

8.1 Investments in associates

A list of significant associates is provided in note 5.3.

The following tables illustrate the summarized financial information of the Group's investment in material associates. The summarized financial information represent the unadjusted IFRS financial statements of the associates.

Summarised statement of profit or loss of material associates

	2013			2012		
	OMV	Other associates	Total	OMV	Other associates	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	**56,325,448**	**15,907,898**	**72,233,346**	54,838,381	14,360,884	69,199,265
Profit from continuing operations	**2,295,484**	**2,100,941**	**4,396,425**	2,302,179	1,980,897	4,283,076
Profit for the year	**2,295,484**	**2,100,941**	**4,396,425**	2,302,179	1,980,897	4,283,076
Other comprehensive (losses) income	**(1,330,990)**	**29,502**	**(1,301,488)**	(72,365)	(18,656)	(91,021)
Total comprehensive income	**964,494**	**2,130,443**	**3,094,937**	2,229,814	1,962,241	4,192,055
The Group's share of post-tax profit from associates	**213,203**	**722,962**	**936,165**	283,789	800,226	1,084,015
Dividends received from associates during the year	**126,334**	**142,202**	**268,536**	114,121	90,128	204,249

Summarised statement of financial position of OMV

	31 December 2013	31 December 2012
	US$'000	US$'000
Current assets	**11,194,004**	12,465,962
Non-current assets	**32,489,837**	27,810,186
Current liabilities	**(11,470,906)**	(9,602,576)
Non-current liabilities	**(12,223,277)**	(11,498,368)
Net assets	**19,989,658**	19,175,204
Fair value of OMV at 31 December	**15,597,882**	11,777,882

A reconciliation of the summarised financial information to the carrying amount of OMV is as follows:

	31 December 2013	31 December 2012
	US$'000	US$'000
Share of net assets	**4,977,425**	4,774,627
Purchase price allocation adjustments on acquisition, net	**196,525**	229,911
Cumulative dividends received	**(398,664)**	(272,330)
Other adjustments	**(858,065)**	(834,608)
Carrying amount of OMV	**3,917,221**	3,897,600
Carrying amount of other listed associates	**2,524,467**	2,421,508
Carrying amount of other unlisted associates	**3,812,214**	3,698,861
Total carrying amount of associates	**10,253,902**	10,017,969
Fair value of the Group's share in other listed associates	**1,902,904**	1,612,704

9 FINANCE INCOME

	2013	2012
	US$'000	US$'000
Dividend income	**227,198**	337,646
Interest and other income	**409,876**	385,355
	637,074	723,001

10 FINANCE COSTS

	2013	2012
	US$'000	US$'000
Interest expense on borrowings and derivatives	**(1,127,820)**	(1,242,189)
Other interest costs	**(221,750)**	(342,044)
	(1,349,570)	(1,584,233)

11 GAINS ON ACQUISITIONS AND DISPOSALS

	2013	2012
	US$'000	US$'000
Gain on disposal of associates	**52,046**	14,491
(Loss)/gain on disposal of property, plant and equipment—net	**(5,310)**	15,266
Gain on disposal of financial instruments	**235,751**	154,840
Other gains—net	**953**	10,098
	283,440	194,695

In 2013, gain on disposal of financial instruments includes the sale of CEPSA's 5% stake in Oleoducto Central S.A. ("Ocensa") and the sale of 5% of CEPSA's stake in Compañia Logistica de Hidrocarburos CLH, S.A (note 5.3). In 2012 gain on disposal of financial instruments relates mainly to the recycling of cumulative fair value gain on Arabtec Holding PJSC held by Aabar on the change in accounting from available-for-sale to investment in associate, and gain on disposal of Tesla Motors Inc.

12 OTHER GAINS (LOSSES) ON FINANCIAL INSTRUMENTS

	2013	2012
	US$'000	US$'000
Impairment loss on available-for-sale financial instruments	**(30,230)**	(392,053)
Impairment loss on financial instruments at amortised cost	**(48,638)**	—
Fair value gain on non-derivative financial instruments at fair value through profit or loss (i)	**1,739,673**	487,258
Fair value loss on derivative financial instruments (ii)	**(1,134,891)**	(411,577)
Other gains (losses) on financial instruments	**1,320**	(226)
	527,234	(316,598)

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

	2013	2012
	US$'000	US$'000
Fair value gain on Daimler AG shares	**1,047,255**	683,607
Fair value gain (loss) on Unicredit SpA shares	**685,279**	(210,621)

(ii) Fair value (loss) gain on derivative financial instruments during the year includes the following:

	2013	2012
	US$'000	US$'000
Call and put options and related call spread on Daimler AG shares (note a)	**(992,079)**	(600,491)
Call and put options on Unicredit SpA (note a)	**(502,701)**	126,505
Call spreads on Daimler AG shares (note b)	**599,944**	26,325
Embedded derivatives on exchangeable bonds of Daimler AG shares (note c)	**(201,609)**	(41,262)
Call option on equity (note d)	**—**	171,603

(a) Aabar entered into funded collar transactions upon the purchase of equity shares in both Daimler AG and Unicredit SpA. The rationale for entering into such funded collar transactions was to raise 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. The accounting for these call and put options and related equity instruments are recognised separately on gross basis in the consolidated financial statements and accordingly Aabar still maintains significant exposure to the share price on both the investments. See note 37 for details of the Group's exposure at 31 December 2013.

(b) Aabar holds long-term derivative contracts to further participate in the upside of Daimler AG share which were terminated in 2013. They also include fair value changes of the call spread entered into to offset fair value changes in the call options embedded in the exchangeable bonds

(c) 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 Aabar has the option to deliver either shares or cash.

(d) Aabar has signed call option agreements to acquire a 49% equity stake in two Malaysian companies engaged in power generation and related services (see note 34(i)).

13 TAX EXPENSE

The major components of tax expense for the years ended 31 December 2013 and 2012 are:

	2013	2012
	US$'000	US$'000
Consolidated statement of profit or loss		
Current income tax expense:		
Corporation tax	**(836,307)**	(921,508)
Prior year (charge) credit	**(6,564)**	40,378
Total current income tax expense	**(842,871)**	(881,130)
Deferred tax:		
Origination and reversal of temporary differences	**373,552**	194,135
Impact of change in tax laws	**20,164**	39,636
Write-down of deferred tax assets	**(50,109)**	(23,670)
Previously unrecognised tax credits	**78,177**	—
Total deferred tax credit	**421,784**	210,101
Tax expense reported in the consolidated statement of profit or loss relating to continuing operations	**(421,087)**	(671,029)

	2013 US$'000	2012 US$'000
Accounting profit before tax from continuing operations	**2,582,432**	2,287,221
At average income tax rate of 30% (2012: 30%)	**(774,730)**	(686,167)
Expenses not deductible for tax purposes	**120,718**	(47,508)
Effect of share from the profit of associates and joint ventures	**289,400**	329,395
Non-taxable income	**14,326**	(153,377)
Higher taxes on overseas earnings	**(171,487)**	(181,572)
Unrecognised tax losses	**(735)**	(2,616)
Write-down of deferred tax assets	**(50,109)**	(23,670)
Tax credit previously not recognised	**78,177**	—
Impact of changes in tax laws	**20,164**	39,636
Prior year (charge) credit	**(6,564)**	40,378
Difference in tax rates	**14,466**	44,928
Others	**45,287**	(30,456)
Income tax charge for the year	**(421,087)**	(671,029)
Consolidated statement of other comprehensive income		
Deferred tax related to items charged or credited directly to equity during the year:		
Cash flow hedges	**3,073**	(5,280)
Defined benefit pension scheme	**(44,324)**	27,669
Available-for-sale investments	**268**	182
Net loss on hedge of net investments	**(8,297)**	(4,855)
Changes in tax rates	**(1,163)**	—
Income tax (charge) credit directly to equity	**(50,443)**	17,716

Deferred tax

Deferred tax assets relate to the following:

	1 January 2012	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions and disposals	Transfers	Exchange differences	31 December 2012	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions and disposals	Transfers	Exchange differences	31 December 2013
	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	20,102	(10,562)	(4,761)	—	—	(189)	4,590	7,954	(309)	—	732	483	13,450
Impairment	11,755	(978)	—	8	—	190	10,975	11,431		—	—	721	23,127
Other timing differences	(34,085)	4,043	2,505	—	—	(6,047)	(33,584)	(70,681)	(2,714)	—	—	(3,509)	(110,488)
Pension and post-employment medical benefits	38,095	(8,933)	6,956	962	—	11,252	48,332	55,900	(1,816)	—	13,452	2,027	117,895
Tax losses carried forward	236,168	14,852	—	—	—	4,755	255,775	43,576	—	15,383	—	10,598	325,332
Provisions	24,934	2,263	—	3	—	515	27,715	21,571		157	(13,490)	1,418	37,371
Accelerated capital allowances	14,472	21,891	—	—	—	843	37,206	115,341	—	1,885	12,402	6,063	172,897
Others	54,132	11,312	—	(4,165)	(21,928)	258	39,609	10,007	—	130	(5,283)	1,155	45,618
	365,573	33,888	4,700	(3,192)	(21,928)	11,577	390,618	195,099	(4,839)	17,555	7,813	18,956	625,202

Deferred tax liabilities relate to the following:

	1 January 2012	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions and disposals	Transfers	Exchange differences	31 December 2012	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions and disposals	Transfers	Exchange differences	31 December 2013
Accelerated capital allowances	(1,477,906)	3,475	—	(7,221)	—	(22,639)	(1,504,291)	72,966	—	1,727	(12,402)	(23,213)	(1,465,213)
Acquisition fair value adjustment on intangibles	(285,875)	18,916	—	—	—	(3,096)	(270,055)	(1,683)	(2,080)	158	—	(25,057)	(298,717)
Acquisition fair value adjustment on property, plant and equipment	(440,948)	41,847	—	(6,444)	—	(5,591)	(411,136)	32,018	—	—	—	(12,757)	(391,875)
Gain (loss) on revaluation of other assets	(28,323)	14,307	—	—	—	(140)	(14,156)	2,108	—	—	—	(513)	(12,561)
Gain (loss) on revaluation of non-derivative financial instruments	(67,888)	70,890	—	—	—	1	3,003		—	—	—		3,003
Inventories	(5,257)	—	—	—	—	(96)	(5,353)	(4,109)	—	—	(9,946)	(712)	(20,120)
Other timing differences	(51,162)	37,520	—	726	—	100	(12,816)	61,907	—	22		1,497	50,610
Temporary differences on accrued expenses	41,331	1,074	—	—	—	—	42,405	80,589	—	—	(12,925)	—	110,069
Uncertain tax provisions	(47,171)	9,910	—	—	798	—	(36,463)	4,634	—	—	798	—	(31,031)
Pension and post-employment benefits	62,236	(1,840)	15,767	—	—	—	76,163	(35,487)	(44,424)	—	(1,154)	(172)	(5,074)
Acquisition fair value adjustment on associates	(78,464)	(31,076)	—	—	—	(2,254)	(111,794)	28,809		—		(3,621)	(86,606)
Others	(44,615)	11,190	(2,751)	(2,981)	—	(1,786)	(40,943)	(15,067)	900	142	12,758	15,975	(26,235)
	(2,424,042)	176,213	13,016	(15,920)	798	(35,501)	(2,285,436)	226,685	(45,604)	2,049	(22,871)	(48,573)	(2,173,750)

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$ 282,488 thousand (31 December 2012: US$ 139,286 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$ 2,330,243 thousand (31 December 2012: US$ 1,911,918 thousand).

14 REVENUE

	2013	2012
	US$'000	US$'000
Banking and financial services	**119,456**	103,757
Exploration and production	**667,790**	1,047,162
Gas and power	**1,535,811**	1,506,496
Petrochemicals	**20,423,117**	19,000,069
Refining and distribution	**30,088,588**	30,244,845
	52,834,762	51,902,329

15 PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Profit for the year from continuing operations is reached after charging the following:

	Cost of sales	Selling and distribution costs	General and administrative expenses	Research and development expenses	Other income/ expenses	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
For the year ended 31 December 2013:						
Cost of raw materials consumed	(38,394,236)	—	—	—	—	**(38,394,236)**
Excise tax on oil and gas	(3,120,070)	—	—	—	—	**(3,120,070)**
Staff costs	(1,106,879)	(353,784)	(613,305)	(114,661)	—	**(2,188,629)**
Depreciation of property, plant and equipment	(1,479,319)	(154,431)	(43,259)	(68,234)	—	**(1,745,243)**
Amortization of intangible assets	(64,604)	(25,308)	(32,491)	(7,998)	—	**(130,401)**
Depreciation of investment properties	—	—	—	—	(8,739)	**(8,739)**
Impairment of property, plant and equipment	(10,786)	(9,706)	(9)	(64)	—	**(20,565)**
Impairment of intangible assets	(1,215)	(3)	(7,146)	(14,794)	—	**(23,158)**
Reversal of impairment of non-financial assets	—	—	—	—	141,853	**141,853**
Distribution costs	(723,210)	(1,028,084)	(898)	(132)	—	**(1,752,324)**
Rent and maintenance costs	(448,982)	(168,164)	(71,844)	(13,534)	—	**(702,524)**
For the year ended 31 December 2012:						
Cost of raw materials consumed	(39,401,364)	—	—	—	—	(39,401,364)
Excise tax on oil and gas	(2,573,768)	—	—	—	—	(2,573,768)
Staff costs	(957,111)	(362,457)	(545,402)	(108,450)	—	(1,973,420)
Depreciation of property, plant and equipment	(1,417,583)	(159,661)	(27,548)	(96,642)	—	(1,701,434)
Amortization of intangible assets	(39,915)	(25,399)	(53,054)	(7,446)	—	(125,814)
Depreciation of investment properties	—	—	—	—	(2,051)	(2,051)
Impairment of property, plant and equipment	(10,351)	(9,300)	(324)	(3,154)	—	(23,129)
Impairment of intangible assets	(12,259)	(4)	(84)	(3,239)	—	(15,586)
Reversal of impairment of non-financial assets	—	—	—	—	18,152	18,152
Distribution costs	(653,791)	(934,727)	(888)	(86)	—	(1,589,492)
Rent and maintenance costs	(406,405)	(153,931)	(63,849)	(11,841)	—	(636,026)

16 DISCONTINUED OPERATIONS

	2013	2012
	US$'000	US$'000
Included in the consolidated statement of profit or loss:		
Profit from Ferrostaal operations (note 4.1)	—	42,920
Gain on disposal of Ferrostaal (note 4.1)	—	111,500
Loss on Syntheon	—	(14,366)
	—	140,054

Asset classified as held for sale

At 30 June 2013, the Company transferred the cost of construction of ADCOP from property, plant and equipment to asset held for sale because it met the requirements under IFRS 5—Non-current Assets Held for Sale and Discontinued Operations. During the six months period ended 31 December 2013, additional cost of US$ 61,045 thousand has been incurred on Abu Dhabi Crude Oil Pipeline (ADCOP), which includes capitalised borrowing cost of US$ 44,926 thousand (2012: nil). The effective interest rate was 1.41%. There was no asset held for sale as at 31 December 2012.

The Company has been in discussion with the Government of the Emirate of Abu Dhabi and Abu Dhabi National Oil Company (ADNOC) for the transfer of ADCOP to the latter. On 19 September 2013, the Company received US$ 2.0 billion from the Government of the Emirate of Abu Dhabi as down-payment for the consideration of ADCOP which was used to pay down debt (see note 30). The pricing, timeline and other aspects of the transaction have been agreed by the parties in early 2014. On 17 April 2014, the Company received a second advance payment of US$ 2.0 billion which was used to pay down debt (see note 42).

17 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:

	2013	**2012**
	US$'000	**US$'000**
Net profit attributable to ordinary equity holders of the parent from continuing operations	**1,917,576**	1,380,084
Profit attributable to ordinary equity holders of the parent from discontinued operations	**—**	131,881
Net profit attributable to ordinary equity holders of the parent for basic earnings	**1,917,576**	1,511,965
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	**548**	432
Basic and diluted earnings per share from continuing operations	**548**	394

18 PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings, structures and production plants	Assets under construction	Oil and gas properties	Others *	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2013						
Cost:						
At 1 January 2013	1,081,225	16,248,775	4,498,912	2,436,164	645,074	24,910,150
Additions	10,443	427,799	1,279,615	270,617	46,655	2,035,129
Acquired through business combination	41,578	229,000	73,007	—	5,683	349,268
Disposals	(1,380)	(203,810)	(32,398)	(25,761)	(33,430)	(296,779)
Transfers	3,622	621,707	(676,892)	(63,630)	116,604	1,411
Reclassified as held for sale (note 16)	—	—	(3,618,223)	—	—	(3,618,223)
Exchange adjustments	36,492	470,017	36,794	175,451	43,822	762,576
At 31 December 2013	**1,171,980**	**17,793,488**	**1,560,815**	**2,792,841**	**824,408**	**24,143,532**
Depreciation and impairment:						
At 1 January 2013	228,717	5,765,243	3,902	891,425	240,832	7,130,119
Charge for the year	18,130	1,142,992	—	486,258	97,863	1,745,243
Impairment	—	16,447	4,232	—	—	20,679
Reversal of impairment	—	(2,779)	—	—	—	(2,779)
Disposals	(326)	(178,065)	—	(16,330)	(5,303)	(200,024)
Transfers	—	(43)	(288)	—	331	—
Exchange adjustments	6,266	214,163	(587)	154,009	29,360	403,211
At 31 December 2013	**252,787**	**6,957,958**	**7,259**	**1,515,362**	**363,083**	**9,096,449**
Net carrying amount:						
At 31 December 2013	**919,193**	**10,835,530**	**1,553,556**	**1,277,479**	**461,325**	**15,047,083**
2012						
Cost:						
At 1 January 2012	986,326	14,815,208	3,948,968	2,139,737	717,153	22,607,392
Additions	2,632	130,745	1,472,090	247,144	20,479	1,873,090
Acquired through business combination	31,475	58,754	3,007	—	2,617	95,853
Disposals	(1,134)	(122,004)	(5,453)	(8,668)	(7,500)	(144,759)
Transfers	28,316	1,047,276	(932,384)	31,113	(93,753)	80,568
Exchange adjustments	33,610	318,796	12,684	26,838	6,078	398,006
At 31 December 2012	1,081,225	16,248,775	4,498,912	2,436,164	645,074	24,910,150
Depreciation and impairment:						
At 1 January 2012	202,438	4,646,093	—	305,335	171,055	5,324,921
Charge for the year	15,251	1,045,212	—	570,379	70,592	1,701,434
Impairment	—	18,933	3,902	—	294	23,129
Reversal of impairment	—	(3,154)	—	—	—	(3,154)
Disposals	(330)	(93,250)	—	(458)	(6,464)	(100,502)
Transfers	—	70	—	1,757	(1,827)	—
Exchange adjustments	11,358	151,339	—	14,412	7,182	184,291
At 31 December 2012	228,717	5,765,243	3,902	891,425	240,832	7,130,119
Net carrying amount:						
At 31 December 2012	852,508	10,483,532	4,495,010	1,544,739	404,242	17,780,031

* Others include machinery, tools and technical equipment, information system hardware, motor vehicles, and office furniture and fittings.

a) Additions in assets under construction during 2013 include an amount of US$ 134,659 thousand (2012: US$ 330,323 thousand) relating to the construction of an oil pipeline (ADCOP project). As of 30 June 2013, the Company has transferred the ADCOP project to assets held for sale (see note 16).

b) The amount of borrowing costs capitalised during the year ended 31 December 2013 was US$ 71,831 thousand (2012: US$ 59,530 thousand). The rate used to determine the amount of borrowing costs eligible for capitalisation was 2.0% (2012: 2.0%).

c) Property, plant and equipment with a book value of US$ 2,105,757 thousand (31 December 2012: US$ 2,323,506 thousand) have been pledged as security for related borrowings and mortgages.

19 INTANGIBLE ASSETS

	Software	Concessions patents and licenses	Developments costs	Brands	Customer contracts	Goodwill	Other	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2013								
Cost:								
At 1 January 2013	154,579	379,936	308,282	504,389	155,080	811,230	903,348	3,216,844
Additions	36,208	24,833	34,154	—	18,941	—	5,812	119,948
Acquisitions through business combination	2,530	27,673	—	—	13,092	72,234	—	115,529
Disposals	(366)	(16,380)	(3,734)	—	(308)	—	(84,145)	(104,933)
Transfers	38,459	3,222	(29)	—	33,430	—	(74,333)	749
Exchange adjustments	8,008	10,523	12,883	20,868	8,667	20,766	10,500	92,215
At 31 December 2013	**239,418**	**429,807**	**351,556**	**525,257**	**228,902**	**904,230**	**761,182**	**3,440,352**
Amortization and impairment:								
At 1 January 2013	79,863	148,496	144,686	—	25,189	—	179,758	577,992
Charge for the year	28,483	23,698	20,000	—	11,225	—	46,994	130,400
Impairment	—	1,158	14,794	—	7,146	—	60	23,158
Disposals	(342)	(1,985)	(3,734)	—	—	—	(41,266)	(47,327)
Transfers	34,880	89	—	—	30,833	—	(65,740)	62
Exchange adjustments	4,782	4,757	9,721	—	2,184	—	264	21,708
At 31 December 2013	**147,666**	**176,213**	**185,467**	**—**	**76,577**	**—**	**120,070**	**705,993**
Net carrying amount:								
At 31 December 2013	**91,752**	**253,594**	**166,089**	**525,257**	**152,325**	**904,230**	**641,112**	**2,734,359**

	Software	Concessions patents and licenses	Developments costs	Brands	Customer contracts	Goodwill	Other	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2012								
Cost:								
At 1 January 2012	126,969	323,058	267,986	495,331	98,512	732,468	869,525	2,913,849
Additions	25,513	44,073	34,968	—	3,722	—	15,264	123,540
Acquisitions through business combination	238	28,624	—	—	50,910	64,766	56,640	201,178
Disposals	(157)	(21,952)	—	—	(211)	—	(41,951)	(64,271)
Transfers	(221)	1,030	(967)	—	—	—	877	719
Exchange adjustments	2,237	5,103	6,295	9,058	2,147	13,996	2,993	41,829
At 31 December 2012	154,579	379,936	308,282	504,389	155,080	811,230	903,348	3,216,844
Amortization and impairment:								
At 1 January 2012	51,777	120,668	122,280	—	10,975	—	147,084	452,784
Charge for the year	26,625	17,282	15,104	—	13,855	—	52,948	125,814
Impairment	24	12,259	3,298	—	—	—	5	15,586
Disposals	(80)	(3,366)	—	—	—	—	(22,710)	(26,156)
Exchange adjustments	1,517	1,653	4,004	—	359	—	2,431	9,964
At 31 December 2012	79,863	148,496	144,686	—	25,189	—	179,758	577,992
Net carrying amount:								
At 31 December 2012	74,716	231,440	163,596	504,389	129,891	811,230	723,590	2,638,852

Impairment testing of intangible assets with an indefinite useful life

Brands relate to trade names within the Group that have been assigned an indefinite useful life because of the businesses' long history and strong market position. The brand values are tested for impairment annually, at 31 December.

The fair value of the trade name was estimated using a relief from royalty approach. In applying this methodology, the value of the trade name was estimated by capitalising the royalties saved due to the Group owning the trade name. The trade name is being used in various businesses in the Group. An appropriate trade name royalty rate was identified as a percentage of revenue or for certain businesses as a percentage of gross margin over variable costs level which translated into approximately 4.0% to 8.0% of gross margin over variable costs depending on the location of the use of the brand, the significance of its presence in the specific country, and the focus on marketing and advertising of the brand. A discount rate for the trade name was calculated and ranged from 9.4% to 11.0%. Terminal value was calculated with a long-term growth rate of 1.5%. A tax amortisation benefit was applied for the trade name as the value will be amortisable for tax purposes.

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 the brand to materiality exceed its recoverable amount.

20 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:

	Diversified chemicals	Diversified investments	Private banking	Integrated oil and gas	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Goodwill					
Carrying amount at 31 December 2012	125,313	326,554	30,153	329,210	811,230
Additions during the year from business combinations	72,234	—	—	—	72,234
Exchange difference	7,126	—	1,446	12,194	20,766
Carrying amount at 31 December 2013	**204,673**	**326,554**	**31,599**	**341,404**	**904,230**

The Group performed its annual impairment test at 31 December 2013.

