SABIC CAPITAL B.V.

Annual report

31 December 2016

CHEMISTRY THAT MATTERS™

GENERAL INFORMATION

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All amounts are in millions of USD, except for volumes of shares, share par values and number of employees

INDEX

	Page
Report by the Board of Directors	**4**
Consolidated Financial Statements	**7**
Consolidated Statement of Income	8
Consolidated Statement of Comprehensive Income	9
Consolidated Statement of Financial Position	10
Consolidated Statement of Changes in Equity	11
Consolidated Statement of Cash Flows	12
Notes to the Consolidated Financial Statements	13
Company Only Financial Statements	**31**
Company Only Balance Sheet	32
Company Only Statement of Income	33
Notes to the Company Only Financial Statements	34
Other Information	**38**
List of Consolidated and Non-Consolidated Companies	38
Appropriation of Result	38
Independent Auditor’s Report	39

Report by the Board of Directors

General

SABIC Capital B.V. (“the Company”), a direct, wholly-owned subsidiary of SABIC Luxembourg S.à r.l., has two wholly-owned subsidiaries: SABIC Capital I B.V. and SABIC Capital II B.V. (together with the Company, “the Group”). The Company is part of a group of companies owned by Saudi Basic Industries Corporation (“SABIC”), Riyadh, Kingdom of Saudi Arabia (“KSA”), a global manufacturer of chemicals and other basic materials. The Group is mainly engaged in financing and corporate financial services management activities for SABIC subsidiary entities that are located outside the KSA in Europe, Middle-East and Africa (“EMEA”), Asia, and the Americas (“International Subsidiaries”).

Business

Financial review
The Group’s net income for the year ended 31 December 2016 amounted to 2 compared to 1 in 2015. The Group’s income is mainly determined through a market