Diversified chemicals

Goodwill within the diversified chemicals operating segment has been allocated to Borealis, which constitutes the lowest level at which the goodwill is monitored for internal management purposes.

The recoverable amount of Borealis has been determined based on a fair value less cost to sell calculation determined using cash flow projections from financial budgets approved by senior management covering a five-year period. Borouge, a significant associate of Borealis was valued separately for this purpose.

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% (2012: 2%) 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 weighted-average cost of capital ("WACC"). The post-tax discount rate applied to cash flow projections ranged from 9.2% to 10.6% (2012: from 9.1% to 10.5%) using an average growth rate between 0% and 2% (2012: 2%).

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.

At 31 December 2013, the recoverable amount of Aabar has been determined based on a fair value less costs to sell approach. Fair value has been estimated following a sum of the parts approach, which consists of adding-up the estimated fair values of each of the company's assets and subtracting the fair values of each of the

Company's liabilities. The main methodology used for the estimation of the referred fair values has been discounted cash flows ("DCF") for unlisted companies and market prices for listed companies adjusted where appropriate based on broker estimates and price forecast consensus. The properties were also adjusted to their fair values (see note 21).

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 Aabar to materiality exceed its recoverable amount.

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 2013. No additional impairment was identified.

The recoverable amount of Falcon Bank at 31 December 2013 was determined based on a fair value less costs to sell approach. The fair value has been estimated by management using a range of market multiples relevant for private banking.

Sensitivity to changes in assumptions

With regard to the assessment of fair value less costs to sell, 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.

Integrated oil and gas

Goodwill within the integrated oil and gas operating segment has been allocated to CEPSA, which constitutes the lowest aggregation of assets that generate largely independent cash inflows.

At 31 December 2013, the recoverable amount of CEPSA has been determined based on a fair value less cost to sell approach, derived from financial projections covering a five year period. The main methodology used for the estimation of the referred fair values has been discounted cash flows ("DCF"). In addition, market multiples were also used as a secondary method and to cross check to the fair value determined under the DCF method. For each of the company´s businesses, the DCF methodology considered financial projections for five years plus a terminal value thereafter, except for the Exploration & Production ("E&P") business, where the remaining useful life of each of the producing fields/ assets was considered.

Key assumptions used in fair value calculation

- Financial projections: The financial projections for each of the company´s businesses were obtained from the company's five year business plan based on management expectations and industry research.
- Terminal value: Except for the Exploration and Production division terminal values have been estimated following two different methodologies according to its adequacy to each of the company's businesses. The two methodologies used have been perpetual growth rate and an exit multiple.
- Growth rate: Except for the E&P business, growth rates have been estimated for each of the company's businesses based on industry research. Growth rate considered is 1.5%.
- Discount rate: The discount rate represents the current market assessment of the risks specific to CEPSA. The discount rate has been estimated according to the WACC calculated for each of the company's businesses and countries in which the company operates, and ranges from 5.7% to 11.3%.

Sensitivity to changes in assumptions

With regards to the estimated 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 CEPSA to materiality exceed its recoverable amount.

21 INVESTMENT PROPERTIES

	Land	Residential and commercial	Under development	Total
	US$'000	US$'000	US$'000	US$'000
2013				
Cost:				
At 1 January 2013	2,172,404	223,654	244,478	2,640,536
Additions	14,284	6,021	74,033	94,338
Transfers	—	133,964	(140,276)	(6,312)
At 31 December 2013	**2,186,688**	**363,639**	**178,235**	**2,728,562**
Accumulated depreciation and impairment:				
At 1 January 2013	530,644	123,879	—	654,523
Charge for the year	—	8,739	—	8,739
(Reversal of) impairment charge	(76,960)	(53,803)	—	(130,763)
Transfers	(17,777)	17,777	—	—
At 31 December 2013	**435,907**	**96,592**	**—**	**532,499**
Net carrying amount:				
At 31 December 2013	**1,750,781**	**267,047**	**178,235**	**2,196,063**
2012				
Cost:				
At 1 January 2012	2,158,119	—	449,875	2,607,994
Additions	14,285	—	99,544	113,829
Transfers	—	223,654	(304,941)	(81,287)
At 31 December 2012	2,172,404	223,654	244,478	2,640,536
Accumulated depreciation and impairment:				
At 1 January 2012	570,064	—	100,560	670,624
Charge for the year	—	2,051	—	2,051
(Reversal of) impairment charge	(39,420)	21,268	—	(18,152)
Transfers	—	100,560	(100,560)	—
At 31 December 2012	530,644	123,879	—	654,523
Net carrying amount:				
At 31 December 2012	1,641,760	99,775	244,478	1,986,013

Investment properties with a book value of US$ 307,692 thousand (31 December 2012: US$ 204,221 thousand) have been pledged as security for related borrowings and mortgages.

The Group's investment properties include land, buildings and properties under development in Abu Dhabi and Dubai. Management determined that these investment properties consist of five classes of asset categories i.e. residential, hotel (including serviced apartments), offices, retail and mixed use, based on the nature, characteristics and risks of each property.

In reviewing investment properties, the Group has considered whether the value of any of its investment properties are impaired. The recoverable amounts have been determined as the higher of the fair value less costs to sell and/or value in use.

The impairment reversal comprises of the net of aggregate reversals of impairment losses of US$ 190,323 thousand (2012: US$ 39,420 thousand) and the aggregate impairment losses of US$ 59,560 thousand (2012: US$ 21,268 thousand). Accumulated impairment losses at 31 December 2013 amounted to US$ 521,708 thousand (31 December 2012: US$ 652,471 thousand)

Fair value and value in use assessments have been performed based on varying valuation models depending on the intended use of the investment properties which is the current assessment of the highest and best use of these investment properties. The combined fair value of investment properties at 31 December 2013 amounted to US$ 2,272,349 thousand (2012: US$ 1,961,430 thousand). Investment properties include properties with a carrying value of US$ 1,166,028 thousand (2012: US$ 1,584,136 thousand) which were valued by management. For the balance of the investment properties, valuations were performed by independent professional valuers. The valuers are accredited with recognized and relevant professional qualifications and with recent experience in the location and category of investment properties being valued. The fair values have been determined in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards and are considered to approximate those in accordance with IFRS for the Group's properties.

Key assumptions:

Valuation techniques	Significant inputs
Buildings	
Investment method	Operational and maintenance costs: 10% Yields: between 8% to 8.25% Rental income: based on market rates
Comparable transactions	Based on comparable transactions in the market
Land	
Discount cash flow method	Discount rate: 11%
Residual method	Developers' profit: 17% Discount rate: between 12% to 13% Yields: between 9.5% to 10%
Comparable transactions	Based on comparable transactions in the market
Properties under development	
Residual method	Developers' profit: 15% Yields: between 8.25% to 9.5%

22 INVESTMENTS IN FINANCIAL INSTRUMENTS

	2013 US$'000	2012 US$'000
Non-derivative financial instruments:		
Financial assets at fair value through profit or loss (note 22.1)		
Held-for-trading	**482,798**	346,134
Designated on initial recognition	**5,067,979**	3,745,430
	5,550,777	4,091,564
Held to maturity investments	**18,318**	—
Available-for-sale financial assets (note 22.2)	**1,818,240**	1,844,802
	7,387,335	5,936,366
Derivative financial instruments (note 35)	**847,389**	3,219,270
	8,234,724	9,155,636
Non-current	**2,689,647**	3,158,072
Current	**5,545,077**	5,997,564
	8,234,724	9,155,636

22.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013	2012
	US$'000	US$'000
Daimler AG shares	**2,835,735**	1,788,480
Unicredit SpA	**2,181,935**	1,914,210
Others	**533,107**	388,874
	5,550,777	4,091,564
Non-current	**50,310**	42,742
Current	**5,500,467**	4,048,822
	5,550,777	4,091,564

The Group had taken collar and put options to fix the floor and cap price for movements in the share price of Daimler AG and of UniCredit SpA and to finance the acquisitions of shares. The shares in Daimler AG and UniCredit SpA are pledged as collateral against certain term loans.

During 2013, Aabar's stake in Unicredit SpA reduced by 1.65% as a part of the restructuring of the position. As of 31 December 2013, Aabar's share in Daimler AG and Unicredit SpA was 3.1% (31 December 2012: 3.1%) and 5.1% (31 December 2012: 6.75%) respectively.

22.2 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013	2012
	US$'000	US$'000
Quoted investments:		
Glencore Xstrata Plc (formerly, Glencore International Plc) *	**511,956**	563,545
Energias de Portugal	**544,654**	448,579
Cosmo Oil Company, Limited	**335,923**	390,118
Others	**78,058**	97,380
	1,470,591	1,499,622
Unquoted investments at fair value	**280,634**	308,475
Unquoted investments carried at cost	**67,015**	36,705
	1,818,240	1,844,802

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 Xstrata Plc ("Glencore") subscribed via an investment agreement. On 2 May 2013, Glencore completed its acquisition of the remaining 66% stake in Xstrata Plc through issuance of new shares of the company, which diluted the Group's stake to 0.75%.

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 36 for the Group's valuation hierarchy.

23 TRADE AND OTHER RECEIVABLES

	2013	2012
	US$'000	US$'000
Trade receivables	**5,313,305**	4,786,064
Loans and other amounts due from banking customers	**1,671,498**	1,351,748
Due from banks	**252,856**	247,748
Balance due from related parties (note 43)	**432,146**	502,281
	7,669,805	6,887,841
Allowances for doubtful debts	**(278,672)**	(263,938)
	7,391,133	6,623,903
Non-current	**256,106**	253,350
Current	**7,135,027**	6,370,553
	7,391,133	6,623,903

Due from banks includes restricted account balances of US$ 252,857 thousand (31 December 2012: US$ 247,748 thousand) held as collateral for loans and letters of credit in respect of the Group's investments and projects.

See note 37 for ageing analysis and movements in the provision for impairment of trade and other receivables.

24 OTHER ASSETS

	2013	2012
	US$'000	US$'000
Prepayments	**61,251**	48,004
Taxes receivables	**543,012**	471,680
Advances paid	**1,139,142**	1,134,946
Accrued income	**85,411**	70,056
Receivable from related parties (note 43)	**1,993,449**	1,815,367
Loans receivable (i)	**1,750,390**	1,988,498
Receivable on assets disposed	**18,886**	—
Deferred expenditures	**53,616**	49,606
Other receivables	**107,177**	19,796
Other assets	**122,636**	323,819
	5,874,970	5,921,772
Non-current	**4,672,507**	4,948,562
Current	**1,202,463**	973,210
	5,874,970	5,921,772

(i) Included in loans receivable is an amount of US$ 1,474,780 thousand (31 December 2012: US$ 1,718,781 thousand) relating to the Company's investment in mandatorily exchangeable bonds (the "IPBC Bonds") of Independent Public Business Corporation of the Government of Papua New Guinea. The derivative components amounting to US$ 33,603 thousand as at 31 December 2013 (31 December 2012: US$ 62,936 thousand) have been separately recognised under derivative financial assets (see note 22 and note 35).

In March 2014, the IPBC Bonds were exchanged into 196,604,177 shares of Oil Search Limited ("OSH"), an exploration and production company listed on the Australian Stock Exchange. The Company's shareholding in OSH is approximately 13%.

25 INVENTORIES

	2013	2012
	US$'000	US$'000
Raw materials	**1,043,072**	1,830,366
Spare parts	**213,605**	204,711
Consumables	**217,379**	332,910
Work in progress	**97,529**	16,163
Finished goods	**3,101,802**	3,085,083
Consignments	**15,359**	29,846
In transit	**117,049**	63,955
	4,805,795	5,563,034
Allowance for obsolescence	**(46,629)**	(66,843)
	4,759,166	5,496,191

26 CASH AND CASH EQUIVALENTS

	2013	2012
	US$'000	US$'000
Cash and short term deposits	**6,818,844**	4,912,711

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. Cash and cash equivalents include balances with related parties which are disclosed in note 43.

27 SHARE CAPITAL

	Authorised		Issued and fully paid	
	2013	2012	2013	2012
	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

28 SHAREHOLDER LOAN

In June 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 were provided to meet the Company's obligations in its investment in Qatar and Abu Dhabi Investment Company QSC ("QADIC"). An amount of US$ 50 million was provided to QADIC in July 2010, based on a cash call.

The US$ 1 billion received is 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 US$ 1 billion as a shareholder loan within equity.

29 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 2012	2,221,893	(1,182,047)	(92,242)	(238,336)	26,895	(311,582)	98,760	523,341
Other comprehensive income for the year	90,489	(262,422)	63,958	(90,574)	—	44,483	—	(154,066)
Recycle of reserves on disposal of interest in a subsidiary	—	(9,304)	—	(7,971)	(26,895)	—	—	(44,170)
Movements in other reserves	1	(17)	(1)	(132)	—	—	—	(149)
Balance at 31 December 2012	2,312,383	(1,453,790)	(28,285)	(337,013)	—	(267,099)	98,760	324,956
Other comprehensive income for the year	2,080	(181,768)	(8,779)	183,779	—	(193,667)	—	(198,355)
Movements in other reserves	—	226	—	1,011	—	—	—	1,237
Balance at 31 December 2013	**2,314,463**	**(1,635,332)**	**(37,064)**	**(152,223)**	**—**	**(460,766)**	**98,760**	**127,838**

30 BORROWINGS

	2013	2012
	US$'000	US$'000
Overdrafts	**384,881**	758,451
Listed notes and other borrowing instruments	**16,450,701**	16,017,602
Unlisted borrowings	**16,661,617**	19,964,754
Others	**6,715**	5,847
	33,503,914	36,746,654
Non-current	**26,116,428**	25,173,437
Current	**7,387,486**	11,573,217
	33,503,914	36,746,654

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

	2013	2012
	US$'000	US$'000
The Company	**16,865,808**	18,708,350
Aabar	**9,007,087**	10,621,128
NOVA	**861,899**	793,393
Borealis	**2,515,798**	2,125,317
CEPSA	**4,253,322**	4,498,466
	33,503,914	36,746,654

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

	2013	2012
	US$'000	US$'000
EUR	**17,677,596**	19,013,533
USD	**12,636,282**	12,967,664
AED	**1,038,199**	2,720,189
JPY	**638,092**	778,544
GBP	**1,498,041**	1,187,399
Others	**15,704**	79,325
	33,503,914	36,746,654

As of 31 December 2013 and 2012, the Company has not guaranteed the borrowings of any of the Group companies. However, the Company has provided a joint guarantee with 1Malaysia Development Berhad ("1MDB"), a strategic development company wholly-owned by the Government of Malaysia, amounting to US$ 3.5 billion (see note 34(i) for further details) in relation to certain obligations of subsidiaries of 1MDB.

Listed notes and other borrowing instruments

	Maturity	Currency	Coupon rate	2013 US$'000	2012 US$'000
IPIC—Bond 1	2020	US$	5.000%	**1,485,361**	1,484,283
IPIC—Bond 2	2015	US$	3.125%	**996,944**	995,565
IPIC—Bond 3	2021	EUR	5.875%	**1,688,583**	1,622,086
IPIC—Bond 4	2016	EUR	4.875%	**1,705,780**	1,635,860
IPIC—Bond 5	2026	GBP	6.875%	**902,158**	884,845
IPIC—Bond 6	2022	US$	5.500%	**1,492,432**	1,491,572
IPIC—Bond 7	2017	US$	3.750%	**1,493,719**	1,491,679
IPIC—Bond 8	2041	US$	6.875%	**743,028**	740,466
IPIC—Bond 9	2015	US$	1.750%	**746,896**	745,334
IPIC—Bond 10	2018	EUR	2.375%	**1,092,105**	1,047,240
IPIC—Bond 11	2023	EUR	3.625%	**1,153,376**	1,106,374
Aabar—Exchangeable bond (see note below)	2016	EUR	4.000%	**1,666,981**	1,579,466
Borealis—Bond 1	2017	EUR	5.375%	**274,860**	263,940
Borealis—Bond 2	2019	EUR	4.000%	**171,788**	164,962
NOVA—Bond 3 (note i)	2016	US$	8.375%	**—**	343,957
NOVA—Bond 4	2019	US$	8.625%	**343,279**	342,198
NOVA—Bond 5 (note i)	2025	US$	7.875%	**—**	77,775
NOVA—Bond 6 (note i)	2023	US$	5.250%	**493,411**	—
				16,450,701	16,017,602

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.

(note i)—NOVA—Bond 3 was refinanced by NOVA on July 2013, through NOVA—Bond 6, while NOVA—Bond 5 was paid by NOVA in March 2013 using available cash on hand.

Unlisted borrowings

	Maturity (Year)	Currency	Interest rate	2013	2012
				US$'000	US$'000
IPIC—Loan 1 (note i)	2013	EUR	EURIBOR + Margin	**—**	97,328
IPIC—Loan 3 (note ii)	2013	JPY	LIBOR + Margin	**—**	778,544
IPIC—Loan 8	2026	AED	EIBOR + Margin	**252,124**	272,294
IPIC—Loan 10	2014	US$	LIBOR + Margin	**1,398,884**	1,394,654
IPIC—Loan 11 (note iii)	2013	AED	EIBOR + Margin	**—**	1,994,156
IPIC—Loan 12 (note iv)	On demand	US$	LIBOR + Margin	**237,086**	90,318
IPIC—Loan 13	2014	US$	LIBOR + Margin	**169,969**	169,788
IPIC—Loan 14	2014	EUR	EURIBOR+Margin	**693,935**	665,891
IPIC—Loan 15	2018	JPY	LIBOR + Margin	**638,092**	—
Aabar—Loan 3	2013	US$	LIBOR + Margin	**—**	1,446,229
Aabar—Loan 4	2013	EUR	EURIBOR + Margin	**—**	306,710
Aabar—Loan 5	2013	AED	EIBOR + Margin	**—**	249,518
Aabar—Loan 6	2014	EUR	Fixed rate	**1,611,682**	1,547,327
Aabar—Loan 7	2013	EUR	Fixed rate	**—**	2,347,220
Aabar—Loan 9	2014	EUR	EURIBOR + Margin	**275,161**	262,157
Aabar—Loan 11	2014	EUR	Fixed rate	**1,704,012**	1,626,746
Aabar—Loan 12	2015	AED	EIBOR + Margin	**204,221**	204,221
Aabar—Loan 13	2013	US$	LIBOR + Margin	**—**	448,988
Aabar—Loan 14	2013	GBP	LIBOR + Margin	**—**	302,554
Aabar—Loan 15	2013	US$	LIBOR + Margin	**—**	299,992
Aabar—Loan 16	2016	US$	LIBOR + Margin	**484,279**	—
Aabar—Loan 17	2016	AED	EIBOR + Margin	**350,073**	—
Aabar—Loan 18	2016	EUR	EURIBOR + Margin	**686,197**	—
Aabar—Loan 19	2018	US$	LIBOR + Margin	**282,996**	—
Aabar—Loan 20	2018	AED	EIBOR + Margin	**231,782**	—
Aabar—Loan 21	2018	EUR	EURIBOR + Margin	**484,482**	—
Aabar—Loan 22	2015	US$	LIBOR + Margin	**171,335**	—
Aabar—Loan 23	2016	GBP	LIBOR + Margin	**548,245**	—
Borealis—Loan 1	2018	EUR	Fixed rate	**196,525**	211,152
Borealis—Loan 3	2016 - 2028	EUR/US$	EURIBOR/LIBOR + Margin	**158,071**	154,605
Borealis—Loan 4	2019	EUR	Fixed rate	**206,145**	—
CEPSA—Loan 1	2018	US$	LIBOR+Margin	**348,782**	350,080
CEPSA—Loan 2	2013	EUR	EURIBOR+Margin	**—**	263,940
CEPSA—Loan 3	2015	EUR	EURIBOR+Margin	**274,860**	263,940
CEPSA—Loan 4	2016	EUR	EURIBOR+Margin	**247,374**	237,546
CEPSA—Loan 5	2016	US$	LIBOR+Margin	**170,832**	200,791
CEPSA—Loan 6	2016	US$	LIBOR+Margin	**199,304**	200,045
CEPSA—Loan 7	2022	EUR	EURIBOR+Margin	**206,145**	197,955
CEPSA—Loan 8	2015	EUR	EURIBOR+Margin	**206,145**	197,955
CEPSA—Loan 9	2016	EUR	EURIBOR+Margin	**199,274**	191,357
CEPSA—Loan 17	2014	EUR	EURIBOR+Margin	**—**	211,152
Others				**3,823,605**	2,779,601
				16,661,617	19,964,754

(note i)—IPIC loan (1) has been repaid in full on 7 November 2013.

(note ii)—IPIC loan (3) has been refinanced in June 2013 with Term loan (15), with a new maturity of June 2018.

(note iii)—IPIC loan (11) has been repaid in full on 22 September 2013.

(note iv)—IPIC loan (12) has an undrawn amount of US$ 1,190,914 thousand as at 31 December 2013 (31 December 2012: US$ 1,337,682 thousand)

(note v)—On 19 December 2013, the Company entered into a U.S.$ 2 billion multicurrency revolving facilities agreement with an interest rate at a margin over, in relation to any loan in U.S.$, LIBOR or, in relation to any loan in euro, EURIBOR. The facilities were drawn on 27 February 2014.

(note vi)—All of IPIC loans are unsecured. Aabar loans are unsecured, except for Aabar—Loan 6, 7, 11, 12, 14 and 23 which are secured through pledges on land mortgage and certain securities.

(note vii)—All loans within Others are unsecured except for an amount of US$ 15,807 thousand (31 December 2012: US$ 19,412 thousand), which is secured on property, plant and equipment.

See note 37 for the maturity analysis of borrowings (under liquidity risk disclosure).

31 EMPLOYEES' BENEFIT LIABILITIES

The following table summarises the component of employees' related expense recognised in the consolidated statement of profit or loss under continuing operations:

	2013	2012
	US$'000	US$'000
Wages and salaries	**1,593,158**	1,596,924
Defined contribution plans	**57,144**	54,481
Defined benefit plans	**112,798**	58,588
Bonuses	**136,077**	132,059
Others	**289,452**	131,368
	2,188,629	1,973,420

The number of employees of the Group at 31 December 2013 was 20,078 (31 December 2012: 19,835).

Employees' benefit liabilities and the funded status amounts recognised in the consolidated statement of financial position are as follows:

	2013	2012
	US$'000	US$'000
Employee end of service benefits	**4,173**	3,834
Pensions	**617,127**	855,516
	621,300	859,350
Unfunded	**74,538**	135,536
Partly funded	**528,455**	696,315
Wholly funded	**18,307**	27,499
	621,300	859,350

Most companies within the Group 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 statement of profit or loss:

	2013	2012
	US$'000	US$'000
Current service cost	**48,341**	41,206
Interest cost on benefit obligation	**61,753**	64,020
Interest income on plan assets	**4,208**	(50,231)
Past service cost	**(2,090)**	(23)
Others	**586**	3,616
Net defined benefit expense	**112,798**	58,588

The following table summarises the amounts recognised in the consolidated statement of financial position for the respective plans:

	2013	2012
	US$'000	US$'000
Defined benefit obligations	**(1,669,110)**	(1,766,927)
Fair value of plan assets	**1,051,060**	911,734
	(618,050)	(855,193)
Unrecognized past service costs	**923**	(323)
Benefit liability	**(617,127)**	(855,516)

Changes in the present value of the defined benefit obligation are as follows:

	2013	2012
	US$'000	US$'000
Benefit obligations at beginning of year	**(1,766,927)**	(1,530,734)
Current service costs	**(48,341)**	(41,206)
Current interest costs	**(61,753)**	(64,020)
Contributions by employees	**(5,124)**	(4,693)
Past service cost	**2,090**	—
Actuarial gains (losses) on obligation due to:		
Changes in demographic assumptions	**(23,822)**	(56,006)
Changes in financial assumptions	**169,574**	(115,593)
Experienced losses	**(20,419)**	(1,787)
Acquisition of business	**(33,576)**	(2,534)
Benefits paid from plan	**81,298**	86,471
Liabilities extinguished on settlements	**8,673**	3,523
Foreign exchange differences	**29,217**	(40,348)
Benefit obligations at end of the year	**(1,669,110)**	(1,766,927)

Changes in the fair value of plan assets are as follows:

	2013	2012
	US$'000	US$'000
Fair value of plan assets at beginning of year	**911,734**	762,024
Interest income on plan assets	**(4,208)**	50,231
Contributions by employees	**5,214**	5,049
Employer contribution	**136,067**	132,921
Actuarial gains on obligation due to changes in demographic assumptions	**92,755**	15,913
Experienced (losses) gains	**(8,472)**	15,476
Acquisition of business	**9,511**	—
Benefits paid from plan	**(81,298)**	(86,471)
Assets distributed on settlement	**(2,894)**	(374)
Foreign exchange differences	**(7,349)**	16,965
Fair value of plan assets at end of year	**1,051,060**	911,734

The major categories of plan assets are as follows:

	2013	2012
	US$'000	US$'000
Investments quoted in active markets		
Cash and cash equivalents	**10,725**	14,160
Equity instruments	**370,809**	415,315
Fixed income securities	**496,029**	344,673
Real estate	**4,851**	4,945
Investment funds	**8,549**	2,417
Others	**91,950**	89,425
Unquoted investments		
Cash and cash equivalents	**195**	3
Equity instruments	**20,521**	23,116
Fixed income securities	**47,431**	17,680
Fair value of plan assets at end of year	**1,051,060**	911,734

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 as shown below:

	2013	2012
	%	%
Rate of salary increases	**3.4% - 4.2%**	2.5% - 4.0%
Rate of increase in pensions payments	**0.5% - 2.1%**	0.1% - 2.1%
Discount rate	**3.4% - 4.7%**	2.0% - 3.9%

A quantitative sensitivity analysis for significant assumptions as at 31 December 2013 is shown as below:

	Change %	Impact on defined benefit obligation	Change %	Impact on defined benefit obligation
		US$'000		US$'000
Rate of salary increases	+1.0%	**(61,442)**	-1.0%	**66,986**
Rate of increase in pensions payments	+1.0%	**(34,109)**	-1.0%	**39,478**
Discount rate	+0.5%	**102,752**	-0.5%	**(115,367)**

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in the key assumptions occurred as at 31 December 2013.

The Group's expected payment contributions to defined benefit obligations within the next 12 months amounts to US$ 131,136 thousand (2012: US$ 124,026 thousand).

The average duration of the defined benefit obligations at 31 December 2013 is 14 years (31 December 2012: 14 years).

32 PROVISIONS

	Decommissioning	Legal disputes	Others	Total
	US$'000	US$'000	US$'000	US$'000
At 1 January 2013	160,705	101,290	211,052	473,047
Additions	10,652	13,907	91,493	116,052
On business combinations	—	1,331	35,116	36,447
Accretion expenses	5,728	2,875	2,793	11,396
Utilised	(2,563)	(8,542)	(25,915)	(37,020)
Reversed	(1,279)	(528)	(35,038)	(36,845)
Exchange adjustments	(4,425)	2,828	10,273	8,676
Balance at 31 December 2013	**168,818**	**113,161**	**289,774**	**571,753**

	2013	2012
	US$'000	US$'000
Classified as:		
Non-current	**479,034**	426,942
Current	**92,719**	46,105
	571,753	473,047

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

(ii) Provision for legal disputes covers the best estimate of the Group exposure to the outcome of several litigations from the area of product liability, patent infringement, tax lawsuits, etc. The majority of the legal provision relates to NOVA litigation cases (note 41).

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

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

33 TRADE AND OTHER PAYABLES

	2013	2012
	US$'000	US$'000
Trade payables	**3,964,883**	3,656,016
Customer deposits and other amounts due to banking customers	**2,551,407**	1,559,016
Balance due to related parties (note 43)	**624,393**	500,985
Due to banks	**285,011**	130,416
Other payables	**4,904**	71,710
	7,430,598	5,918,143
Non-current	**51,032**	45,284
Current	**7,379,566**	5,872,859
	7,430,598	5,918,143

34 OTHER LIABILITIES

	2013	2012
	US$'000	US$'000
Accruals	**1,074,543**	979,255
Taxes payable	**663,750**	607,690
Advances and deposits received	**39,155**	24,970
Payable to related parties (note 43)	**113,749**	238,079
Payable on assets acquisition	**65,777**	—
Deferred income (i)	**311,721**	347,421
Other payables	**139,929**	141,908
Other liabilities	**232,296**	118,949
	2,640,920	2,458,272
Classified as:		
Non- current	**545,658**	624,598
Current	**2,095,262**	1,833,674
	2,640,920	2,458,272

(i) As part of the state-to-state relationship between the Emirate of Abu Dhabi and Malaysia, the Company agreed in 2012 to guarantee the obligations of certain subsidiaries of 1Malaysia Development Berhad ("1MDB"), a strategic development company wholly-owned by the Government of Malaysia, in respect of two financings in the energy and power sector amounting to US$ 3.5 billion in total. In respect of these financings, the Company benefits from back-to-back guarantees and support from 1MDB and has secured for its Group the right:

a) to acquire up to a 49 % stake in Powertek Investment Holdings Sdn Bhd (formerly known as 1MDB Energy Sdn Bhd), a company which holds a 100 % stake in Powertek Energy Sdn Bhd (formerly known as "Tanjong Energy Holdings Sdn Bhd"); and

b) to acquire up to a 49 % stake in the shares of 1MDB Energy (Langat) Sdn Bhd which holds a 100% stake in Mastika Lagenda Sdn Bhd, a company which owns 75% stake in Kuala Langat Power Plant Sdn Bhd (formerly known as "Genting Sanyen Power Sdn Bhd").

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

35 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 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 2013 US$'000	Liabilities 2013 US$'000	Assets 2012 US$'000	Liabilities 2012 US$'000
Derivatives held-for-trading				
Interest rate swaps	**—**	**132,829**	100	300,427
Currency forwards	**8,071**	**9,964**	23,585	67,643
Currency swaps	**—**	**55,258**	23,392	—
Currency futures	**—**	**—**	267	266
Currency options	**85**	**85**	14	14
Equity options	**761,229**	**1,629,683**	3,068,075	299,154
Commodity swaps	**5,950**	**2,915**	6,423	1,451
Commodity forwards	**491**	**—**	—	—
Commodity futures	**1,516**	**—**	—	692
Embedded derivative (see note 24 (i))	**33,603**	**84**	62,936	23
	810,945	**1,830,818**	3,184,792	669,670
Derivatives used as hedge of net investments				
Currency forwards	**—**	**—**	—	114,649
Derivatives used as fair value hedges				
Commodity swaps	**—**	**146**	225	—
Derivatives used as cash flow hedges				
Interest rate swaps	**392**	**1,247**	—	5,849
Currency forwards	**17,133**	**14,879**	11,480	5,848
Commodity swaps	**7,887**	**4,540**	15,159	10,397
Other swap arrangements	**11,032**	**55,965**	7,614	49,113
	36,444	**76,631**	34,253	71,207
	847,389	**1,907,595**	3,219,270	855,526
Non-current	**802,779**	**330,302**	1,270,528	217,682
Current	**44,610**	**1,577,293**	1,948,742	637,844
	847,389	**1,907,595**	3,219,270	855,526

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.

Hedge of net investments in foreign operations:

The Group entered into a foreign currency forward contract with a notional amount of Malaysian Ringgit ("MYR") 5,894,501 thousand (equal to the Group's initial investment in RHB) and designated it as of 1 January 2012 as a hedging instrument to hedge against the foreign currency risk on its net investment in RHB. Spot price/ intrinsic value changes of both hedged item and hedging instrument representing the effective portion of the hedge are recorded in other comprehensive income. The difference between fair value change and spot price/ intrinsic value change of the hedging instrument representing the ineffective portion is recognised in the consolidated statement of profit or loss. The Group settled the foreign exchange forward contract during the year and discontinued hedge accounting accordingly.

Included in borrowings at 31 December 2013 were borrowings of EUR 4,591,403 thousand (2012: EUR 4,655,000 thousand) which has been designated as a hedge of the net investment in CEPSA. This borrowing is being used to hedge the Group's exposure to EUR foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to other comprehensive income to offset any gains or losses on translation of the net investments in the subsidiaries. There is no ineffectiveness in the years ended 31 December 2013 and 2012.

The table below summarises the maturity profile of the Group's derivatives.

	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
2013						
Cash outflow						
Trading derivatives and economic hedges	**(1,696,825)**	**(258,390)**	**(258,736)**	**—**	**(55,258)**	**(2,269,209)**
Derivatives for cash flow hedges	**(138,252)**	**(592,005)**	**(302,273)**	**—**	**—**	**(1,032,530)**
Derivatives for fair value hedges	**(146)**	**—**	**—**	**—**	**—**	**(146)**
	(1,835,223)	**(850,395)**	**(561,009)**	**—**	**(55,258)**	**(3,301,885)**
Cash inflow						
Trading derivatives and economic hedges	**452,962**	**37,204**	**230,825**	**—**	**528,375**	**1,249,366**
Derivatives for cash flow hedges	**122,936**	**573,257**	**296,062**	**—**	**—**	**992,255**
Derivatives for fair value hedges	**—**	**—**	**—**	**—**	**—**	**—**
	575,898	**610,461**	**526,887**	**—**	**528,375**	**2,241,621**
	(1,259,325)	**(239,934)**	**(34,122)**	**—**	**473,117**	**(1,060,264)**
2012						
Cash outflow						
Trading derivatives and economic hedges	(716,257)	(147,427)	(135,705)	(56,500)	—	(1,055,889)
Derivatives for cash flow hedges	(100,430)	(460,149)	(342,374)	(237,278)	—	(1,140,231)
Derivatives for fair value hedges	(114,649)	—	—	—	—	(114,649)
	(931,336)	(607,576)	(478,079)	(293,778)	—	(2,310,769)
Cash inflow						
Trading derivatives and economic hedges	413,274	1,890,662	409,204	306,128	551,767	3,571,035
Derivatives for cash flow hedges	95,863	447,587	320,168	238,838	—	1,102,456
Derivatives for fair value hedges	226	—	—	—	—	226
	509,363	2,338,249	729,372	544,966	551,767	4,673,717
	(421,973)	1,730,673	251,293	251,188	551,767	2,362,948

36 FAIR VALUE MEASUREMENT

Fair values

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

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

	Carrying amount		Fair value	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Financial assets				
Derivative financial assets	**847,389**	3,219,270	**847,389**	3,219,270
Portfolio investments				
Held to maturity investments	**18,318**	—	**18,318**	—
Investments at fair value through profit or loss				
Held for trading	**482,798**	346,134	**482,798**	346,134
Designated on initial recognition	**5,067,979**	3,745,430	**5,067,979**	3,745,430
Available-for-sale investments	**1,818,240**	1,844,802	**1,818,240**	1,844,802
Trade receivables	**7,391,133**	6,623,903	**7,391,133**	6,623,903
Other assets	**5,874,970**	5,921,772	**6,053,289**	6,181,502
Cash and short-term deposits	**6,818,844**	4,912,711	**6,818,844**	4,912,711
	28,319,671	26,614,022	**28,497,990**	26,873,752
Financial liabilities				
Trade payables	**7,430,598**	5,918,143	**7,430,598**	5,918,143
Borrowings	**33,503,914**	36,746,654	**35,097,524**	38,726,609
Derivative financial liabilities	**1,907,595**	855,526	**1,907,595**	855,526
Other liabilities	**2,640,920**	2,458,272	**2,658,518**	2,458,272
	45,483,027	45,978,595	**47,094,235**	47,958,550

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

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

  As at 31 December 2013, the marked to market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

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

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

- Fair value of fixed and variable rate borrowings also approximate their carrying amounts except for listed notes. Listed notes are fair valued at the quoted market price as at 31 December 2013.

- Long-term trade receivables and other assets are valued by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2013, the carrying amounts of such trade receivables and other assets, net of allowances, are not materially different from their calculated fair values.

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

Fair value hierarchy

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

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

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

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

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities. Below assets and liabilities are valued at 31 December 2013 and 2012.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2013:

	Total	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	US$'000	US$'000	US$'000	US$'000
Assets measured at fair value				
Derivative financial assets				
Interest rate	**391**	**—**	**391**	**—**
Currency	**25,289**	**—**	**25,289**	**—**
Equity	**761,145**	**—**	**232,770**	**528,375**
Commodity	**15,929**	**—**	**15,929**	**—**
Others	**44,635**	**—**	**44,635**	**—**
Portfolio investments				
Investments at fair value through profit or loss				
Held for trading	**482,798**	**459,552**	**23,246**	**—**
Designated on initial recognition	**5,067,979**	**5,017,669**	**19,100**	**31,210**
Available-for-sale investments				
Quoted equity shares	**1,414,027**	**1,414,027**	**—**	**—**
Unquoted equity shares	**280,634**	**—**	**13,907**	**266,727**
Quoted debt securities	**56,564**	**56,564**	**—**	**—**
Assets for which fair value is disclosed:				
Investment properties	**2,272,349**	**—**	**—**	**2,272,349**
Investments in listed associates	**5,799,139**	**5,799,139**	**—**	**—**
Other assets				
Mandatorily exchangeable bond	**1,465,345**	**—**	**—**	**1,465,345**
Liabilities measured at fair value				
Derivative financial liabilities				
Interest rate	**134,076**	**—**	**134,076**	**—**
Currency	**24,928**	**—**	**24,928**	**—**
Equity	**1,629,683**	**—**	**1,629,683**	**—**
Commodity	**7,686**	**—**	**7,686**	**—**
Others	**111,222**	**—**	**55,964**	**55,258**
Liabilities for which fair values are disclosed:				
Borrowings				
Overdrafts	**231,347**	**—**	**231,347**	**—**
Listed notes and other borrowing instruments	**18,027,199**	**15,805,620**	**2,221,579**	**—**
Unlisted borrowings	**5,242,927**	**25,209**	**1,862,266**	**3,355,452**
Others	**3,183**	**—**	**3,183**	**—**

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2012:

	Total	Quoted price in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	US$'000	US$'000	US$'000	US$'000
Assets measured at fair value				
Derivative financial assets				
Interest rate	100	—	100	—
Currency	35,344	—	35,344	—
Equity	3,130,934	—	2,602,559	528,375
Commodity	24,225	—	24,225	—
Others	28,667	—	5,275	23,392
Portfolio investments				
Investments at fair value through profit or loss				
Held for trading	346,134	332,265	13,869	—
Designated on initial recognition	3,745,430	3,702,689	14,949	27,792
Available-for-sale investments				
Quoted equity shares	1,439,658	1,439,658	—	—
Unquoted equity shares	308,475	—	32,676	275,799
Quoted debt securities	59,564	59,564	—	—
Assets for which fair value is disclosed:				
Investment properties	1,961,430	—	—	1,961,430
Investments in listed associates	4,554,558	4,554,558	—	—
Other assets				
Mandatorily exchangeable bond	1,682,446	—	—	1,682,446
Liabilities measured at fair value				
Derivative financial liabilities				
Interest rate	306,272	—	306,272	—
Currency	188,420	—	188,420	—
Equity	299,154	—	299,154	—
Commodity	12,172	—	12,172	—
Others	49,508	—	49,508	—
Liabilities for which fair values are disclosed:				
Borrowings				
Overdrafts	317,834	—	317,834	—
Listed notes and other borrowing instruments	18,134,095	16,082,061	2,052,034	—
Unlisted borrowings	6,944,707	29,463	1,398,767	5,516,477
Others	1,493	—	1,493	—

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	Additions	Disposals	Fair value gain (loss)	Exchange difference	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
31 December 2013						
Derivative financial instruments						
Equity	**528,375**	**—**	**—**	**—**	**—**	**528,375**
Others	**23,392**	**—**	**—**	**(78,650)**	**—**	**(55,258)**
Portfolio investments						
Investments at FVTPL						
Designated on initial recognition	**27,792**	**3,190**	**—**	**228**	**—**	**31,210**
Available-for-sale investments						
Unquoted equity shares	**275,799**	**—**	**(9,830)**	**33**	**725**	**266,727**
	855,358	**3,190**	**(9,830)**	**(78,389)**	**725**	**771,054**
31 December 2012						
Derivative financial instruments						
Equity	—	356,772	—	171,603	—	528,375
Others	30,581	—	—	(7,189)	—	23,392
Portfolio investments						
Investments at FVTPL						
Designated on initial recognition	13,716	11,960	—	2,116	—	27,792
Available-for-sale investments						
Unquoted equity shares	331,284	—	(6,601)	(86,000)	37,116	275,799
	375,581	368,732	(6,601)	80,530	37,116	855,358

37 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 2013 and 2012.

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 2013.

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.

With all other variables held constant, a 50 basis points ("bps") decrease in interest rates will increase the Group's profit by US$ 40,248 thousand (2012: US$ 47,964 thousand), through the impact on all floating rate borrowings. There is no material impact on the Group's equity.

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
2013			
CHF	**+50 bp**	**178**	**38**
EUR	**+50 bp**	**(117,293)**	**(151,476)**
JPY	**+50 bp**	**(4,427)**	**(32)**
CAD	**+50 bp**	**(73,472)**	**(10,910)**
GBP	**+50 bp**	**(13,274)**	**423**
Others	**+50 bp**	**24,541**	**132,971**
		(183,747)	**(28,986)**
2012			
CHF	+50 bp	248	59
EUR	+50 bp	(122,785)	(52,171)
JPY	+50 bp	3,988	(28)
CAD	+50 bp	(68,438)	(28,152)
GBP	+50 bp	(9,973)	475
Others	+50 bp	13,792	148,811
		(183,168)	68,994

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 on-going 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:

	2013			2012	
	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%**	**(56,120)**	**—**	(16,109)	—
Natural gas	**+10%**	**(23,700)**	**2,832**	(16,600)	3,700
Electricity	**+10%**	**—**	**26,719**	—	33,184
Propylene	**+10%**	**35,294**	**—**	32,170	—
Polyethelene	**+10%**	**186,281**	**—**	156,259	—
Other petrochemical feedstock *	**+10%**	**49,405**	**—**	85,455	—

* 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 statement of profit or loss and equity:

	2013			2012	
	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%**	**83,945**	**105,672**	51,888	101,225
Middle East (excluding UAE)	**+10%**	**—**	**25,000**	—	25,000
North America	**+10%**	**—**	**—**	586	—
Asia and Pacific	**+10%**	**3,360**	**35,178**	6,294	42,528
Africa	**+10%**	**—**	**3,671**	—	3,671

A 10% decrease in equity prices would have resulted in equivalent but opposite impact except for the profit or loss effect of the investments in Europe for which a corresponding amount would be a decrease by US$ 80,409 thousand (2012: US$ 43,820 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 except for loans and other banking receivables due from banking customers.

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

	2013		2012	
	Carrying value	Maximum credit exposure	Carrying value	Maximum credit exposure
	US$'000	US$'000	US$'000	US$'000
On balance sheet				
Derivative financial assets	**847,389**	**847,389**	3,219,270	3,219,270
Held to maturity investments	**18,318**	**18,318**	—	—
Trade and other receivables	**7,391,133**	**9,043,132**	6,623,903	7,582,739
Other assets	**5,874,970**	**5,874,970**	5,921,772	5,922,882
Cash and short-term deposits	**6,818,844**	**6,818,844**	4,912,711	4,912,711
	20,950,654	**22,602,653**	20,677,656	21,637,602

The following table shows concentrations of credit risk by geographical region:

	UAE	Austria	Canada	Spain	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2013						
Derivative financial instruments	**—**	**39,705**	**—**	**6,011**	**801,673**	**847,389**
Trade receivables	**410,144**	**1,611,238**	**243,736**	**3,860,215**	**1,265,800**	**7,391,133**
Other assets	**1,649,633**	**512,134**	**48,085**	**606,198**	**3,058,920**	**5,874,970**
Cash and short-term deposits	**1,349,699**	**13,424**	**—**	**2,912,235**	**2,543,486**	**6,818,844**
	3,409,476	**2,176,501**	**291,821**	**7,384,659**	**7,669,879**	**20,932,336**
2012						
Derivative financial instruments	23,392	38,127	—	7,045	3,150,706	3,219,270
Trade receivables	409,836	1,224,084	223,787	3,383,465	1,382,731	6,623,903
Other assets	1,533,518	585,320	46,242	817,564	2,939,128	5,921,772
Cash and short-term deposits	1,350,435	10,120	—	2,170,113	1,382,043	4,912,711
	3,317,181	1,857,651	270,029	6,378,187	8,854,608	20,677,656

The following table shows concentrations of credit risk by industry sector:

	Energy	Materials	Banks	Diversified financial services	Real estate	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2013							
Derivative financial instruments	**567,989**	**39,705**	**9,519**	**—**	**—**	**230,176**	**847,389**
Trade receivables	**3,878,293**	**1,551,663**	**940,685**	**325,733**	**805**	**693,954**	**7,391,133**
Other assets	**2,189,157**	**607,291**	**13,271**	**741,688**	**1,830,064**	**493,499**	**5,874,970**
Cash and short-term deposits	**3,137,862**	**955,399**	**1,724,631**	**995,059**	**5,893**	**—**	**6,818,844**
	9,773,301	**3,154,058**	**2,688,106**	**2,062,480**	**1,836,762**	**1,417,629**	**20,932,336**
2012							
Derivative financial instruments	598,357	38,002	2,255,728	21,055	—	306,128	3,219,270
Trade receivables	3,645,535	1,354,649	247,748	—	—	1,375,971	6,623,903
Other assets	2,548,309	501,079	60,025	614,784	1,688,943	508,632	5,921,772
Cash and short-term deposits	2,320,501	738,336	1,847,727	—	—	6,147	4,912,711
	9,112,702	2,632,066	4,411,228	635,839	1,688,943	2,196,878	20,677,656

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 2013					
Derivative financial assets	**774,081**	**—**	**—**	**73,308**	**847,389**
Held to maturity investments	**18,318**	**—**	**—**	**—**	**18,318**
Trade and other receivables	**4,264,348**	**1,040,013**	**515,833**	**1,570,939**	**7,391,133**
Other assets	**3,113,593**	**6,606**	**52,982**	**2,701,789**	**5,874,970**
Cash and short-term deposits	**5,687,288**	**3**	**—**	**1,131,553**	**6,818,844**
	13,857,628	**1,046,622**	**568,815**	**5,477,589**	**20,950,654**
31 December 2012					
Derivative financial assets	3,098,587	—	—	120,683	3,219,270
Trade and other receivables	4,312,190	631,081	491,253	1,189,379	6,623,903
Other assets	3,174,702	114	—	2,746,956	5,921,772
Cash and short-term deposits	4,894,092	583	—	18,036	4,912,711
	15,479,571	631,778	491,253	4,075,054	20,677,656

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
31 December 2013						
Derivative financial assets	**847,389**	**—**	**—**	**—**	**—**	**847,389**
Held to maturity investments	**18,318**	**—**	**—**	**—**	**—**	**18,318**
Trade and other receivables	**6,866,872**	**357,382**	**82,801**	**46,763**	**37,315**	**7,391,133**
Other assets	**5,873,391**	**870**	**—**	**26**	**683**	**5,874,970**
Cash and short-term deposits	**6,818,844**	**—**	**—**	**—**	**—**	**6,818,844**
	20,424,814	**358,252**	**82,801**	**46,789**	**37,998**	**20,950,654**
31 December 2012						
Derivative financial assets	3,219,270	—	—	—	—	3,219,270
Trade and other receivables	6,171,545	325,848	61,444	23,875	41,191	6,623,903
Other assets	5,920,729	26	—	—	1,017	5,921,772
Cash and short-term deposits	4,912,711	—	—	—	—	4,912,711
	20,224,255	325,874	61,444	23,875	42,208	20,677,656

Movements in allowance for impairment are as follows:

	Opening	Additions/ acquired	Interest	Written-off	Recoveries	Exchange difference	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
On balance sheet							
2013							
Held to maturity investments	**392,053**	**30,229**	**—**	**—**	**—**	**—**	**422,282**
Trade and other receivables	**263,938**	**4,186**	**2,222**	**10,766**	**1,080**	**(3,520)**	**278,672**
Other assets	**27,514**	**48,638**	**—**	**(841)**	**82**	**2,337**	**77,730**
	683,505	**83,053**	**2,222**	**9,925**	**1,162**	**(1,183)**	**778,684**
2012							
Held to maturity investments	—	392,053	—	—	—	—	392,053
Trade and other receivables	250,242	46,951	2,356	(4,588)	(25,202)	(5,821)	263,938
Other assets	27,438	423	—	—	(513)	166	27,514
	277,680	439,427	2,356	(4,588)	(25,715)	(5,655)	683,505

Collateral and other credit enhancements

Falcon Bank, the Group'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 35. 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
2013							
Other liabilities	**435,438**	**4,374,700**	**1,078,660**	**2,653,982**	**665,764**	**266,828**	**9,475,372**
Trade and other payables	**321,508**	**1,673,594**	**750,872**	**2,513,052**	**638,367**	**152,894**	**6,050,287**
Borrowings	**237,086**	**3,066,819**	**4,023,258**	**9,979,185**	**6,050,457**	**12,252,313**	**35,609,118**
Customer deposits and other amounts due to banking customers	**2,285,965**	**137,465**	**127,977**	**—**	**—**	**—**	**2,551,407**
Due to banks	**166,081**	**715,235**	**303,052**	**47,154**	**18,222**	**71,392**	**1,321,136**
Derivative financial liabilities (assets)	**—**	**(1,259,326)**	**(239,935)**	**(34,120)**	**—**	**473,117**	**(1,060,264)**
	3,446,078	**8,708,487**	**6,043,884**	**15,159,253**	**7,372,810**	**13,216,544**	**53,947,056**
2012							
Other liabilities	41,461	1,072,900	729,059	177,984	19,125	448,567	2,489,096
Trade and other payables	238,041	3,959,622	11,640	4,188	952	14,268	4,228,711
Borrowings	90,318	2,551,062	9,876,645	9,846,705	8,132,241	12,742,907	43,239,878
Customer deposits and other amounts due to banking customers	1,090,184	350,039	118,793	—	—	—	1,559,016
Due to banks	74,171	10,962	—	45,283	—	—	130,416
Derivative financial liabilities (assets)	—	—	62,936	—	—	23,392	86,328
	1,534,175	7,944,585	10,799,073	10,074,160	8,152,318	13,229,134	51,733,445

In 2012, the Company agreed to guarantee the obligations of certain subsidiaries of 1MDB in respect of two financings amounting to US$ 3.5 billion in total (see note 34(i)). The obligations to which these guarantees relate mature in 2022.

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 2013 and 2012.

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.

	2013 US$'000	2012 US$'000
Interest bearing loans and borrowings (note 30)	**33,503,914**	36,746,654
Less cash and short term deposits	**(6,818,844)**	(4,912,711)
Net debt	**26,685,070**	31,833,943
Total equity	**17,537,011**	15,564,011
Equity and net debt	**44,222,081**	47,397,954
Gearing ratio	**60%**	67%

38 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 legislations. 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 Group ensures that 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, 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 minimizing impact on the environment. Further, the Group's objective is to minimize the impact of its activities on the environment where it operates its industrial plants, which is reflected in internal environmental protection policies of the group companies and is regulated by the relevant authorities.

39 ASSETS UNDER MANAGEMENT

	2013 US$'000	2012 US$'000
Real estate (including mutual funds)	**504,815**	1,827,694
Cash and cash equivalents	**2,454,271**	2,413,933
Fixed income instruments (bonds, loans and mutual funds)	**1,633,118**	1,865,686
Equities (stocks and mutual funds)	**10,678,272**	4,913,534
Assets under management and custody by the Group	**15,270,476**	11,020,847
Assets not in the custody of the Group	**2,581,913**	2,251,446
	17,852,389	13,272,293

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$ 2,444 million (31 December 2012: US$ 2,141 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% (2012: 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 statement of profit or loss.

40 COMMITMENTS AND CONTINGENCIES

	2013 US$'000	2012 US$'000
Guarantees		
Financial guarantees (see note 34(i))	**3,500,000**	3,500,000
Guarantees and letters of credit	**2,137,054**	2,108,734
Guarantees in favor of associated companies	**2,976**	27,248
	5,640,030	5,635,982
Feedstock purchase commitments		
Up to 1 year	**2,062,215**	2,139,627
1 to 5 years	**6,516,775**	6,628,547
Beyond 5 years	**13,728,975**	10,500,556
	22,307,965	19,268,730
Operating lease commitments		
Up to 1 year	**250,474**	247,504
1 to 5 years	**746,304**	565,144
Beyond 5 years	**528,142**	510,144
	1,524,920	1,322,792
Capital commitments		
Property, plant and equipment	**1,918,686**	1,156,776
Investment property	**752,714**	786,427
Investments in equity instruments	**240,906**	119,428
Intangible assets	**7,795**	4,482
Fiduciary assets *	**837,195**	993,629
	3,757,296	3,060,742

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

41 LITIGATION

A claim was filed against NOVA in the Court of Queen's Bench of Alberta by Dow Chemical Canada ULC and its European affiliate (collectively, "Dow Canada") concerning the third ethylene plant at NOVA's Joffre site. Dow Canada has amended its initial statement of claim and has claimed for further losses and damages in an amount to be proven at trial of this action. In its most recent amendment, Dow Canada estimates its claim at an amount exceeding $400 million. NOVA initially counterclaimed in the same action. NOVA also amended its statement of defence and counterclaim. The amount of the counterclaim is estimated in NOVA's most recent amendment at approximately $350 million. A trial is currently scheduled to commence in September 2014.

In 2005, The Dow Chemical Company ("Dow Chemical") filed suit against NOVA in the Federal District Court in Delaware alleging that certain grades of NOVA's SURPASS® polyethylene film resins infringe two Dow Chemical patents. In 2010, a jury trial took place and a judgment of infringement against NOVA was entered on June 18, 2010. Dow Chemical was awarded certain amounts for damages and pre-judgment interest. In 2012, after unsuccessful appeals, NOVA paid Dow Chemical approximately $77 million. A Supplemental Damages Bench Trial was held on April 30, 2013 and May 1, 2013 to determine any additional damages that should be awarded to Dow Chemical based on sales of certain grades of NOVA's SURPASS resin in the United States from January 1, 2010 through the expiration of the patents on October 15, 2011. The court issued a decision in March 2014. Approximately $30 million was awarded to Dow Chemical for supplemental damages. NOVA is assessing its options with regards to the court's decision.

In December 2010, Dow Chemical filed a Statement of Claim against NOVA in Federal Court in Canada alleging that certain grades of NOVA's SURPASS polyethylene film resins infringe a Dow Chemical Canadian patent, and in March 2011, NOVA filed its statement of defences and counterclaim. A trial on the infringement issue commenced in September 2013 and concluded in November 2013. A decision is expected in 2014. If necessary, a subsequent trial to determine damages will be held at a future date. It is too early for NOVA to assess the potential outcome of this litigation, including any financial impact.

42 EVENTS AFTER THE REPORTING PERIOD

(i) In January 2014, Aabar entered into a series of transactions relating to the Daimler AG shares and the related derivatives. This has led to the derecognition of the derivatives and the shares upon consolidation within the Group.

(ii) In January 2014, Aabar has signed a term facility agreement for a total amount of US$ 178 million. The loan carries an interest of LIBOR plus a margin. The loan is repayable in semi-annual instalments after the expiry of a grace period and the expected final maturity in 2028. The loan is guaranteed by a European export credit agency.

(iii) In January 2014, CEPSA completed the merger of Coastal Energy Company ("Coastal") with Condor Acquisition (Cayman) Limited, a newly-incorporated entity controlled by CEPSA for CAD 2.3 billion (US$ 2.2 billion). Coastal is an international exploration and production company with its principal assets in Thailand and Malaysia. The initial accounting for the business combination is incomplete at the time these consolidated financial statements were authorised for issue; therefore the required disclosure for business combination could not be made.

(iv) In January 2014, Aabar repaid in full a term loan amounting to EUR 200 million. The loan carried an interest rate of EURIBOR plus a margin.

(v) In February 2014, Aabar entered into rolling credit facility for US$ 100 million. The loan carries an interest rate of LIBOR plus a margin and is renewable every three months. The loan has been fully drawn.

(vi) On 27 February 2014, the Company refinanced its EUR 505 million and US$ 170 million facility dated 1 March 2012 through its revolving credit facility dated 19 December 2013 with an interest rate of margin plus LIBOR for a three year tenor.

(vii) On 5 March 2014, the Company converted the IPBC exchangeable bonds into shares of Oil Search Limited (note 24).

(vii) On 11 March 2014, CEPSA signed a Multicurrency Term and Revolving Facilities Agreement amounting to EUR 1.5 billion. The financing is available as a term loan of EUR 500 million with a 3-year tenor and a revolving credit facility of EUR 1 billion with a 5-year tenor. The rate of interest is the aggregate of the applicable margin over EURIBOR (or in relation to any loan in USD, LIBOR). On 20 March 2014, CEPSA has drawn down EUR 500 million.

(viii) On 7 April 2014, the Company partially paid down and refinanced its US$ 1.4 billion facility dated 5 April 2011 by utilizing cash and drawing US$ 1.0 billion on its over draft facility with an interest rate of margin plus LIBOR.

(ix) On 17 April 2014, the Company received a second advance payment of US$ 2.0 billion for the ADCOP. In early 2014, the parties agreed on the pricing, timeline and other aspects of the transfer of ADCOP to ADNOC (note 16).

(x) On 17 April 2014, the Company paid down US$ 1.3 billion on its overdraft facility.

43 RELATED PARTY TRANSACTIONS

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

Compensation of the Company's key management personnel and Board of Directors

The remuneration of senior key management personnel and the Board of Directors of the Company during the year was as follows:

	2013	2012
	US$'000	US$'000
Short-term benefits	**5,905**	5,630
Board of directors' remuneration	**1,144**	1,144
	7,049	6,774

	Goods and services				Financing			
Business relationship	Purchases from	Sales to	Receivables from	Payables to	Others payables	Other assets	Interest received	Interest paid
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2013								
Associates	**2,790,847**	**1,849,442**	**318,314**	**569,199**	**—**	**536,987**	**59,018**	**188**
Joint ventures	**414,244**	**1,093,132**	**79,970**	**53,647**	**41,410**	**233,822**	**6,937**	**142**
Others	**—**	**—**	**33,862**	**1,547**	**4,138**	**—**	**—**	**—**
Entities under common management of key management personnel of the Company	**15,150**	**—**	**—**	**—**	**68,201**	**1,222,640**	**115,762**	**—**
	3,220,241	**2,942,574**	**432,146**	**624,393**	**113,749**	**1,993,449**	**181,717**	**330**

Business relationship	Purchases from	Sales to	Receivables from	Payables to	Others payables	Loans	Interest received	Interest paid
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2012								
Associates	2,757,228	2,684,692	364,498	461,799	35,339	515,213	23,712	15
Joint ventures	375,030	1,144,614	115,398	36,741	52,618	269,540	5,490	393
Others	—	—	22,385	2,445	—	9,487	—	—
Entities under common management of key management personnel of the Company	22,158	—	—	—	150,122	1,021,127	97,245	—
	3,154,416	3,829,306	502,281	500,985	238,079	1,815,367	126,447	408

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash or in shares. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2013, the Group has not recorded any impairment of receivables relating to amounts owed by related parties except for an amount of US$ 50 million on loan provided to an associate (2012: 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.

Pursuant to the 29 May 1984 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.

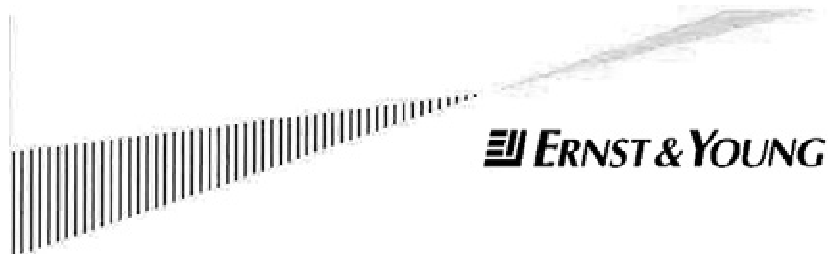
The Group, in the ordinary course of business, enter into various transactions including borrowings and bank deposits with financial institutions which may be majority-owned or significantly influenced by the Government of Emirate of Abu Dhabi. The effect of these transactions is included in the consolidated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

	2013				2012			
Business relationship	Cash and cash equivalents	Borrowings	Interest income	Interest expense	Cash and cash equivalents	Borrowings	Interest income	Interest expense
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financing:								
Entities under common shareholder—the Government of Emirate of Abu Dhabi	**610,678**	**2,485,528**	**5,178**	**105,590**	622,231	4,352,324	9,745	124,498

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2012



P.O. Box 136
11th Floor - Al Ghaith Tower
Hamdan Street
Abu Dhabi, United Arab Emirates
Tel: +971 2 417 4400
+971 2 627 7522
Fax: +971 2 627 3383
www.ey.com/me

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 2012 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.

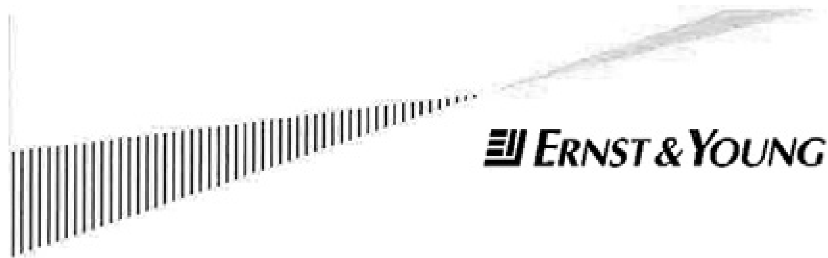
Auditors' responsibility

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.

A member firm of Ernst & Young Global Limited



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2012 and its financial performance and 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

30 April 2013
Abu Dhabi

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2012

	Notes	2012	2011
		US$'000	US$'000
CONTINUING OPERATIONS			
Revenue	13	**51,902,329**	34,318,409
Cost of sales	14	**(46,341,860)**	(30,183,416)
Gross profit		**5,560,469**	4,134,993
Share of post tax profits of associates and jointly controlled entities	7	**1,097,982**	1,045,514
Selling and distribution costs	14	**(2,274,186)**	(1,591,167)
General and administrative expenses	14	**(945,864)**	(842,130)
Research and development expenses	14	**(263,761)**	(238,319)
Operating profit		**3,174,640**	2,508,891
Net foreign exchange gains		**159,150**	838,983
Finance income	8	**723,001**	765,109
Finance costs	9	**(1,584,233)**	(1,452,249)
Other income		**107,172**	76,745
Other expenses	14	**(170,606)**	(344,395)
Gains on acquisitions and disposals	10	**194,695**	50,139
Other losses on financial instruments	11	**(316,598)**	(1,490,426)
Profit before tax from continuing operations		**2,287,221**	952,797
Income tax expense	12	**(671,029)**	(412,232)
Profit for the year from continuing operations		**1,616,192**	540,565
DISCONTINUED OPERATIONS			
Profit (loss) after tax for the year from discontinued operations	15	**140,054**	(495,873)
PROFIT FOR THE YEAR		**1,756,246**	44,692
Profit for the year attributable to:			
Equity holder of the parent		**1,511,965**	(140,209)
Non-controlling interests		**244,281**	184,901
		1,756,246	44,692
		US$	US$
Basic and diluted earnings (loss) per share attributable to equity holder of the parent	16	**432**	(40)
Basic and diluted earnings per share from continuing operations attributable to equity holder of the parent	16	**394**	101

The attached notes 1 to 43 form part of these consolidated financial statements.

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2012

	2012	2011
	US$'000	US$'000
PROFIT FOR THE YEAR	**1,756,246**	44,692
Exchange loss on translation of foreign subsidiaries	**190,761**	(1,135,203)
Losses arising on hedge of net investment	**(369,171)**	(170,759)
Reclassification of gains on hedge of net investment included in the consolidated income statement	**—**	1,214
Deferred tax (expense) credit from hedge of net investment (note 12)	**(4,855)**	3,636
	(374,026)	(165,909)
Actuarial losses arising on defined benefit plans	**(131,376)**	(165,929)
Deferred tax credit from defined benefit plans (note 12)	**27,669**	39,698
	(103,707)	(126,231)
Losses arising on cash flow hedges	**(45,853)**	(185,201)
Reclassification of losses on cash flow hedges included in the consolidated income statement	**62,220**	6,243
Deferred tax (expense) credit from cash flow hedges (note 12)	**(5,280)**	48,805
	11,087	(130,153)
Losses arising on changes in fair value of available-for-sale financial assets	**(134,801)**	(349,077)
Reclassification of cumulative reserves on acquisition of subsidiary included in the consolidated income statement (note 10(i))	**(153,467)**	(782,651)
Impairment losses on available-for-sale investment reclassified to consolidated income statement (note 11)	**392,053**	—
Deferred tax credit (expense) from available-for-sale financial assets (note 12)	**182**	(499)
	103,967	(1,132,227)
Share of other comprehensive income of associates and jointly controlled entities	**44,483**	104,476
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**(127,435)**	(2,585,247)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,628,811**	(2,540,555)
Total comprehensive income for the year attributable to:		
Equity holder of the parent	1,357,899	(2,637,534)
Non-controlling interests	270,912	96,979
	1,628,811	(2,540,555)

The attached notes 1 to 43 form part of these consolidated financial statements.

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2012

	Notes	2012	2011
		US$'000	US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**17,780,031**	17,282,471
Intangible assets	18	**2,638,852**	2,461,065
Investment properties	20	**1,986,013**	1,937,370
Investments in associates and jointly controlled entities	7	**10,254,712**	8,906,994
Deferred tax assets	12	**390,618**	365,573
Investments in financial instruments	21	**3,158,072**	2,650,288
Trade and other receivables	22	**253,350**	11,331
Other assets	23	**4,948,562**	4,231,247
		41,410,210	37,846,339
Current assets			
Inventories	24	**5,496,191**	5,125,543
Trade and other receivables	22	**6,370,553**	6,435,999
Investments in financial instruments	21	**5,997,564**	7,054,187
Other assets	23	**973,210**	1,038,874
Cash and short term deposits	25	**4,912,711**	4,992,819
		23,750,229	24,647,422
Assets included in disposal groups held for sale	15	**—**	2,770,103
TOTAL ASSETS		**65,160,439**	65,263,864
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**	1,000,000
Retained earnings		**8,955,568**	7,435,103
Other reserves	28	**324,956**	523,341
		13,780,524	12,458,444
Non-controlling interests		**1,783,487**	1,764,714
Total equity		**15,564,011**	14,223,158

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION—(Continued)
At 31 December 2012

	Notes	2012	2011
		US$'000	US$'000
EQUITY AND LIABILITIES continued			
Non-current liabilities			
Borrowings	29	**25,173,437**	26,182,633
Defined benefit plan deficit	30	**859,350**	772,712
Deferred tax liabilities	12	**2,285,436**	2,424,042
Derivative financial liabilities	34	**217,682**	323,434
Provisions	31	**426,942**	376,447
Trade and other payables	32	**45,284**	46,295
Other liabilities	33	**624,598**	278,223
		29,632,729	30,403,786
Current liabilities			
Trade and other payables	32	**5,872,859**	6,048,608
Borrowings	29	**11,573,217**	9,597,178
Other liabilities	33	**1,833,674**	1,650,743
Derivative financial liabilities	34	**637,844**	935,088
Provisions	31	**46,105**	121,236
		19,963,699	18,352,853
Liabilities included in disposal groups held for sale	15	**—**	2,284,067
Total liabilities		**49,596,428**	51,040,706
TOTAL EQUITY AND LIABILITIES		**65,160,439**	65,263,864

CHAIRMAN MANAGING DIRECTOR CHIEF FINANCIAL OFFICER

The attached notes 1 to 43 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 2012

	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 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	—	—	120,483	—	120,483	(101,141)	19,342
Reserves on disposal groups 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
Profit for the year	—	—	1,511,965	—	1,511,965	244,281	1,756,246
Other comprehensive income for the year	—	—	—	(154,066)	(154,066)	26,631	(127,435)
Total comprehensive income for the year	—	—	1,511,965	(154,066)	1,357,899	270,912	1,628,811
Dividends paid to non-controlling shareholders	—	—	—	—	—	(79,167)	(79,167)
Acquisition of additional interest in a subsidiary	—	—	(7,456)	—	(7,456)	(7,683)	(15,139)
Recycle of reserves on disposal of interest in a subsidiary (Note 4.1)	—	—	16,295	(44,170)	(27,875)	(165,202)	(193,077)
Movement in other reserves	—	—	(339)	(149)	(488)	(87)	(575)
Balance at 31 December 2012	**3,500,000**	**1,000,000**	**8,955,568**	**324,956**	**13,780,524**	**1,783,487**	**15,564,011**

The attached notes 1 to 43 form part of these consolidated financial statements.

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012	2011
		US$'000	US$'000
OPERATING ACTIVITIES			
Profit before tax from continuing operations		**2,287,221**	952,797
Profit (loss) before tax from discontinued operations		**91,415**	(483,110)
Profit before tax		**2,378,636**	469,687
Adjustments for:			
Depreciation of property, plant and equipment	17	**1,701,434**	1,226,855
Depreciation of investment properties	20	**2,051**	230
Amortisation of intangible assets	18	**125,814**	138,994
Impairment of property, plant and equipment	17	**23,129**	42,358
Impairment of investment properties	20	**—**	155,096
Impairment of advances on investment properties		**—**	52,581
Impairment of intangible assets	18	**15,586**	103,197
Impairment of goodwill		**—**	50,611
Reversal of previously recognised impairment losses		**(18,152)**	—
Gains on disposals and acquisitions		**(306,533)**	(68,767)
Other losses on financial instruments		**308,938**	1,500,332
Finance income		**(728,214)**	(803,546)
Finance costs		**1,590,092**	1,475,154
Unrealised exchange difference		**(213,436)**	(787,088)
Share of post tax profits of associates and jointly controlled entities		**(1,114,760)**	(1,151,328)
Other non-cash adjustments		**277,487**	84,753
		4,042,072	2,489,119
Working capital changes:			
Inventories		**(199,746)**	(250,431)
Trade and other receivables		**(109,482)**	(454,219)
Trade and other payables		**(323,855)**	819,654
Other assets and liabilities		**(47,038)**	(256,268)
		3,361,951	2,347,855
Income tax paid		**(814,975)**	(747,316)
Net cash from operating activities		**2,546,976**	1,600,539
INVESTING ACTIVITIES			
Purchase of subsidiaries, net of cash acquired	3	**(300,897)**	(4,194,279)
Purchase of financial instruments		**(1,668,365)**	(1,103,393)
Acquisition of associates and jointly controlled entities		**(139,291)**	(2,881,529)
Purchase of property, plant and equipment		**(1,846,994)**	(1,479,114)
Purchase of intangible assets		**(99,111)**	(345,771)
Purchase of derivative financial instruments		**(1,635,086)**	(671,151)
Purchase of investment properties		**(78,285)**	(149,507)
Advances on investment properties		**(88,564)**	(519,412)
Acquisition of additional interest in a subsidiary		**(15,392)**	(141,476)
Advances on acquisition of subsidiaries		**—**	25,822
Proceeds on disposal of a subsidiary	4	**193,155**	—
Proceeds on sale of property, plant and equipment		**50,334**	40,465
Proceeds on sale of investment property		**—**	654
Proceeds on sale of financial instruments		**3,276,758**	235,107
Proceeds on disposal of associate		**73,627**	—
Interest received		**241,073**	230,318
Dividend received		**507,359**	660,637
Repayment of loan from associates		**—**	95,652
Repayment of capital contribution to associates		**(88,362)**	—
Payments on other assets		**(281,796)**	(95,225)
Net cash used in investing activities		**(1,899,837)**	(10,292,202)
FINANCING ACTIVITIES			
Proceeds from borrowings		**10,376,828**	18,364,941
Repayments of borrowings		**(9,701,668)**	(6,807,262)
Interest paid		**(1,328,087)**	(944,181)
Repayment of shareholder loan		**—**	(50,514)
Proceeds from shareholder loan	27	**—**	500,000
Dividends paid to non-controlling shareholders		**(79,167)**	(57,828)
Long term deposit		**(160,721)**	—
Accounts receivable securitisation		**(182,000)**	—
Other financing activities		**(3,790)**	14,730
Net cash (used in) from financing activities		**(1,078,605)**	11,019,886
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(431,466)**	2,328,223
Net foreign exchange difference		**55,298**	(189,363)
Cash and cash equivalents at 1 January		**5,288,879**	3,150,019
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**4,912,711**	5,288,879
Analysed as follows:			
Bank balances from continuing operations	25	**4,912,711**	4,992,819
Bank balances from discontinued operations		**—**	296,060
		4,912,711	5,288,879

The attached notes 1 to 43 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 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 6.

As of 31 December 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).

The consolidated financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 30 April 2013.

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.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group 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 amendments to IFRS as of 1 January 2012:

- IAS 12 *Income Taxes (amendment)* effective 1 January 2012
- IFRS 1 *First-Time Adoption of International Financial Reporting Standards (amendment)* effective 1 July 2011
- IFRS 7 *Financial Instruments : Disclosures (amendment)* effective 1 July 2011

The adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group. The adoption of these standards or interpretations is described below:

IAS 12 *Income Taxes (amendment)*

The amendment clarified the determination of deferred tax on investment property measured at fair value and 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. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and has no effect on the Group's financial position, performance or its disclosures.

IFRS 1 *First—Time Adoption of International Financial Reporting Standards (amendment)*

The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact to the Group.

IFRS 7 Financial Instruments: Disclosures (amendment)

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 the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment did not have a material impact on the presentation or disclosures of the consolidated financial statements.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards and interpretations 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 other comprehensive income. 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 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. These amendments become effective for annual periods beginning on or after 1 January 2013.

As stated in the Group's accounting policies, actuarial gains and losses for defined benefit plans are recognised in full in the period in which they occur in OCI and such actuarial gains and losses are immediately recognised in retained earnings and are not reclassified to profit and loss in subsequent periods. Therefore, the amendment which eliminates the "corridor method" will have no impact on the Group's consolidated financial position or performance. The Group, however expect net benefit expense to increase as a result of applying rate used to discount the benefit obligation as the rate used for calculating the expected return on plan assets. Any adjustment required to reflect the actual return on plan assets as compared to the expected return on plan assets will be recorded in OCI. The amended standard requires retrospective application. However the Group does not expect the impact to be material.

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 does expect the revised IAS 27 to have a material impact on the consolidated financial statements.

IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)

As a consequence of the new IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities,* 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 revised standard becomes effective for annual periods beginning on or after 1 January 2013. The Group does expect the revised IAS 28 to have a material impact on the consolidated financial statements.

IAS 32 *Financial Instruments: Presentation—Offsetting Financial Assets and Financial Liabilities* (amendment)

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. These amendments become effective for annual periods beginning on or after 1 January 2014. The Group does expect the revised IAS 32 to have a material impact on the consolidated financial statements.

IFRS 1 *Government Loans* (amendment)

These amendments require first-time adopters to apply the requirements of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance,* prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Group.

IFRS 7 *Financial Instruments: Disclosures—Offsetting Financial Assets and Financial Liabilities*

These amendments require an entity to disclose information about rights to set-off and related arrangements (for example, collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation.* The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments become effective for annual periods beginning on or after 1 January 2013. The amendments affect disclosure only and will not 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 Interests in 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 amendment affects disclosures only and has no impact on the Group's financial position or performance.

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.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have a material impact on the Group.

Improvements to IFRSs

In May 2012, the IASB issued improvements to IFRS standards. These improvements have not been adopted as they become effective for annual periods beginning on or after 1 January 2013. Management is currently assessing the impact of adoption of the following improvements on the consolidated financial position and performance of the Group.

- IAS 1 *Presentation of Financial Statements:* This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.
- IAS 16 *Property Plant and Equipment:* This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.
- IAS 32 *Financial Instruments: Presentation:* This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.
- IAS 34 *Interim Financial Reporting:* The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

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 (GFA).

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 agreements

Throughout 2012, the Group entered into a number of key agreements for additional sources of ethane.

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

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 the pattern of economic benefits that are expected from the use of such property, plant and equipment. 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, the growth rate used for extrapolation purposes and the terminal value.

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.

Impairment of investments of quoted associates

The Group's investments in its associates are accounted for using the equity method of accounting. For quoted associates, the Group compares, at the reporting date, the carrying values of those associates to their market values for any indications of impairment to the carrying values. If any such indication exists, the Group estimates

the recoverable amount of the associates through an estimation of their value in use. Estimating the value in use requires the Group to make an estimate of the expected future cash flows for the periods and also choose a suitable discount rate in order to calculate the present value of those cash flows. The Group also reviews analysts' reports on the quoted associates to understand the market expectations and price consensus targets.

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.

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.

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. A tax reserve is used to provide for uncertain tax provisions which consist of potential tax liabilities associated with possible disputes with tax authorities. Further details on taxes are disclosed in Note 12.

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.

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. Also, given the allocation of assets, the market value of the plans' assets are sensitive to changes in the capital markets. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the yields of high quality corporate bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases are based on the Group's long-term view of compensation trends and pension indexation is based on expected future inflation rates for the respective country. 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 commercial 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.

Legal claims

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

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 Group 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 and any resulting gain or loss is recognised in 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 in accordance 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 venturers for joint control over the economic activities 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 loss of joint control over jointly controlled entities, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associates and jointly controlled entities upon loss of significant influence or joint control, and the fair value of the retained 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 rates of exchange on the reporting date.

All differences are taken to the consolidated income statement with the exception of all monetary items that are designated as and provide an effective hedge of a net investment in a foreign operation, translation of long-term receivables that are considered part of investments in subsidiaries or associated companies and employee benefit plan liabilities. Items designated as hedge of a net investment and the translation of long-term receivables that are considered part of investments are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated income statement. Resulting gains and losses from the translation of employee benefit plan liabilities are reported in other comprehensive income with no recycling to 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 recognised 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 Group'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 is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. 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 jointly controlled entities, 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 jointly controlled entities, 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 profits 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 is incurred during the measurement period or recognised 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;
- 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

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, 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	5 to 67 years
Machinery, tools, and technical equipment	3 to 20 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

Investment in 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 consolidated 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 or assets, 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 recognised 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
Residential properties	25 to 40 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 initially 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.

Properties under construction are recorded at cost, and upon completion are transferred to the appropriate category of investment property and thereafter depreciated.

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:

Concessions, patents and licences	10 to 20 years
Software	3 to 7 years
Development costs	3 to 10 years
Customer and flagging contracts	5 to 20 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 a property, plant and equipment and 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 market price prevailing at the beginning of the year to which it relates and are recognised with a credit to a Grant item;
- emission rights acquired from the market are measured at acquisition cost;
- 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.

Emission rights are recognised as non-amortisable intangible assets and are derecognised when they are delivered, transferred to third parties or expire. At the end of the compliance period the Group delivers CO_2 emission rights equal to the volume of emissions made during the year. If the net realisable value of the emissions rights is less than their carrying amount, the value of the emission rights owned will be reduced to market value.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined as follows:

- For plastics solutions, costs of all finished goods inventories are determined on first-in first-out (FIFO) basis, except for spare parts and raw materials which are parts determined based on average cost;
- For petroleum refinery, costs of all inventories are determined on weighted average costs; and
- For industrial engineering services, cost of inventories is determined based on FIFO.
- For integrated oil and gas, crude oil, oil derivatives and petrochemicals products, acquired as raw materials, are measured based on weighted average costs.

In case of refined products, the costs are allocated in proportion to the selling price of the related products (isomargin method) due to the complexity of allocating production costs to each item.

Cost includes purchase cost, freight, insurance and other related expenses incurred in bringing the inventories 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.

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, where these bank overdrafts form part of the Group's working capital management.

Amounts due from banks arising from banking activities maturing within three months or less are 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 and contingent liabilities

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. Refer to note 31 for further information about provisions.

Contingent liabilities are possible obligations, whose existence will only be confirmed by future events not wholly within the Group's control or present obligation where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability.

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 and sponsors both defined benefit and defined contribution plans.

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 full in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.

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. The cost of defined contribution benefit is expensed to the consolidated income statement as earned by employees.

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 financial assets 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 or 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 or repurchasing 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 or loss are carried in the consolidated statement of financial position at fair value with gains or losses recognised in the consolidated income statement.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 *Financial Instruments: Recognition and Measurement* are satisfied.

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 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. 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 EIR, 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 EIR. 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 EIR method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the EIR amortisation process.

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.

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; and 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.

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 the 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 retains the right to receive cash flows from the asset, but has assumed an obligation to pay them 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 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.

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, call and put options and commodity contracts to hedge its foreign exchange risks, interest rate risks, fair value risks and commodity price 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. EIR 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 remains 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.

Derivative instruments that do not meet the IAS 39 criteria or are not designated as effective hedging instrument are classified as current or non-current or separated into current and non-current based on an assessment of the facts and circumstances (i.e. the underlying contracted cash flows).

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 cash flows are discounted to their present value using a pre-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 as at 31 December 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 fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are reported in the consolidated financial statements as off balance sheet items, as they are not the assets of the Group.

3 BUSINESS COMBINATIONS

3.1 2012 BUSINESS COMBINATIONS

The Group made several acquisitions during the year ended 31 December 2012, which are further described below:

From the date of acquisitions to 31 December 2012, the acquired entities (see note 3.1.1 and 3.1.2 below) have contributed US$ 262,677 thousand to the revenue and US$ 33,866 thousand to the net profit before tax of the Group. If the business combinations had taken place at 1 January 2012, the Group revenue would have been US$ 51,971,810 thousand and the Group's profit for before tax from continuing operations for the year would have been US$ 2,290,686 thousand.

3.1.1 Acquisition of Chevron España, S.A.

On 30 March 2012, CEPSA acquired the entire share capital of Chevron España, S.A. 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 acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Chevron España, S.A for the nine-month period from the acquisition date.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Chevron España, S.A. as at the acquisition date was:

	Fair value recognised on acquisition	Fair value recognised on acquisition
	EUR'000	US$'000
Assets		
Property, plant and equipment (Note 17)	20,345	27,124
Intangible assets (Note 18)	102,120	136,147
Inventories	15,256	20,339
Trade receivables	12,744	16,990
Other assets	237	316
Cash and cash equivalents	33,552	44,732
	184,254	245,648
Liabilities		
Trade payables	(26,881)	(35,838)
Other liabilities	(985)	(1,313)
	(27,866)	(37,151)
Total identifiable net assets at fair value	156,388	208,497
Goodwill arising on acquisition (Note 18 and 19)	10,386	13,847
Cost of business combination	166,774	222,344

The goodwill of US$ 13,847 thousand (EUR 10,386 thousand) comprises the value of expected synergies and other benefits from combining the assets and activities of Chevron España S.A with those of CEPSA. None of the recognised goodwill is deductible for income tax purposes.

The fair value of trade receivables amounted to US$ 16,990 thousand (EUR 12,744 thousand) on acquisition. The trade receivables acquired have been collected during the year.

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

3.1.2 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 consolidated financial statements include the results of PEC-Rhin for the eleven-month period from the acquisition date.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of PEC- Rhin as at the acquisition date was:

	Fair value recognised on acquisition	Fair value recognised on acquisition
	EUR'000	US$'000
Assets		
Property, plant and equipment (Note 17)	52,581	68,729
Intangible assets (Note 18)	203	265
Inventories	23,626	30,882
Trade receivables	14,822	19,374
Other assets	2,112	2,761
Cash and cash equivalents	14,951	19,542
	108,295	141,553
Liabilities		
Deferred tax liabilities	(13,020)	(17,018)
Trade payables	(12,179)	(15,919)
Other liabilities	(12,782)	(16,708)
	(37,981)	(49,645)
Total identifiable net assets at fair value	70,314	91,908
Goodwill arising on acquisition (Note 18 and 19)	38,956	50,919
Cost of business combination	109,270	142,827

Cash outflow on the acquisition of the entire share capital is as follows:

	US$ 000
Consideration paid	142,827
Cash acquired with PEC-Rhin	(19,542)
Net cash outflows	123,285

The goodwill of US$ 50,919 thousand (EUR 38,956 thousand) 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 fair value of trade receivables amounted to US$ 19,374 thousand (EUR 14,822 thousand) on acquisition. The trade receivables acquired have been collected in the first half of the year.

3.2 2011 BUSINESS COMBINATIONS

The Group made several acquisitions during the year ended 31 December 2011, which are further described below:

From the date of acquisitions to 31 December 2011, the acquired entities (see note 3.2.1 below) has contributed US$ 19,102,970 thousand to the revenue and US$ 315,586 thousand to the net profit before tax of the Group. If the business combinations had taken place at 1 January 2011, the Group revenue would have been US$ 52,658,783 thousand and the Group's profit for before tax from continuing operations for the year would have been US$ 1,911,910 thousand.

3.2.1 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.

4 DISPOSAL OF A SUBSIDIARY

4.1 Retransfer of Ferrostaal in 2012

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 period 1 January 2012 to 7 March 2012 and year ended 31 December 2011 are presented below:

	Period from 1 January 2012 to 7 March 2012	Year ended 31 December 2011
	US$'000	US$'000
Revenues	**170,429**	1,176,970
Cost of sales	**(150,893)**	(1,113,229)
Gross profit	**19,536**	63,741
Share of post-tax profits of associates and jointly controlled entities	**16,778**	87,757
Selling and distribution costs	**(20,908)**	(143,593)
General and administrative expenses	**(21,047)**	(165,950)
Operating loss	**(5,641)**	(158,045)
Net foreign exchange losses	**(3,812)**	(4,904)
Finance income	**5,213**	38,437
Finance costs	**(5,859)**	(22,905)
Other income	**8,701**	93,751
Other expenses	**(12,319)**	(445,367)
Gains on acquisitions and disposals	**338**	18,628
Other gains on financial instruments	**7,660**	(9,906)
Loss before tax	**(5,719)**	(490,311)
Income tax credit	**48,639**	(12,763)
	42,920	(503,074)
Gain on disposal of discontinued operations	**111,500**	—
Profit (loss) for the period/year	**154,420**	(503,074)
Profit (loss) for the period/year attributable to:		
Equity holder of the parent	**146,247**	(500,533)
Non-controlling interest	**8,173**	(2,541)
	154,420	(503,074)

	US$'000
Total consideration received	**459,130**
Less: bank balances and cash disposed of	**(265,975)**
Net proceeds from retransfer of Ferrostaal	**193,155**

Included in other comprehensive income

	Period from 1 January 2012 to 7 March 2012	31 December 2011
	US$'000	US$'000
Foreign currency translation reserve	**8,383**	(7,406)
Reserve for actuarial losses on defined benefit plans	**7,972**	(349)
Reserve for cash flow hedges	**—**	(4,258)
Reserves of disposal group classified as held for sale	**16,355**	(12,013)

The net cash flows incurred by Ferrostaal are as follows:

Operating	**(67,191)**	(553,266)
Investing	**25,626**	124,614
Financing	**3,579**	14,735
Net cash outflows	**(37,986)**	(413,917)

4.2 Derecognition of options over non-controlling interests in Ferrostaal in 2011

As a result of the settlement agreement between IPIC, IPIC KG and MAN (see note 4.1), the put and call options over the 30% interest in Ferrostaal was terminated and therefore the Group, from this date, has derecognised its previous interest in Ferrostaal arising through the put and call options. The derecognition had been recorded within equity as transactions between owners.

5 INTEREST IN JOINTLY CONTROLLED ASSETS

The Group has the following significant investments in certain oil and gas exploration and production assets, which are accounted for as interests in jointly controlled assets. The accompanying consolidated financial statements include the assets, liabilities, expenses and income in proportion to the Group's ownership interest. The breakdown of the main assets and operations are as follows:

Name	Country	Operator	Activity	% of Ownership	
				2012	2011
Ourhoud	Algeria	Sonatrach	Exploration and production	**39.76%**	39.76%
Timimoun	Algeria	Total Exploration & Production Algeria	Exploration and production	**11.25%**	11.25%
Tiple	Colombia	Cepsa Colombia	Exploration	**70.00%**	70.00%
Garlbay	Colombia	Cepsa Colombia	Exploration	**50.00%**	50.00%
Puntero	Colombia	Cepsa Colombia	Exploration	**70.00%**	70.00%
Cabrestero	Colombia	Cepsa Colombia	Exploration	**100.00%**	100.00%
Merecure	Colombia	Cepsa Colombia	Exploration	**70.00%**	70.00%
El Porton	Colombia	Cepsa Colombia	Exploration	**50.00%**	50.00%
Los Ocarros	Colombia	Cepsa Colombia	Exploration	**50.00%**	50.00%
Lianos 26	Colombia	Cepsa Colombia	Exploration	**80.00%**	80.00%
Lianos 22	Colombia	Cepsa Colombia	Exploration	**55.00%**	55.00%
Cebucan	Colombia	Petrobras	Exploration	**30.00%**	30.00%
Balay	Colombia	Petrobras	Exploration	**30.00%**	30.00%
Cpo 14	Colombia	Metapetroleum	Exploration	**37.50%**	37.50%
Cpo 12	Colombia	Metapetroleum	Exploration	**30.00%**	30.00%
SJ & RP	Colombia	Hocol	Exploration	**33.33%**	33.33%
PPN (30%)	Colombia	Gran Tierra	Exploration	**30.00%**	30.00%
Caracara	Colombia	Cepsa Colombia	Exploration and Production	**70.00%**	70.00%
CPR Espinal	Colombia	Petrobas	Exploration and Production	**15.00%**	15.00%
La Canada Norte	Colombia	Hocol	Exploration and Production	**16.67%**	16.67%
Block 127	Peru	Cepsa Peru SA	Exploration	**80.00%**	80.00%
Block 114	Peru	Cepsa Peru SA	Exploration	**60.00%**	60.00%
Block 131	Peru	Cepsa Peru SA	Exploration	**70.00%**	70.00%
Block 130	Peru	Cepsa Peru SA	Exploration	**100.00%**	100.00%
Rodaballo	Spain	Repsol	Exploration and Production	**15.00%**	15.00%
Casablanca	Spain	Repsol	Exploration and Production	**7.40%**	7.40%
Montanazo	Spain	Repsol	Exploration and Production	**7.25%**	7.25%
Boqueron	Spain	Repsol	Exploration and Production	**4.50%**	4.50%

At 31 December 2012 the Group also held a 50% (31 December 2011: 50%) interest in an ethylene plant and a 20% (31 December 2011: 20%) interest in a cogeneration facility located in Alberta, Canada.

The Group's share of the assets and liabilities as at 31 December 2012 and income and expenses of the jointly controlled assets for the year ended 31 December 2012, which are consolidated on a proportionate basis in the consolidated financial statements, are as follows:

	2012	2011
	US$'000	US$'000
Share of the jointly controlled assets' assets and liabilities:		
Non-current assets	**2,831,528**	3,170,486
Current assets	**388,554**	394,992
Current liabilities	**(365,318)**	(86,870)
Non-current liabilities	**(352,710)**	(256,915)
Net assets	**2,502,054**	3,221,693
Share of capital commitments	**254,770**	344,687
Share of jointly incurred contingent liabilities	**2,988**	2,871

Share of the jointly controlled assets' consolidated revenue and profit:

	2012	2011
	US$'000	US$'000
Revenue	**1,819,729**	1,146,710
Cost of sales	**(821,506)**	(484,856)
Administrative expenses, net	**(303,179)**	(280,708)
Profit before income tax	**695,044**	381,146
Income tax expense	**(456,179)**	(249,224)
Profit for the year from continuing operations	**238,865**	131,922
Share of other comprehensive loss, net	**5,891**	(488)

6 OPERATING SEGMENT REPORTING

For management 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 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.

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, asset management and private banking 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 results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss for the year and is measured consistently with profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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
Year ended 31 December 2012							
Key components of the segments are							
Revenue from external customers	**9,700,599**	**5,054,734**	**—**	**103,757**	**37,043,239**	**—**	**51,902,329**
Share of post-tax profits of associates and jointly controlled entities	**502,825**	**—**	**—**	**106,743**	**56,900**	**431,514**	**1,097,982**
Depreciation for the year	**(313,166)**	**(263,562)**	**—**	**(4,752)**	**(1,122,005)**	**—**	**(1,703,485)**
Amortisation for the year	**(33,008)**	**(31,611)**	**—**	**(10,466)**	**(50,729)**	**—**	**(125,814)**
Impairment for the year on long-lived assets	**(5,661)**	**(24,634)**	**—**	**(377)**	**(8,043)**	**—**	**(38,715)**
Finance income	**9,968**	**5,148**	**—**	**392,833**	**81,490**	**233,562**	**723,001**
Finance costs	**(79,512)**	**(139,300)**	**—**	**(495,455)**	**(117,555)**	**(752,411)**	**(1,584,233)**
Gains on acquisitions and disposals	**—**	**8**	**—**	**167,959**	**19,424**	**7,304**	**194,695**
Other losses on financial instruments	**(10,287)**	**—**	**—**	**(316,289)**	**41,759**	**(31,781)**	**(316,598)**
Tax expense	**(10,849)**	**(155,808)**	**—**	**73,993**	**(578,365)**	**—**	**(671,029)**
Profit (loss) for the year from continuing operations	**617,346**	**558,081**	**—**	**(380,883)**	**640,683**	**180,965**	**1,616,192**
Profit (loss) for the year from discontinuing operations	**—**	**(14,366)**	**154,420**	**—**	**—**	**—**	**140,054**
Profit (loss) for the year (segment results)	**617,346**	**543,715**	**154,420**	**(380,883)**	**640,683**	**180,965**	**1,756,246**
Year ended 31 December 2011							
Key components of the segments are							
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 on 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 (loss) for the year from continuing operations	705,272	607,982	—	(1,647,499)	90,683	784,127	540,565
Profit (loss) for the year from discontinuing operations	—	7,201	(503,074)	—	—	—	(495,873)
Profit (loss) for the year	705,272	615,183	(503,074)	(1,647,499)	90,683	784,127	44,692

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 31 December 2012							
Assets							
Investments in associates and jointly controlled entities	**2,310,032**	**—**	**—**	**2,943,963**	**608,851**	**4,391,866**	**10,254,712**
Other segment assets	**6,906,391**	**5,641,205**	**—**	**15,165,484**	**19,136,379**	**8,056,268**	**54,905,727**
Total assets	**9,216,423**	**5,641,205**	**—**	**18,109,447**	**19,745,230**	**12,448,134**	**65,160,439**
Total liabilities	**4,394,187**	**2,782,481**	**—**	**13,366,763**	**9,596,333**	**19,456,664**	**49,596,428**
Other segment information							
Additions during the year							
Property, plant and equipment	**410,625**	**317,370**	**—**	**2,248**	**702,606**	**440,241**	**1,873,090**
Investment properties*	**—**	**—**	**—**	**113,829**	**—**	**—**	**113,829**
Intangible assets	**122,628**	**9,145**	**—**	**7,128**	**35,558**	**—**	**174,459**

* At 31 December 2012 the balance of advances made on investment properties amounted to US$947,937 thousand (31 December 2011: US$869,281 thousand), which are reported under other assets as disclosed in Note 23.

	Plastic solutions Europe	Plastic solutions North America	Industrial engineering services	Diversified investments	Integrated oil and gas	Corporate and others	Total
At 31 December 2011							
Assets							
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.

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 2012	**194,107**	**38,987,010**	**7,295,283**	**5,425,929**	**51,902,329**
Year ended 31 December 2011	201,865	24,306,076	6,175,102	3,635,366	34,318,409
2012					
Non-current assets					
Property, plant and equipment	**3,759,815**	**8,649,469**	**3,489,256**	**1,881,491**	**17,780,031**
Intangible assets	**673,503**	**1,319,434**	**386,442**	**259,473**	**2,638,852**
Investment properties	**1,986,013**	**—**	**—**	**—**	**1,986,013**
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

* The revenue information above is based on the location of the customers.

7 INVESTMENTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

	2012	2011
	US$'000	US$'000
Share of net assets:		
Associates	**10,017,969**	8,738,387
Jointly controlled entities	**236,743**	168,607
	10,254,712	8,906,994
Share of post tax profits from continuing operations		
Associates	**1,084,015**	1,041,224
Jointly controlled entities	**13,967**	4,290
	1,097,982	1,045,514

7.1 Investments in associates

The Group has the following significant investments in associates:

Name of company	Country of incorporation	Percentage holding* 2012	2011
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	30.54%	30%
Oasis International Power LLC	UAE	36%	36%
Bank Zweiplus	Switzerland	42.50%	42.50%
Mercedes-Benz GP Ltd	England	**	40%
Abu Dhabi National Chemicals Company ("ChemaWEyaat")	UAE	40%	40%
OMV AG	Austria	24.90%	24.90%
Dead Sea Resorts PSC	Jordan	45%	45%
XO Jet Inc.	USA	46.09%	28.88%
RHB Capital Berhad	Malaysia	21.88%	24.75%
Galactic Ventures LLC ("Virgin Galactic")	British Virgin Islands	37.80%	37.80%
Compañia Logistica de Hidrocarburos CLH, S.A	Spain	14.15%	14.15%
Medgaz, S.A	Spain	20%	20%
Societat Catalana De Petrolis, S.A (Petrocat)	Spain	45%	45%
Arabtec Holding PJSC	UAE	21.57%	—
Al Izz Bank	Oman	20%	—
Falah Growth Fund (GP) Ltd	British Virgin Islands	50%	50%
Falah Growth Fund LP	British Virgin Islands	50%	50%

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

** In December 2012, Aabar sold its 40% stake in Mercedes GP Ltd.

	2012 US$'000	2011 US$'000
Share of the associates' consolidated statements of financial position		
Assets	**31,878,397**	28,229,922
Liabilities	**(23,079,219)**	(20,744,137)
	8,799,178	7,485,785
Goodwill	**1,247,668**	1,264,280
Impairment	**(28,877)**	(11,678)
Net assets	**10,017,969**	8,738,387

Certain of the Group's associates are listed on various stock exchanges. The fair value of these listed associates was US$ 4,554,558 thousand at 31 December 2012 (31 December 2011: US$ 3,760,158 thousand) while their carrying values were US$ 6,591,441 thousand at 31 December 2012 (31 December 2011: US$ 5,589,281 thousand). Although the market value of the publicly traded associates at the reporting date was lower than the carrying value, no impairment has been recorded as the long-term value represented by those investments is higher than the market value.

	2012 US$'000	2011 US$'000
Share of the associates' revenues and profits from continuing operations		
Revenue	**19,119,898**	22,705,118
Net profit before impairment	**1,098,688**	1,054,390
Net other comprehensive income	**46,290**	101,917
Impairment recognised during the year	**(14,673)**	(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* 2012	Percentage holding* 2011
Qatar and Abu Dhabi Investment Company QSC ("QADIC")	Qatar	**50%**	50%
Emirates Liquified Natural Gas (LNG) Limited	UAE	**50%**	—
Duqm Refinery and Petrochemical Industries Company LLC	Oman	**50%**	—
Aabar-SRC Strategic Resource Limited	British Virgin Islands	**50%**	50%
Petroport Holding AB	Sweden	**50%**	50%
Asfaltos Espanoles S.A. (Asesa)	Spain	**50%**	50%
CEPSA Gas Comercializadora S.A	Spain	**35%**	35%
CEPSA Chimie Montreal L.P.	Canada	**51%**	51%
CEPSA Chimie Becancour Inc.	Canada	**51%**	51%
Nueva Generadora Del Sur S.A	Spain	**50%**	50%

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

	2012 US$'000	2011 US$'000
Share of the jointly controlled entities' consolidated statements of financial position		
Current assets	**332,827**	288,804
Non-current assets	**415,228**	353,716
Current liabilities	**(346,262)**	(333,152)
Non-current liabilities	**(165,050)**	(140,761)
	236,743	168,607
Share of the jointly controlled entities' capital commitments	**10,840**	10,207

	2012 US$'000	2011 US$'000
Share of the jointly controlled entities' revenues and profits from continuing operations		
Revenue	**1,090,636**	675,400
Cost of sales	**(978,163)**	(232,859)
	112,473	442,541
General and administrative expenses	**(89,049)**	(31,891)
Other (expense) income	**(10,136)**	(426,612)
Impairment recognised during the year	**—**	30,494
Income tax credit (expense)	**679**	(10,242)
Net profit	**13,967**	**4,290**
Share of the jointly controlled entities' consolidated other comprehensive income	**(1,807)**	2,559

8 FINANCE INCOME

	2012	2011
	US$'000	US$'000
Dividend income	**337,646**	359,207
Interest and other income	**385,355**	405,902
	723,001	765,109

9 FINANCE COSTS

	2012	2011
	US$'000	US$'000
Interest expense on borrowings and derivatives	**(1,462,366)**	(1,315,830)
Other interest costs	**(121,867)**	(136,419)
	(1,584,233)	(1,452,249)

10 GAINS ON ACQUISITIONS AND DISPOSALS

	2012	2011
	US$'000	US$'000
Gain on disposal of associates	**14,491**	—
Gain on disposal of property, plant and equipment	**15,266**	18,835
Gain on disposal of financial instruments (i)	**154,840**	—
Fair value adjustments on acquisition of subsidiary	**—**	35,033
Other gains/(losses)	**10,098**	(3,729)
	194,695	50,139

(i) Gain on disposal of financial instruments during the year relates mainly to the recycling of cumulative fair value gain on Arabtec Holding PJSC held by Aabar, on the change in accounting from available-for-sale to investment in associate and gain on disposal of Tesla Motors Inc.

11 OTHER LOSSES ON FINANCIAL INSTRUMENTS

	2012	2011
	US$'000	US$'000
Impairment loss on available-for-sale financial instruments (i)	**(392,053)**	—
Fair value gain (loss) on non-derivative financial instruments at fair value through profit or loss (ii)	**487,258**	(3,440,993)
Fair value (loss) gain on derivative financial instruments (iii)	**(411,577)**	1,951,174
Other gains on financial instruments	**(226)**	(607)
	(316,598)	(1,490,426)

(i) At 30 June 2012, the Group recognised an impairment loss of US$ 392,053 thousand (2011: Nil) on one of its quoted investments. From July to December 2012, unrealised gains on changes in fair value of the investment amounting to US$ 105,343 thousand were recognised directly in other comprehensive income.

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

	2012	2011
	US$'000	US$'000
Fair value gain (loss) on Daimler AG shares	**683,607**	(2,249,459)
Fair value loss on Unicredit SpA shares	**(210,621)**	(1,174,529)

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

	2012	2011
	US$'000	US$'000
Call and put options and related call spread on Daimler AG shares (note a)	**(600,491)**	1,858,171
Call and put options on Unicredit SpA (note a)	**126,505**	953,697
Call spreads on Daimler AG shares (note b)	**26,325**	(920,998)
Call option on equity (note c)	**171,603**	—

(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. The accounting for these call and put options and related equity instruments are recognised separately on gross basis in the consolidated financial statements and accordingly Aabar still maintains significant exposure to the share price on both the investments. See note 36 for details of the Group's exposure at 31 December 2012.

(b) Aabar holds long-term derivative contracts in Daimler AG tied to the exchangeable bonds.

(c) Aabar has signed call option agreements to acquire a 49% equity stake in two Malaysian companies engaged in power generation and related services (see note 33(iii)).

12 TAX EXPENSE

The major components of tax expense for the years ended 31 December 2012 and 2011 are:

	2012	2011
	US$'000	US$'000
Consolidated income statement		
Current income tax expense:		
Corporation tax	**(921,508)**	(572,112)
Prior year credit (charge)	**40,378**	(2,742)
Total current income tax expense	**(881,130)**	(574,854)
Deferred tax:		
Origination and reversal of temporary differences*	**194,135**	155,649
Impact of change in tax laws	**39,636**	6,973
Write-down of deferred tax assets	**(23,670)**	—
Total deferred tax credit	**210,101**	162,622
Tax expense reported in the consolidated income statement relating to continuing operations	**(671,029)**	(412,232)

* Included in deferred tax charge for the year is a credit amount of US$ 70,890 thousand (2011: credit of US$ 88,357 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.

	2012	2011
	US$'000	US$'000
Accounting profit before tax from continuing operations	**2,287,221**	952,797
At average income tax rate of 30% (2011: 30%)	**(686,167)**	(285,840)
Expenses not deductible for tax purposes	**(47,508)**	(18,307)
Effect of share from the profit of investment accounted under equity method	**329,395**	313,655
Non-taxable net loss	**(153,377)**	(349,356)
Higher taxes on overseas earnings	**(181,572)**	(116,838)
Unrecognised tax losses	**(2,616)**	(3,968)
Write-down of deferred tax assets	**(23,670)**	—
Impact of changes in tax laws	**39,636**	6,973
Prior year credit (charge)	**40,378**	(2,742)
Difference in tax rates	**44,928**	23,024
Others	**(30,456)**	21,167
Income tax charge for the year	**(671,029)**	(412,232)
Consolidated statement of other comprehensive income		
Deferred tax related to items charged or credited directly to equity during the year:		
Cash flow hedges	**(5,280)**	48,805
Defined benefit pension scheme	**27,669**	39,698
Available-for-sale investments	**182**	(499)
Net (gains) loss on hedge of net investments	**(4,855)**	3,636
Income tax credit directly to equity	**17,716**	91,640

Deferred tax

Deferred tax assets relate to the following:

	1 January 2011	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions and disposals	Transfers	Exchange differences	31 December 2011	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions and disposals	Transfers	Exchange differences	31 December 2012
	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	(24,690)	29,472	24,825	579	3,031	(13,115)	20,102	**(10,562)**	**(4,761)**	**—**	**—**	**(189)**	**4,590**
Impairment	16,643	(12,480)	—	13,853	29,507	(35,768)	11,755	**(978)**	**—**	**8**	**—**	**190**	**10,975**
Other timing differences	(14,577)	(26,996)	3,638	970	1,200	1,680	(34,085)	**4,043**	**2,505**	**—**	**—**	**(6,047)**	**(33,584)**
Pension and post-employment medical benefits	66,373	(4,374)	(1,002)	5,314	27,306	(55,522)	38,095	**(8,933)**	**6,956**	**962**	**—**	**11,252**	**48,332**
Tax losses carried forward	226,724	(1,555)	—	23,433	(1,813)	(10,621)	236,168	**14,852**	**—**	**—**	**—**	**4,755**	**255,775**
Provisions	(9,182)	28,377	—	25,398	5,189	(24,848)	24,934	**2,263**	**—**	**3**	**—**	**515**	**27,715**
Others	74,100	3,658	(2)	36,344	(28,977)	(16,519)	68,604	**33,203**	**—**	**(4,165)**	**(21,928)**	**1,101**	**76,815**
	335,391	16,102	27,459	105,891	35,443	(154,713)	365,573	**33,888**	**4,700**	**(3,192)**	**(21,928)**	**11,577**	**390,618**

Deferred tax liabilities relate to the following:

	1 January 2011	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions and disposals	Transfers	Exchange differences	31 December 2011	Recognised in profit or loss	Recognised in other comprehensive income	Acquisitions and disposals	Transfers	Exchange differences	31 December 2012
Accelerated capital allowances	(1,123,295)	17,499	—	(426,786)	—	54,676	(1,477,906)	**3,475**	**—**	**(7,221)**	**—**	**(22,639)**	**(1,504,291)**
Acquisition fair value adjustment on intangibles	(149,072)	54,100	—	(237,882)	(12,774)	59,753	(285,875)	**18,916**	**—**	**—**	**—**	**(3,096)**	**(270,055)**
Acquisition fair value adjustment on property, plant and equipment	(29,574)	38,727	—	(518,290)	—	68,189	(440,948)	**41,847**	**—**	**(6,444)**	**—**	**(5,591)**	**(411,136)**
Gain (loss) on revaluation of—other assets	(12,434)	65,318	—	(92,707)	5,565	5,935	(28,323)	**14,307**	**—**	**—**	**—**	**(140)**	**(14,156)**
Gain (loss) on revaluation of non-derivative financial instruments	(156,245)	88,357	—	—	—	—	(67,888)	**70,890**	**—**	**—**	**—**	**1**	**3,003**
Inventories	(19,545)	(13,310)	—	(5,869)	31,340	2,127	(5,257)	**—**	**—**	**—**	**—**	**(96)**	**(5,353)**
Other timing differences	(36,682)	4,739	(415)	(19,364)	(1,200)	1,760	(51,162)	**37,520**	**—**	**726**	**—**	**100**	**(12,816)**
Temporary differences on accrued expenses	69,458	(28,127)	—	—	—	—	41,331	**1,074**	**—**	**—**	**—**	**—**	**42,405**
Uncertain tax provisions	(40,843)	(6,328)	—	—	—	—	(47,171)	**9,910**	**—**	**—**	**798**	**—**	**(36,463)**
Pension and post-employment benefits	19,295	(1,234)	40,699	—	3,321	155	62,236	**(1,840)**	**15,767**	**—**	**—**	**—**	**76,163**
Acquisition fair value adjustment on associates	—	—	—	(87,612)	—	9,148	(78,464)	**(31,076)**	**—**	**—**	**—**	**(2,254)**	**(111,794)**
Others	(46,731)	(57,834)	23,897	(11,258)	41,556	5,755	(44,615)	**11,190**	**(2,751)**	**(2,981)**	**—**	**(1,786)**	**(40,943)**
	(1,525,668)	161,907	64,181	(1,399,768)	67,808	207,498	(2,424,042)	**176,213**	**13,016**	**(15,920)**	**798**	**(35,501)**	**(2,285,436)**

Note: Recognised in profit or loss during 2012 is a net amount of US$ Nil (2011: US$ 15,387 thousand) relating to deferred tax charge for the year on disposal group held for sale. Additionally, transfers in 2012 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$ 139,286 thousand (31 December 2011: US$ 196,858 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$ 1,911,918 thousand (31 December 2011: US$ 1,419,867 thousand).

13 REVENUE

	2012	2011
	US$'000	US$'000
Polyolefins	**8,393,609**	8,830,790
Base chemicals	**3,251,712**	3,088,665
Olefins	**2,593,555**	2,691,068
Performance styrenics	**356,953**	310,002
Financial services	**103,757**	93,156
Exploration and production	**1,047,162**	631,392
Refining and distribution	**27,669,899**	14,035,418
Petrochemicals	**4,244,738**	2,096,414
Gas and power	**1,506,496**	813,324
	49,167,881	32,590,229
Excise tax on oil and gas	**2,574,945**	1,526,421
Others	**159,503**	201,759
	51,902,329	34,318,409

14 PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Profit for the year from continuing operations is reached after charging the following:

	2012	2011
	US$'000	US$'000
Included in cost of sales		
Costs of inventories recognised as an expense	**39,401,364**	25,206,527
Staff costs	**957,111**	784,383
Depreciation of property, plant and equipment	**1,417,583**	999,167
Impairment of property, plant and equipment	**10,351**	39,022
Amortisation of intangible assets	**39,915**	34,234
Impairment of intangible assets	**12,259**	83,046
Excise tax on oil and gas	**2,573,768**	1,528,122
Included in selling and distribution costs		
Staff costs	**362,457**	267,681
Distribution and transportation costs	**871,299**	669,963
Rent	**114,279**	89,526
Commission and fees	**304,330**	158,057
Packaging	**63,429**	68,511
Depreciation of property, plant and equipment	**159,661**	91,393
Impairment of property, plant and equipment	**9,300**	1,295
Amortisation of intangible assets	**25,399**	12,186
Impairment of intangible assets	**4**	1,785
Included in general and administrative expenses		
Staff costs	**545,402**	421,228
Consultancy and advisory costs	**86,798**	104,526
Rent	**38,412**	37,404
Depreciation of property, plant and equipment	**27,548**	24,720
Amortisation of intangible assets	**53,054**	45,871
Impairment of property, plant and equipment	**323**	375
Impairment of intangible assets	**84**	10,873
Included in research and development expenses		
Staff costs	**108,450**	99,924
Depreciation of property, plant and equipment	**96,642**	70,454
Amortisation of intangible assets	**7,446**	5,609
Impairment of intangible assets	**3,238**	7,493
Included in other expenses		
Impairment of investment properties	**—**	155,814
Impairment of advances on investment properties	**71,265**	52,581
Impairment of goodwill	**—**	50,611
Net provisions	**18,397**	16,168
Taxes	**51,317**	53,434

15 DISCONTINUED OPERATIONS

	2012 US$'000	2011 US$'000
Included in the consolidated statement of financial position:		
Nova's building and construction business—Syntheon		
Total assets	—	22,167
Total liabilities	—	(7,281)
Ferrostaal (note 4.1)		
Total assets	—	2,747,936
Total liabilities	—	(2,276,786)
Classified as:		
Assets included in disposal groups held for sale	—	2,770,103
Liabilities included in disposal groups held for sale	—	(2,284,067)
Included in the consolidated income statement:		
Profit (loss) from Ferrostaal operations (note 4.1)	**42,920**	(503,074)
Gain on disposal of Ferrostaal (note 4.1)	**111,500**	—
Loss on Syntheon	**(14,366)**	(10,856)
	140,054	(513,930)
Share of profit of INEOS Nova Joint Venture	—	18,057
	140,054	(495,873)

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:

	2012 US$'000	2011 US$'000
Net profit attributable to ordinary equity holders of the parent from continuing operations	**1,380,084**	353,123
Profit (loss) attributable to ordinary equity holders of the parent from discontinued operations	**131,881**	(493,332)
Net profit (loss) attributable to ordinary equity holders of the parent for basic earnings	**1,511,965**	(140,209)
Weighted average number of ordinary shares for basic earnings per share (in thousands)	**3,500**	3,500
	US$	**US$**
Basic and diluted earnings (loss) per share	**432**	(40)
Basic and diluted earnings per share from continuing operations	**394**	101

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
2012									
Cost:									
At 1 January 2012	986,326	14,815,208	265,645	58,161	358,276	35,071	3,948,968	2,139,737	22,607,392
Additions	2,632	130,745	5,425	5,036	5,074	4,944	1,472,090	247,144	1,873,090
Acquired through business combination	31,475	58,754	2,300	311	—	6	3,007	—	95,853
Disposals	(1,134)	(122,004)	(5,675)	(198)	(471)	(1,156)	(5,453)	(8,668)	(144,759)
Transfers	28,316	1,047,276	7,160	4,563	(110,376)	4,900	(932,384)	31,113	80,568
Exchange adjustments	33,610	318,796	1,016	1,003	3,537	522	12,684	26,838	398,006
At 31 December 2012	**1,081,225**	**16,248,775**	**275,871**	**68,876**	**256,040**	**44,287**	**4,498,912**	**2,436,164**	**24,910,150**
Depreciation and impairment:									
At 1 January 2012	202,438	4,646,093	136,556	13,694	13,167	7,638	—	305,335	5,324,921
Charge for the year	15,251	1,045,212	30,148	12,884	22,357	5,203	—	570,379	1,701,434
Impairment	—	18,933	—	294	—	—	3,902	—	23,129
Reversal of impairment	—	(3,154)	—	—	—	—	—	—	(3,154)
Disposals	(330)	(93,250)	(5,207)	(109)	(99)	(1,049)	—	(458)	(100,502)
Transfers	—	70	(1,617)	(63)	—	(147)	—	1,757	—
Exchange adjustments	11,358	151,339	1,454	764	4,654	310	—	14,412	184,291
At 31 December 2012	**228,717**	**5,765,243**	**161,334**	**27,464**	**40,079**	**11,955**	**3,902**	**891,425**	**7,130,119**
Net carrying amount:									
At 31 December 2012	**852,508**	**10,483,532**	**114,537**	**41,412**	**215,961**	**32,332**	**4,495,010**	**1,544,739**	**17,780,031**

	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	(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 and impairment:									
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

a) Additions in assets under construction during 2012 include an amount of US$ 330,323 thousand (2011: US$ 471,288 thousand) relating to the construction of an oil pipeline (ADCOP project).

b) The amount of borrowing costs capitalised during the year ended 31 December 2012 was US$59,530 thousand (2011: US$ 49,981 thousand). The rate used to determine the amount of borrowing costs eligible for capitalisation was 2.0% (2011: 2.0%).

c) The carrying value of plant and equipment held under finance leases at 31 December 2012 was Nil (31 December 2011: US$ 48,111 thousand). Leased assets are pledged as security for the related finance lease liabilities.

d) Property, plant and equipment with a book value of US$ 2,323,506 thousand (31 December 2011: US$ 2,242,312 thousand) have been pledged as security for related borrowings and mortgages.

e) Depreciation charge for the year is reflected in the consolidated income statement as follows:

	2012	2011
	US$'000	US$'000
Continuing operations	**1,701,434**	1,185,734
Discontinued operations	**—**	41,121
	1,701,434	1,226,855

18 INTANGIBLE ASSETS

	Software	Concessions patents and licences	Developments costs	Brands	Customer and flagging contracts	Goodwill	Other	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2012								
Cost:								
At 1 January 2012	126,969	322,431	267,986	495,331	98,512	732,468	870,152	2,913,849
Additions	25,513	44,073	34,968	—	3,722	—	15,264	123,540
Acquisitions through business combination	238	28,624	—	—	50,910	64,766	56,640	201,178
Disposals	(157)	(21,952)	—	—	(211)	—	(41,951)	(64,271)
Transfers	(221)	1,030	(967)	—	—	—	877	719
Exchange adjustments	2,237	5,103	6,295	9,058	2,147	13,996	2,993	41,829
At 31 December 2012	**154,579**	**379,309**	**308,282**	**504,389**	**155,080**	**811,230**	**903,975**	**3,216,844**
Amortisation and impairment:								
At 1 January 2012	51,777	120,668	122,280	—	10,975	—	147,084	452,784
Charge for the year	26,625	17,282	15,104	—	13,855	—	52,948	125,814
Impairment	24	12,259	3,298	—	—	—	5	15,586
Disposals	(80)	(3,366)	—	—	—	—	(22,710)	(26,156)
Exchange adjustments	1,517	1,653	4,004	—	359	—	2,431	9,964
At 31 December 2012	**79,863**	**148,496**	**144,686**	**—**	**25,189**	**—**	**179,758**	**577,992**
Net carrying amount:								
At 31 December 2012	**74,716**	**230,813**	**163,596**	**504,389**	**129,891**	**811,230**	**724,217**	**2,638,852**

	Software	Concessions patents and licences	Developments costs	Brands	Customer and flagging contracts	Goodwill	Other	Total
	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 and impairment:								
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

Amortisation charge for the year is reflected in the consolidated income statement as follows:

	2012	2011
	US$'000	US$'000
Continuing operations	**125,814**	97,900
Discontinued operations	**—**	41,094
	125,814	138,994

Impairment testing of intangible assets with an indefinite useful life

Brands relate to trade names within the Group and have been assigned an indefinite useful life because of the businesses' long history and strong market position. The brand values are tested for impairment annually, at 31 December.

The fair value of the trade name was estimated using a relief from royalty approach. In applying this methodology, the value of the trade name was estimated by capitalising the royalties saved due to the Group owning the trade name. The trade name is being used in various businesses in the Group. An appropriate trade name royalty rate was identified as a percentage of revenue or for certain businesses as a percentage of gross margin over variable costs level which translated into approximately 4.0% to 8.0% of gross margin over variable costs depending on the location of the use of the brand, the significance of its presence in the specific country, and the focus on marketing and advertising of the brand. A discount rate for the trade name was calculated and ranged from 11.5% to 13.0%. Terminal value was calculated with a long-term growth rate of 2.0%. A tax amortisation benefit was applied for the trade name as the value will be amortisable for tax purposes.

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 the brand to materiality exceed its recoverable amount.

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	Integrated oil and gas	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Goodwill					
Carrying amount at 31 December 2011	73,134	326,554	27,052	305,728	732,468
Additions during the year from business combinations	50,919	—	—	13,847	64,766
Exchange difference	1,260	—	3,101	9,635	13,996
Carrying amount at 31 December 2012	**125,313**	**326,554**	**30,153**	**329,210**	**811,230**

The Group performed its annual impairment test at 31 December 2012.

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 determined using cash flow projections from financial budgets approved by senior management covering a five-year period. Borouge, a significant associate of Borealis was valued separately for this purpose.

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% (2011: 2%) 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 weighted-average cost of capital ("WACC"). The post-tax discount rate applied to cash flow projections ranged from 9.1% to 10.5% (2011: from 9.2% to 10.6%) using an average growth rate of 2% (2011: between 2% and 2.5%).

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.

At 31 December 2012, the recoverable amount of Aabar has been determined based on a fair value less costs to sell approach. Fair value has been estimated following a sum of the parts approach, which consists on adding-up the estimated fair values of each of the company's assets. The main methodology used for the estimation of the referred fair values has been discounted cash flows ("DCF") for unlisted companies and market prices for listed companies adjusted where appropriate based on broker estimates and price forecast consensus. The properties were also adjusted to their fair values (see note 20). At 31 December 2011, 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.

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 Aabar to materiality exceed its recoverable amount.

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 2012, 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 post-tax discount rate applied to cash flow projections is 10% (2011: 10%). There was no impairment recognised in 2012 (2011: impairment of US$ 37,169 thousand).

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% (2011: 8%) for the years 2012 to 2016 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.

Integrated oil and gas

Goodwill within the integrated oil and gas operating segment has been allocated to CEPSA, which constitutes the lowest aggregation of assets that generate largely independent cash inflows.

At 31 December 2012, the recoverable amount of CEPSA has been determined based on a fair value less costs to sell approach, derived from financial projections covering a 5 year period. CEPSA's fair value has been estimated following a sum of the parts approach, which consists on adding-up the estimated fair values of each of the company's businesses. The main methodology used for the estimation of the referred fair values has been discounted cash flows ("DCF"). In addition, market multiples were also used as a secondary method and to cross check to the fair value determined under the DCF method For each of the company´s businesses, the DCF methodology considered financial projections for 5 years plus a terminal value thereafter, except for the Exploration & Production ("E&P") business, where the remaining useful life of each of the producing fields/ assets was considered.

Key assumptions used in fair value calculation

- Financial projections: The financial projections for each of the company´s businesses were obtained from the company's 5 year business plan based on management expectations and industry research.
- Crude oil prices: The referred financial projections are built upon the below assumption on future crude oil prices with an annual growth rate of 1.5% as from year 2015.
- Terminal value: Except for the Exploration and Production division terminal values have been estimated following two different methodologies according to its adequacy to each of the company's businesses. The two methodologies used have been perpetual growth rate and an exit multiple.
- Growth rate: Except for the E&P business, growth rates have been estimated for each of the company's businesses based on industry research. Growth rates considered ranges from 1.3% to 1.5%
- Discount rate: The discount rate represents the current market assessment of the risks specific to CEPSA. The discount rate has been estimated according to the WACC calculated for each of the company's businesses and countries in which the company operates, and ranges from 7.2% to 13.7% depending on the business segment.

Sensitivity to changes in assumptions

With regards to the estimated FVLCTS, management assessed that no reasonably possible change in any of the above key assumptions would cause the carrying value of CEPSA to materiality exceed its recoverable amount.

20 INVESTMENT PROPERTIES

	Land	Commercial	Under development	Total
	US$'000	US$'000	US$'000	US$'000
2012				
Cost:				
At 1 January 2012	2,158,119	—	449,875	2,607,994
Additions	14,285	—	99,544	113,829
Transfers	—	223,654	(304,941)	(81,287)
At 31 December 2012	**2,172,404**	**223,654**	**244,478**	**2,640,536**
Accumulated depreciation and impairment:				
At 1 January 2012	570,064	—	100,560	670,624
Charge for the year	—	2,051	—	2,051
(Reversal) Impairment	(39,420)	21,268	—	(18,152)
Transfers	—	100,560	(100,560)	—
At 31 December 2012	**530,644**	**123,879**	**—**	**654,523**
Net carrying amount:				
At 31 December 2012	**1,641,760**	**99,775**	**244,478**	**1,986,013**
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	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 and impairment:				
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

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, plant and equipment to investment property as a result of change in use.

Investment properties with a book value of US$204,221 thousand (31 December 2011: US$ 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 valuers as at 31 December 2012. The fair value of the property has not been determined based 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 2012 amounted to US$ 1,951,346 thousand (31 December 2011: US$ 1,542,250 thousand).

Key assumptions used for value in use assessments:

- Inflation during the development period—assumed as running at 5% (2011: 5%) per annum during the development period
- Discount rates used ranges from 11% to 12.5%
- Developers profit margin ranges from 15% to 17%
- 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% (2011: 5%) per annum during the development period
- Discount rates used ranges from 10.5% to 12.5%
- Construction costs—based upon management's estimations for the development of the projects.
- Developers profit margin ranges from 15 % to 17% (2011: 15%)
- Rental incomes—based upon current rental rates being experienced for properties of a similar nature within the local market.

21 INVESTMENTS IN FINANCIAL INSTRUMENTS

	2012 US$'000	2011 US$'000
Non-derivative financial instruments:		
Financial assets at fair value through profit or loss (note 21.1)	**4,091,564**	5,366,287
Available-for-sale financial assets (note 21.2)	**1,844,802**	2,208,057
	5,936,366	7,574,344
Derivative financial instruments (note 34)	**3,219,270**	2,130,131
	9,155,636	9,704,475
Non-current	**3,158,072**	2,650,288
Current	**5,997,564**	7,054,187
	9,155,636	9,704,475

21.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012	2011
	US$'000	US$'000
Daimler AG shares (i)	**1,788,480**	4,234,333
Unicredit SpA (ii)	**1,914,210**	799,698
Others	**388,874**	332,256
	4,091,564	5,366,287
Non-current	**42,742**	43,455
Current	**4,048,822**	5,322,832
	4,091,564	5,366,287

i) During the year 2012, the Group disposed of approximately 6% stake in Daimler AG by unwinding the underlying collar positions. The Group had 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. Remaining shares in Daimler AG are pledged as collateral against certain term loans.

ii) 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 by subscribing in a rights issue. The Group's holding is 6.75% at 31 December 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.

21.2 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012	2011
	US$'000	US$'000
Quoted investments	**1,499,622**	1,771,562
Unquoted investments at fair value	**308,475**	399,790
Unquoted investments carried at cost	**36,705**	36,705
	1,844,802	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 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

	2012 US$'000	2011 US$'000
Trade receivables	**4,540,634**	4,088,219
Loans and other amounts due from banking customers	**1,375,972**	1,335,335
Due from banks	**247,748**	405,335
Balance due from related parties (note 42)	**459,549**	617,374
Other receivables	**—**	1,067
	6,623,903	6,447,330
Non-current	**253,350**	11,331
Current	**6,370,553**	6,435,999
	6,623,903	6,447,330

At 31 December 2012, trade and other receivables amounting to US$ 232,882 thousand (31 December 2011: US$ 209,406 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

	2012 US$'000	2011 US$'000
Long term receivable (i)	**1,855,563**	1,768,869
Taxes receivable	**469,572**	439,210
Loans to related parties (note 42)	**1,386,304**	1,253,814
Other assets receivable from related parties (note 42)	**422,042**	118,714
Restricted cash	**—**	85,000
Loans and notes receivable	**183,443**	207,966
Advances made on investment properties	**947,937**	869,281
Advances made on investments	**11,036**	80,926
Other advances and deposits paid (ii)	**150,204**	238,930
Prepaid expense	**45,476**	37,967
Accrued interest receivable (iii)	**70,056**	49,918
Other assets and receivables	**380,139**	119,526
	5,921,772	5,270,121
Non-current	**4,948,562**	4,231,247
Current	**973,210**	1,038,874
	5,921,772	5,270,121

(i) In 2009, the Company acquired an investment in mandatorily exchangeable bonds (the "IPBC Bonds") of Independent Public Business Corporation of Papua New Guinea. Upon maturity in March 2014, the IPBC 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 IPBC Bonds contain embedded derivatives and accordingly, the derivative components, amounting to US$ 62,936 thousand as at 31 December 2012 (31 December 2011: US$ 87,528 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 2012, and is carried at amortised cost.

(ii) Includes an amount of US$ 135,404 thousand (31 December 2011: US$ 135,478 thousand), relating to Fujairah land reclamation. This cost is expected to be set off against future rent payments of the land up to 2022, which will be leased for the Fujairah Refinery project.

(iii) Included in other current assets is an amount of US$ 46,067 thousand (31 December 2011: US$ 47,566 thousand) relating to interest receivable in respect of GBP/EUR cross currency swaps which the Company undertook in March 2011, and an amount of US$ 20,633 thousand (31 December 2011: US$ 18,996 thousand) relating to interest receivable on IPBC Bonds.

24 INVENTORIES

	2012	2011
	US$'000	US$'000
Raw materials	**1,830,366**	1,769,860
Spare parts	**204,711**	185,600
Consumables	**332,910**	258,699
Work in progress	**16,163**	11,395
Finished goods	**3,085,083**	2,779,732
Consignments	**29,846**	41,293
In transit	**63,955**	105,479
	5,563,034	5,152,058
Allowance for obsolescence	**(66,843)**	(26,515)
	5,496,191	5,125,543

An amount of Nil (31 December 2011: US$ 461 thousand) represents write-down of inventories recognised as an expense in the period and is included in cost of sales.

25 CASH AND CASH EQUIVALENTS

	2012	2011
	US$'000	US$'000
Cash and short term deposits	**4,912,711**	4,992,819

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. Cash and cash equivalents include deposit placed with related party of US$ 43,715 thousand.

26 SHARE CAPITAL

	Authorised		Issued and fully paid	
	2012	2011	2012	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

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 were provided to meet the Company's obligations in its investment in Qatar and Abu Dhabi Investment Company QSC ("QADIC"). An amount of US$ 50 million was provided to QADIC in July 2010, based on a cash call.

The US$ 1 billion received is 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 US$ 1 billion 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 2011	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
Other comprehensive income for the year	90,489	(262,422)	63,958	(90,574)	—	44,483	—	(154,066)
Recycle of reserves on disposal of interest in a subsidiary	—	(9,304)	—	(7,971)	(26,895)	—	—	(44,170)
Movements in other reserves	1	(17)	(1)	(132)	—	—	—	(149)
Balance at 31 December 2012	**2,312,383**	**(1,453,790)**	**(28,285)**	**(337,013)**	**—**	**(267,099)**	**98,760**	**324,956**

29 BORROWINGS

	2012	2011
	US$'000	US$'000
Overdrafts	**758,451**	433,750
Obligations under finance leases and hire purchase contracts	**5,847**	8,541
Listed notes and other borrowing instruments	**16,017,602**	13,546,976
Unlisted borrowings	**19,964,754**	21,790,544
	36,746,654	35,779,811
Non-current	**25,173,437**	26,182,633
Current	**11,573,217**	9,597,178
	36,746,654	35,779,811

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

	2012	2011
The Company	**18,708,350**	19,198,777
Aabar	**10,621,128**	9,733,156
Nova	**793,393**	1,741,109
Borealis	**2,125,317**	1,604,564
CEPSA	**4,498,466**	3,502,205
	36,746,654	35,779,811

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

	2012	2011
	US$'000	US$'000
EUR	**19,013,533**	14,762,393
USD	**12,967,664**	13,103,214
AED	**2,720,189**	5,884,478
JPY	**778,544**	874,600
GBP	**302,553**	1,071,766
Others	**964,171**	83,360
	36,746,654	35,779,811

As of 31 December 2012 and 2011, the Company has not guaranteed the borrowings of any of the Group companies. However, the Company has provided a joint guarantee with 1Malaysia Development Berhad ("1MDB"), a strategic development company wholly-owned by the Government of Malaysia, amounting to US$ 3.5 billion (see note 33(iii) for further details) in relation to certain obligations of subsidiaries of 1MDB.

Details of the Group borrowings are as follows:

Listed notes and other borrowing instruments

	Maturity	Currency	Coupon rate	2012 US$'000	2011 US$'000
IPIC—Bond 1	2020	US$	5.000%	**1,484,283**	1,482,717
IPIC—Bond 2	2015	US$	3.125%	**995,565**	994,084
IPIC—Bond 3	2021	EUR	5.875%	**1,622,086**	1,587,890
IPIC—Bond 4	2016	EUR	4.875%	**1,635,860**	1,600,849
IPIC—Bond 5	2026	GBP	6.875%	**884,845**	844,285
IPIC—Bond 6	2022	US$	5.500%	**1,491,572**	1,489,948
IPIC—Bond 7	2017	US$	3.750%	**1,491,679**	1,490,935
IPIC—Bond 8	2041	US$	6.875%	**740,466**	740,471
IPIC—Bond 9	2015	US$	1.750%	**745,334**	—
IPIC—Bond 10	2018	EUR	2.375%	**1,047,240**	—
IPIC—Bond 11	2023	EUR	3.625%	**1,106,374**	—
Aabar—Exchangeable bond (see note below)	2016	EUR	4.000%	**1,579,466**	1,527,110
Borealis—Bond 1	2017	EUR	5.375%	**263,940**	259,200
Borealis—Bond 2	2019	EUR	4.000%	**164,962**	—
Nova—Bond 1	2012	US$	6.50%	**—**	399,532
Nova—Bond 2 *	2013	US$	6m LIBOR + 3.13%	**—**	369,345
Nova—Bond 3	2016	US$	8.38%	**343,957**	342,156
Nova—Bond 4	2019	US$	8.63%	**342,198**	341,433
Nova—Bond 5	2025	US$	7.88%	**77,775**	77,021
				16,017,602	13,546,976

* Nova—Bond 2 has been repaid in full in October 2012.

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	2012	2011
				US$'000	US$'000
IPIC - Loan 1	2013	EUR	EURIBOR + Margin	**97,328**	191,160
IPIC - Loan 2 *	2013	GBP	LIBOR + Margin	**—**	227,481
IPIC - Loan 3	2013	JPY	LIBOR + Margin	**778,544**	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	**—**	1,497,805
IPIC - Loan 10	2014	US$	LIBOR + Margin	**1,394,654**	1,390,527
IPIC - Loan 11	2013	AED	EIBOR + Margin	**1,994,156**	1,994,661
IPIC - Loan 12	On demand	US$	LIBOR + Margin	**90,318**	1,401,054
IPIC - Loan 13	2014	US$	LIBOR + Margin	**169,788**	—
IPIC - Loan 14	2014	EUR	EURIBOR+Margin	**665,891**	—
Aabar - Loan 1	2012	AED	EIBOR + Margin	**—**	204,221
Aabar - Loan 2	2015	EUR	Fixed rate	**—**	1,608,697
Aabar - Loan 3	2013	US$	LIBOR + Margin	**1,446,229**	1,321,971
Aabar - Loan 4	2013	EUR	EURIBOR + Margin	**306,710**	208,096
Aabar - Loan 5	2013	AED	EIBOR + Margin	**249,518**	103,162
Aabar - Loan 6	2013	EUR	Fixed rate	**1,547,327**	1,498,512
Aabar - Loan 7	2013	EUR	Fixed rate	**2,347,220**	2,256,290
Aabar - Loan 9	2014	EUR	EURIBOR + Margin	**262,157**	254,873
Aabar - Loan 10	2012	US$	LIBOR + Margin	**—**	750,225
Aabar - Loan 11	2014	EUR	Fixed rate	**1,626,746**	—
Aabar - Loan 12	2015	AED	EIBOR + Margin	**204,221**	—
Aabar - Loan 13	2013	US$	LIBOR + Margin	**448,988**	—
Aabar - Loan 14	2013	GBP	LIBOR + Margin	**302,554**	—
Aabar - Loan 15	2013	US$	LIBOR + Margin	**299,992**	—
Borealis - Loan 1	2019	EUR	Fixed rate	**211,152**	207,360
Borealis - Loan 2	2019 - 2027	EUR/ US$	Fixed rate	**135,000**	—
Borealis - Loan 3	2016 - 2028	EUR/US$	EURIBOR/LIBOR+Margin	**154,605**	—
CEPSA - Loan 1	2018	US$	LIBOR+Margin	**350,080**	350,568
CEPSA - Loan 2	2013	EUR	EURIBOR+Margin	**263,940**	259,200
CEPSA - Loan 3	2015	EUR	EURIBOR+Margin	**263,940**	259,200
CEPSA - Loan 4	2016	EUR	EURIBOR+Margin	**237,546**	233,280
CEPSA - Loan 5	2017	US$	LIBOR+Margin	**200,791**	—
CEPSA - Loan 6	2016	US$	LIBOR+Margin	**200,045**	—
CEPSA - Loan 7	2022	EUR	EURIBOR+Margin	**197,955**	194,400
CEPSA - Loan 8	2015	EUR	EURIBOR+Margin	**197,955**	—
CEPSA - Loan 9	2016	EUR	EURIBOR+Margin	**191,357**	187,920
CEPSA - Loan 10	2013	EUR	EURIBOR+Margin	**131,970**	126,900
CEPSA - Loan 11	2013	EUR	EURIBOR+Margin	**131,970**	126,900
CEPSA - Loan 12	2014	EUR	EURIBOR+Margin	**131,970**	126,900
CEPSA - Loan 13	2015	EUR	EURIBOR+Margin	**131,970**	126,900
CEPSA - Loan 14	2017	EUR	EURIBOR+Margin	**112,175**	101,160
CEPSA - Loan 15	2016	EUR	EURIBOR+Margin	**105,576**	129,600
CEPSA - Loan 16	2016	US$	LIBOR+Margin	**100,023**	—
CEPSA - Loan 17	2014	EUR	EURIBOR+Margin	**211,152**	—
CEPSA - Loan 18	2015	EUR	EURIBOR+Margin	**118,773**	—
CEPSA - Loan 19	2012	EUR	EURIBOR+Margin	**—**	204,768
Others - Fixed	2013 - 2030	Various	Fixed rate	**693,034**	708,408
Others - Floating	2012 - 2022	Various	Base rate + Margin	**987,140**	1,273,435
				19,964,754	21,790,544

* IPIC—Loan (4) has been refinanced in March 2012 with IPIC—Loans (13) and (14), with a new maturity date of March 2014 and IPIC—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.

All of IPIC loans are unsecured. Aabar loans are unsecured, except for Aabar—Loan 1, 2, 6, 7, 11, 12 and 14, which are secured through pledges on land mortgage and certain securities.

All loans within Others—Fixed are unsecured except for an amount of US$ 19,412 thousand (31 December 2011: US$ 19,789 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).

30 EMPLOYEES' BENEFIT LIABILITIES

The following table summarises the component of employees' related expense recognised in the consolidated income statement under continuing operations:

	2012	2011
	US$'000	US$'000
Wages and salaries	**1,596,924**	1,263,039
Defined contribution plans	**54,481**	49,312
Defined benefit plans	**58,588**	62,631
Bonuses	**132,059**	120,008
Others	**131,368**	78,226
	1,973,420	1,573,216

Employees' benefit liabilities recognised in the consolidated statement of financial position are as follows:

	2012	2011
	US$'000	US$'000
Employee end of service benefits	**3,834**	3,661
Pensions	**855,516**	769,051
	859,350	772,712

Most companies within the Group 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:

	2012	2011
	US$'000	US$'000
Current service cost	**41,206**	38,667
Interest cost on benefit obligation	**64,020**	65,579
Expected return on plan assets	**(49,951)**	(48,718)
Past service cost	**(23)**	(25)
Others	**3,336**	7,128
Net defined benefit expense	**58,588**	62,631

The following table summarises the amounts recognised in the consolidated statement of financial position:

	2012	2011
	US$'000	US$'000
Defined benefit obligation	**(1,766,927)**	(1,530,734)
Fair value of plan assets	**911,734**	762,025
	(855,193)	(768,709)
Unrecognised past service costs	**(323)**	(342)
Benefit liability	**(855,516)**	(769,051)

Changes in the present value of the defined benefit obligation are as follows:

	2012	2011
	US$'000	US$'000
Benefit obligation at beginning of year	**(1,530,734)**	(1,812,568)
Benefit obligation of disposal group classified as held for sale	**—**	373,498
Current service costs	**(41,206)**	(38,667)
Current interest costs	**(64,020)**	(65,579)
Contributions by employees	**(4,693)**	(5,103)
Actuarial losses on obligation	**(175,885)**	(95,612)
Disposal of business	**—**	(645)
Acquisition of business	**(2,534)**	—
Benefits paid from plan	**86,471**	84,159
Liabilities extinguished on settlements	**3,523**	1,480
Foreign exchange differences	**(37,849)**	28,303
Benefit obligation at end of the year	**(1,766,927)**	(1,530,734)

The defined benefit obligation is analysed as follows:

	2012	2011
	US$'000	US$'000
Unfunded	**135,536**	125,834
Partly funded	**723,814**	646,878
Total benefit obligation	**859,350**	772,712

Changes in the fair value of plan assets are as follows:

	2012	2011
	US$'000	US$'000
Fair value of plan assets at beginning of year	**762,024**	1,042,620
Fair value of plan assets of disposal group classified as held for sale	**—**	(293,373)
Expected return on plan assets	**49,951**	48,718
Contributions by employees	**5,049**	5,103
Employer contribution	**132,921**	89,331
Actuarial gains (losses)	**31,669**	(41,518)
Benefits paid from plan	**(86,471)**	(84,159)
Assets distributed on settlement	**(374)**	—
Foreign exchange differences	**16,965**	(4,697)
Fair value of plan assets at end of year	**911,734**	762,025

The Group expect to contribute approximately US$108 million to defined benefit plans in 2013.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2012	2011
	%	%
Equities	**48.6%**	49.3%
Fixed income securities (inc. bonds)	**40.2%**	41.0%
Insurance contracts	**8.8%**	8.0%
Others	**2.5%**	1.7%

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:

	2012	2011
	%	%
Rate of salary increases	**2.5% - 4.0%**	2.5% - 4.0%
Rate of increase in pensions payments	**0.1% - 2.1%**	0.3% - 2.1%
Discount rate	**2% - 3.9%**	2.8% - 4.4%
Expected rate of return on plan assets *	**3.8% - 8.2%**	3.4% - 6.9%

* 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:

	2012	2011	2010	2009	2008
	US$'000	US$'000	US$'000	US$'000	US$'000
Fair value of scheme assets	**911,734**	762,025	1,042,620	986,139	121,589
Present value of defined benefit obligation	**(1,766,927)**	(1,530,734)	(1,812,568)	(1,628,107)	(353,062)
Deficit in the scheme	**(855,193)**	(768,709)	(769,948)	(641,968)	(231,473)
Experience adjustments arising on plan liabilities	**86,732**	610	(136,547)	(6,488)	581
Experience adjustments arising on plan assets	**146**	46,398	23,578	(10,141)	6,014

31 PROVISIONS

	Restructuring	Decommissioning	Legal disputes	Environmental	Other	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	6,425	2,805	26,293	3,637	57,472	96,632
Through business combinations	—	1,225	26	—	135	1,386
Accretion expense	—	6,070	27,545	—	(1,569)	32,046
Utilised	(6,791)	(9,199)	(84,572)	(3,607)	(18,759)	(122,928)
Reversed	(1,162)	(5,505)	(23,214)	(75)	(10,260)	(40,216)
Exchange adjustments	223	3,045	1,457	392	3,327	8,444
Balance at 31 December 2012	**7,243**	**160,705**	**101,290**	**26,140**	**177,669**	**473,047**

	2012	2011
	US$'000	US$'000
Classified as:		
Non-current	**426,942**	376,447
Current	**46,105**	121,236
	473,047	497,683

(i) Provision for restructuring relates mainly to on-going 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. (see note 40 for further information on the status of the litigations).

(v) Others cover mainly warranty provisions 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

	2012	2011
	US$'000	US$'000
Trade payables	**3,656,016**	3,716,559
Customer deposits and other amounts due to banking customers	**1,559,016**	1,452,438
Balance due to related parties	**500,985**	552,523
Due to banks	**130,416**	307,411
Other payables	**71,710**	65,972
	5,918,143	6,094,903
Non-current	**45,284**	46,295
Current	**5,872,859**	6,048,608
	5,918,143	6,094,903

33 OTHER LIABILITIES

	2012	2011
	US$'000	US$'000
Advances received	**24,970**	21,715
Income tax and other taxes payable	**603,838**	539,526
Interest and other accruals (i)	**803,701**	741,039
Loan from related parties (note 42)	**63,661**	50,298
Other payable to related parties (note 42)	**143,837**	279,832
Government grants (ii)	**42,373**	34,034
Payables on investments	**—**	16,812
Financial guarantee contracts (iii)	**347,421**	—
Other liabilities and payables	**428,471**	245,710
	2,458,272	1,928,966
Classified as:		
Non- current	**624,598**	278,223
Current	**1,833,674**	1,650,743
	2,458,272	1,928,966

(i) Includes an amount of US$ 46,067 thousand (31 December 2011: US$ 47,566 thousand) interest payable in respect of GBP/EUR cross currency swaps which the Group undertook in March 2011.

(ii) 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.

(iii) As part of the state-to-state relationship between the Emirate of Abu Dhabi and Malaysia, the Company agreed in 2012 to guarantee the obligations of certain subsidiaries of 1MDB in respect of two financings in the energy and power sector amounting to US$ 3.5 billion in total. In respect of these financings, the

Company benefits from co-guarantees and support from 1MDB and has secured for its Group the right to acquire up to a 49 % stake in 1MDBEnergy Sdn Bhd, a company which holds a stake in Tanjong Energy Holdings Sdn Bhd, and the right to acquire up to a 49 % stake in the shares of 1MDB Energy (Langat) Sdn Bhd which ultimately owns a stake in Genting Sanyen Power Sdn Bhd.

The guarantees 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 initially recognised less cumulative amortisation.

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	Liabilities	Assets	Liabilities
	2012	2012	2011	2011
	US$'000	US$'000	US$'000	US$'000
Derivatives held-for-trading				
Interest rate swaps	**100**	**300,427**	898	444,019
Currency forwards	**23,585**	**67,643**	30,567	29,897
Currency swaps	**23,392**	**—**	30,581	—
Currency futures	**267**	**266**	705	703
Currency options	**14**	**14**	1,129	1,129
Equity options (see Note 11 (iii))	**3,068,075**	**299,154**	1,954,900	710,638
Commodity swaps	**6,423**	**1,451**	6,793	786
Commodity futures	**—**	**692**	1,855	—
Embedded derivative (see Note 23 (i))	**62,936**	**23**	87,528	30
	3,184,792	**669,670**	2,114,956	1,187,202
Derivatives used as hedge of net investments				
Currency forwards (see note below)	**—**	**114,649**	—	—
Derivatives used as fair value hedges				
Commodity swaps	**225**	**—**	—	—
Derivatives used as cash flow hedges				
Interest rate swaps	**—**	**5,849**	—	14,168
Currency forwards	**11,480**	**5,848**	2,571	16,849
Commodity swaps	**15,159**	**10,397**	10,045	6,491
Other swap arrangements	**7,614**	**49,113**	2,559	33,812
	34,253	**71,207**	15,175	71,320
	3,219,270	**855,526**	2,130,131	1,258,522
Non-current	**1,270,528**	**217,682**	398,776	323,434
Current	**1,948,742**	**637,844**	1,731,355	935,088
	3,219,270	**855,526**	2,130,131	1,258,522

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.

Hedge of net investments in foreign operations:

Included in derivatives at 31 December 2012, is a foreign currency forward with a notional amount of MYR 5,894,501 thousand, which has been designated as a hedge of the net investment in RHB. This foreign currency forward is being used to hedge the Group's exposure to MYR foreign exchange risk on RHB. Gains or losses on the fair valuation of this foreign currency forward are transferred to other comprehensive income to the extent the hedge is effective in order to offset any gains or losses on translation of the net investment in RHB. The ineffective portion of the hedge has been recognized in the consolidated income statement. The Group has settled these forward contracts in first quarter of 2013.

Included in borrowings at 31 December 2012 was a borrowing of EUR 4,655,000 thousand (2011: EUR 2,500,000 thousand) which has been designated as a hedge of the net investment in CEPSA. This borrowing is being used to hedge the Group's exposure to EUR foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to other comprehensive income to offset any gains or losses on translation of the net investments in the subsidiaries. There is no ineffectiveness in the years ended 31 December 2012 and 2011.

The table below summarises the maturity profile of the Group's derivatives.

	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
2012						
Cash outflow						
Trading derivatives and economic hedges	**(716,257)**	**(147,427)**	**(135,705)**	**(56,500)**	**—**	**(1,055,889)**
Derivatives for cash flow hedges	**(100,430)**	**(460,149)**	**(342,374)**	**(237,278)**	**—**	**(1,140,231)**
Derivatives for fair value hedges	**(114,649)**	**—**	**—**	**—**	**—**	**(114,649)**
	(931,336)	**(607,576)**	**(478,079)**	**(293,778)**	**—**	**(2,310,769)**
Cash inflow						
Trading derivatives and economic hedges	**413,274**	**1,890,662**	**409,204**	**306,128**	**551,767**	**3,571,035**
Derivatives for cash flow hedges	**95,863**	**447,587**	**320,168**	**238,838**	**—**	**1,102,456**
Derivatives for fair value hedges	**226**	**—**	**—**	**—**	**—**	**226**
	509,363	**2,338,249**	**729,372**	**544,966**	**551,767**	**4,673,717**
	(421,973)	**1,730,673**	**251,293**	**251,188**	**551,767**	**2,362,948**
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

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$ 38,726,609 thousand compared to a carrying amount of US$36,746,654 thousand as of 31 December 2012 (31 December 2011: fair value of US$ 35,937,974 thousand and carrying amount of US$ 35,779,811 thousand), whereas other assets had a fair value of US$ 6,181,502 thousand compared to a carrying amount of US$ 5,921,772 thousand as of 31 December 2012 (31 December 2011: fair value of US$ 5,291,826 thousand and carrying amount of US$ 5,270,121 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 2012 and 2011, the Group held the following financial instruments measured at fair value:

	31 December 2012	Level 1	Level 2	Level 3
	US$'000	US$'000	US$'000	US$'000
Assets measured at fair value				
Available-for-sale financial assets	**1,808,097**	**1,499,622**	**29,522**	**278,953**
Derivative financial assets	**3,219,270**	**—**	**2,667,501**	**551,769**
Financial assets at fair value through profit or loss	**4,091,564**	**4,034,953**	**28,818**	**27,793**
	9,118,931	**5,534,575**	**2,725,841**	**858,515**
Liabilities measured at fair value				
Derivative financial liabilities	**855,526**	**—**	**855,526**	**—**
	855,526	**—**	**855,526**	**—**

	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	—

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
2012								
Available-for-sale investments	**367,989**			**449**	**(6,590)**	**(86,000)**	**3,105**	**278,953**
Financial assets at fair value through profit or loss	**13,716**	**—**	**—**	**11,960**	**—**	**2,117**	**—**	**27,793**
Derivative financial instruments	**30,581**	**—**	**—**	**356,774**	**—**	**164,414**	**—**	**551,769**
31 December 2012	**412,286**	**—**	**—**	**369,183**	**(6,590)**	**80,531**	**3,105**	**858,515**
2011								
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

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 2012 and 2011.

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 2012.

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
2012			
US$	**50 bps**	**14,398**	**(82)**
AED	**50 bps**	**14,493**	**—**
EUR	**50 bps**	**11,966**	**(630)**
JPY	**50 bps**	**3,896**	**—**
Others	**50 bps**	**3,211**	**—**
		47,964	**(712)**
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)

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
2012			
CHF	**+10%**	**16,413**	**4,713**
EUR	**+10%**	**(207,774)**	**(14,636)**
JPY	**+10%**	**(72,474)**	**44,858**
CAD	**+10%**	**(70,017)**	**(28,152)**
GBP	**+10%**	**(118,017)**	**56,355**
Others	**+10%**	**162,990**	**147,303**
		(288,879)	**210,441**
2011			
CHF	+10%	7,723	7,302
EUR	+10%	(268,230)	104,309
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)	186,967

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 on-going 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:

		2012		2011	
	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%**	**(16,109)**	**—**	(5,155)	—
Natural gas	**+10%**	**(16,600)**	**3,700**	(16,237)	(2,360)
Electricity	**+10%**	**—**	**33,184**	(2,095)	(27,490)
Propylene	**+10%**	**32,170**	**—**	(24,748)	—
Polyethelene	**+10%**	**156,259**	**—**	806,040	—
Other petrochemical feedstock *	**+10%**	**85,455**	**—**	(211,383)	—

* 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:

		2012		2011	
	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%**	**51,888**	**101,225**	94,565	106,157
Middle East (excluding UAE)	**+10%**	**—**	**25,000**	—	33,600
North America	**+10%**	**586**	**—**	—	9,271
Asia and Pacific	**+10%**	**6,294**	**42,528**	8,753	51,580
Africa	**+10%**	**—**	**3,671**	—	3,670

The effect of decrease in equity prices is expected to be equal and opposite to the effect of increases shown, except for certain investments in Europe where there are economic hedges in place. In this case a decrease of 10% in equity price will result in negative effect of US$ 43,820 thousand on profit before tax (2011: negative effect of US$ 98,895 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 except for loans and other banking receivables due from banking customers.

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

	2012		2011	
	Carrying value	Maximum credit exposure	Carrying value	Maximum credit exposure
	US$'000	US$'000	US$'000	US$'000
On balance sheet				
Loans and other amounts due from banking customers	**1,375,972**	**2,333,131**	1,335,335	2,330,455
Derivative financial assets	**3,219,270**	**3,219,270**	2,130,131	2,130,131
Trade and other receivables	**5,000,183**	**5,001,860**	4,706,660	4,643,507
Other assets	**5,921,772**	**5,922,882**	5,270,121	5,059,577
Due from banks	**247,748**	**247,748**	405,335	432,405
Cash and short-term deposits	**4,912,711**	**4,912,711**	4,992,819	4,992,819
	20,677,656	**21,637,602**	18,840,401	19,588,894

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
2012								
Loans and other amounts due from banking customers	**489,517**	**306,339**	**217,844**	**30,900**	**319,541**	**1**	**11,830**	**1,375,972**
Derivative financial instruments	**23,392**	**2,600,919**	**3,648**	**—**	**528,375**	**62,936**	**—**	**3,219,270**
Trade and other receivables	**1,462**	**4,175,330**	**527,524**	**115,280**	**60,469**	**1,783**	**118,335**	**5,000,183**
Other assets	**1,362,730**	**1,289,170**	**1,385,460**	**59,581**	**6,301**	**1,739,414**	**79,116**	**5,921,772**
Due from banks	**124,997**	**122,751**	**—**	**—**	**—**	**—**	**—**	**247,748**
Cash and short-term deposits	**1,306,612**	**2,737,550**	**600,378**	**141,718**	**74,992**	**—**	**51,461**	**4,912,711**
	3,308,710	**11,232,059**	**2,734,854**	**347,479**	**989,678**	**1,804,134**	**260,742**	**20,677,656**
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

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
2012								
Loans and other amounts due from banking customers	**1,375,972**	**—**	**—**	**—**	**—**	**—**	**—**	**1,375,972**
Derivative financial instruments	**—**	**69,511**	**2,277,253**	**528,375**	**38,003**	**—**	**306,128**	**3,219,270**
Trade and other receivables	**—**	**24,033**	**611**	**2,221,937**	**2,165,008**	**—**	**588,594**	**5,000,183**
Other assets	**—**	**2,074,936**	**214,742**	**409,587**	**545,117**	**1,688,943**	**988,447**	**5,921,772**
Due from banks	**—**	**—**	**247,748**	**—**	**—**	**—**	**—**	**247,748**
Cash and short-term deposits	**—**	**119,142**	**4,030,006**	**—**	**738,336**	**—**	**25,227**	**4,912,711**
	1,375,972	**2,287,622**	**6,770,360**	**3,159,899**	**3,486,464**	**1,688,943**	**1,908,396**	**20,677,656**
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

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 2012					
Loans and other amounts due from banking customers	**1,375,972**	**—**	**—**	**—**	**1,375,972**
Derivative financial instruments	**3,098,587**	**—**	**—**	**120,683**	**3,219,270**
Trade and other receivables	**2,688,470**	**631,081**	**491,253**	**1,189,379**	**5,000,183**
Other assets	**3,174,702**	**114**	**—**	**2,746,956**	**5,921,772**
Due from banks	**247,748**	**—**	**—**	**—**	**247,748**
Cash and short-term deposits	**4,894,092**	**583**	**—**	**18,036**	**4,912,711**
	15,479,571	**631,778**	**491,253**	**4,075,054**	**20,677,656**
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	4,913,091	585	—	79,143	4,992,819
	14,285,255	695,879	293,111	3,566,156	18,840,401

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
2012						
Loans and other amounts due from banking customers	**1,375,972**	**—**	**—**	**—**	**—**	**1,375,972**
Derivative financial instruments	**3,219,270**	**—**	**—**	**—**	**—**	**3,219,270**
Trade and other receivables	**4,547,825**	**325,848**	**61,444**	**23,875**	**41,191**	**5,000,183**
Other assets	**5,920,729**	**26**			**1,017**	**5,921,772**
Due from banks	**247,748**	**—**	**—**	**—**	**—**	**247,748**
Cash and short-term deposits	**4,912,711**	**—**	**—**	**—**	**—**	**4,912,711**
	20,224,255	**325,874**	**61,444**	**23,875**	**42,208**	**20,677,656**
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

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								
2012								
Loans and other banking receivables	**23,506**	**9,979**	**—**	**2,356**	**(11,956)**	**(6,347)**	**167**	**17,705**
Trade and other receivables	**209,406**	**36,225**	**1,996**	**—**	**1,440**	**(18,854)**	**2,669**	**232,882**
Other assets	**27,438**	**423**	**—**	**—**	**—**	**(513)**	**166**	**27,514**
	260,350	**46,627**	**1,996**	**2,356**	**(10,516)**	**(25,714)**	**3,002**	**278,101**
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

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
2012							
Other liabilities	**41,461**	**1,072,900**	**729,059**	**177,984**	**19,125**	**448,567**	**2,489,096**
Trade and other payables	**238,041**	**3,959,622**	**11,640**	**4,188**	**952**	**14,268**	**4,228,711**
Borrowings	**90,318**	**2,551,062**	**9,876,645**	**9,846,705**	**8,132,241**	**12,742,907**	**43,239,878**
Customer deposits and other amounts due to banking customers	**1,090,184**	**350,039**	**118,793**	**—**	**—**	**—**	**1,559,016**
Due to banks	**74,171**	**10,962**	**—**	**45,283**	**—**	**—**	**130,416**
	1,534,175	**7,944,585**	**10,736,137**	**10,074,160**	**8,152,318**	**13,205,742**	**51,647,117**

In 2012, the Company agreed to guarantee the obligations of certain subsidiaries of 1MDB in respect of two financings amounting to US$ 3.5 billion in total (see note 33(iii)). The obligations to which these guarantees relate mature in 2022.

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

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 2012 and 2011.

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.

	2012	**2011**
	US$'000	**US$'000**
Interest bearing loans and borrowings (Note 29)	**36,746,654**	35,779,811
Less cash and short term deposits	**(4,912,711)**	(4,992,819)
Net debt	**31,833,943**	30,786,992
Total equity	**15,564,011**	14,223,158
Equity and net debt	**47,397,954**	45,010,150
Gearing ratio	**67%**	68%

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 legislations. 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 CO2 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 the 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

	2012	2011
	US$'000	US$'000
Real estate (including mutual funds)	**1,827,694**	2,559,021
Cash and cash equivalents	**2,413,933**	2,077,125
Fixed income instruments (bonds, loans and mutual funds)	**1,865,686**	1,263,508
Equities (stocks and mutual funds)	**4,913,534**	3,810,726
Assets under management and custody by the Group	**11,020,847**	9,710,380
Assets not in the custody of the Group	**2,251,446**	2,373,023
	13,272,293	12,083,403

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$ 2,141 million (31 December 2011: US$ 2,255 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% (2011: 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

	2012	2011
	US$'000	US$'000
Guarantees		
Financial guarantees (see note 33(iii))	**3,500,000**	—
Guarantees and letters of credit	**2,108,734**	1,622,700
Guarantees in favour of associated companies	**27,248**	112,226
	5,635,982	1,734,926
Feedstock purchase commitments		
Up to 1 year	**2,139,627**	1,997,625
1 to 5 years	**6,628,547**	7,045,151
Beyond 5 years	**10,500,556**	10,935,404
	19,268,730	19,978,180
Operating lease commitments		
Up to 1 year	**247,504**	289,030
1 to 5 years	**565,144**	721,542
Beyond 5 years	**510,144**	516,323
	1,322,792	1,526,895
Capital commitments		
Property, plant and equipment	**1,156,776**	1,631,705
Investment property	**786,427**	522,904
Investments in equity instruments	**119,428**	280,831
Intangible assets	**4,482**	6,665
Fiduciary assets	**993,629**	697,141
	3,060,742	3,139,246

40 LITIGATION

Nova and Dow Chemical Canada ULC ("Dow Canada") are involved in litigation concerning the third ethylene plant at Nova's Joffre, Alberta site. Dow Canada has claimed approximately US$ 300 million plus further losses and damages in an amount to be proven at trial of this action, therefore the amount claimed will increase. Nova's counterclaim is for approximately US$700 million.

In 2005, Dow Chemical Company ("Dow") filed a claim in the Federal District Court in Delaware alleging certain grades of Nova's polyethylene resin infringed Dow patents. In 2010 Dow was awarded damages and pre-judgment interest totaling approximately US$76 million. Nova appealed the verdict to the Court of Appeals for the Federal Circuit (the "CAFC"), which affirmed the District Count ruling. To stay execution of the money judgment, pending the outcome of any appeal, Nova posted a bond which was secured by cash collateral in the amount of US$85 million. Nova's appeal for a review by the full panel of the CAFC was denied, and in August 2012 Nova filed a petition for review with the U.S. Supreme Court, which was denied in October 2012. As a result, Nova paid Dow approximately US$77 million, the bond was terminated and the US$85 million of cash collateral was released. A Supplemental Damages Bench Trial is scheduled to begin on April 30, 2013 to determine any additional damages that should be awarded to Dow based on sales of certain grades of polyethylene resin during the post judgment period through expiration of the patents on October 15, 2011. Dow has also filed a Statement of Claim in the Federal Court in Canada alleging patent infringement, and Nova has filed a counterclaim. A trial on the infringement issue is scheduled to commence in September 2013, and if necessary, a subsequent trial to determine damages will be held at a future date.

41 EVENTS AFTER THE REPORTING PERIOD

a) Borealis has made a firm offer to TOTAL to purchase its entire interest in GPN. The latter is France's leading manufacturer of nitrogen fertilizers. Furthermore, Borealis has made another firm offer to TOTAL

for its entire majority interest of 56.86% in Rosier S.A listed on NYSE Euronext Brussels. The acquisition of Rosier shares will only be completed if Borealis simultaneously acquires the interest in GPN from TOTAL.

b) In January 2013 Aabar signed a loan agreement for US$ 295.1 million. The loan carries a fixed interest rate and will be utilized to fund the on-going projects.

c) In February 2013, Nova called its US$ 100 million 7.875% debentures due 2025 early. Nova paid these debentures using cash-on-hand on 15 March 2013.

d) In February 2013, CEPSA opted to exercise the right to purchase the available Endesa (12%) and Iberdola (21%) shares in MEDGAZ, S.A. As another shareholder is exercising the same right, the distribution principle will be applied, as stipulated in the bylaws. Following this distribution, CEPSA would increase its shares by 15.04% to reach a total of 35.04% of the shares.

e) In February 2013, Aabar has repaid in full a short term bridge loan amounting to US$ 300 million. The loan carried an interest rate of LIBOR plus a margin.

f) Aabar has extended the maturity of one of its collar loan and related derivatives from February 2013 to June 2013.

g) In March 2013 Aabar signed a short term loan agreement for US$ 250 million. The loan carries an interest of LIBOR plus a margin and is repayable in full within three months or can be extended for another three months. The loan has been fully withdrawn.

h) Falcon Private Bank has completed the acquisition of Clariden Leu (Europe) LTD, a London based asset manager effective 31st March 2013. Clariden Leu (Europe) LTD will conduct the business under new name as Falcon Private Wealth Ltd.

i) In April 2013, Aabar signed a multi-currency term loan facilities agreement equivalent to US$ 2.5 billion. The loan is divided into two tranches carrying an interest rate equal to the relevant reference rate plus a margin. The first tranche is repayable in three years and the second tranche is repayable in five years. The two tranches are repayable in full on maturity. The loan will be used to refinance existing indebtedness and general corporate purposes, including the refinancing of US$ 2 billion (equivalent) loan which is due to mature in May 2013.

42 RELATED PARTY TRANSACTIONS

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

Pursuant to the 29 May 1984 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 Group, in the ordinary course of business, enter into various transactions including borrowings and bank deposits with financial institutions which may be majority-owned by the Government of Abu Dhabi. The effect of these transactions is included in the consolidated financial statements. These transactions are made at terms equivalent to those that prevail in arm's length transactions. There are no collaterals provided against borrowings from related parties.

Cash and cash equivalents and borrowings include USD 622,231 thousand (2011: USD 1,127,441 thousand) and USD 4,352,324 thousand (2011: USD 5,975,828 thousand), respectively, with/from entities in which the Government of Abu Dhabi has an equity stake. Interest income and finance cost include USD 9,745 thousand (2011: USD 18,418 thousand) and USD 129,498 thousand (2011: USD 90,220 thousand), respectively, relating to balances with these entities.

Compensation of the Company's key management personnel and Board of Directors

The remuneration of senior key management personnel and the Board of Directors of the Company during the year was as follows:

	2012	2011
	US$'000	US$'000
Short-term benefits	**5,630**	5,288
Board of directors' remuneration	**1,144**	1,307
	6,774	6,595

Business relationship	Goods and services: Purchases from	Sales to	Receivables from	Payables to	Other assets	Financing: 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
2012										
Associates	**2,668,244**	**1,744,740**	**256,468**	**454,065**	**—**	**—**	**30,452**	**1,457**	**1,090**	**15**
Joint ventures	**375,030**	**1,144,614**	**115,397**	**36,742**	**—**	**—**	**269,539**	**52,618**	**5,490**	**393**
Other related parties	**111,142**	**952,690**	**87,684**	**10,178**	**422,042**	**143,837**	**1,086,313**	**9,586**	**119,867**	**140**
	3,154,416	**3,842,044**	**459,549**	**500,985**	**422,042**	**143,837**	**1,386,304**	**63,661**	**126,447**	**548**

Business relationship	Goods and services: Purchases from	Sales to	Receivables from	Payables to	Other assets	Financing: 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

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 2012, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2011: 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 2012. The significant subsidiaries of the Company are listed in the following table:

Name of company	Country of incorporation	Percentage holding 2012	2011
Aabar	UAE	**95.71%**	95.35%
CEPSA	Spain	**100%**	100%
Nova	Canada	**100%**	100%
Borealis	Austria	**64%**	64%
Ferrostaal AG*	Germany	**—**	70%

* On 7 March 2012, the Company re-transferred all of its 70% interest in Ferrostaal AG to MAN AG (note 4.1).

ISSUER

IPIC GMTN Limited
c/o Maples Corporate Services Limited
P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

IPIC

International Petroleum Investment Company P.J.S.C.
P.O. Box 7528
Abu Dhabi
United Arab Emirates

FISCAL AGENT, PAYING AGENT, EXCHANGE AGENT AND TRANSFER AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London
E14 5AL
United Kingdom

REGISTRAR AND TRANSFER AGENT
(in respect of Unrestricted Notes)

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building
Polaris 2 – 4 rue Eugène Ruppert
2453 Luxembourg
Luxembourg

REGISTRAR AND TRANSFER AGENT
(in respect of Restricted Notes)

The Bank of New York Mellon, New York Branch
101 Barclay Street
New York
NY 10286
United States of America

LEGAL ADVISERS

To the Issuer as to Cayman Islands law

Maples and Calder
The Exchange Building, 5th Floor
Dubai International Financial Centre
P.O. Box 119980
Dubai
United Arab Emirates

To IPIC as to English, U.A.E. and United States law

Clifford Chance LLP
9th Floor
Al Sila Tower
Sowwah Square
P.O. Box 26492
Abu Dhabi
United Arab Emirates

To the Arrangers and Dealers as to English and U.A.E. law

Linklaters LLP
Ninth Floor
Currency House
Dubai International Financial Centre
P.O. Box 506516
Dubai
United Arab Emirates

To the Arrangers and Dealers as to United States law

Linklaters LLP
One Silk Street
London
EC2Y 8HQ
United Kingdom

AUDITOR

To IPIC

Ernst & Young
11th Floor
Al Ghaith Tower
Hamdan Street
P.O. Box 136
Abu Dhabi
United Arab Emirates

ARRANGERS

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

National Bank of Abu Dhabi P.J.S.C.
One NBAD Tower
Sheikh Khalifa Street
P.O. Box 4
Abu Dhabi
United Arab Emirates

DEALERS

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

National Bank of Abu Dhabi P.J.S.C.
One NBAD Tower
Sheikh Khalifa Street
P.O. Box 4
Abu Dhabi
United Arab Emirates

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR
United Kingdom

آيبيك
IPIC

Printed by RR Donnelley 810452

IPIC GMTN LIMITED

18 DECEMBER 2014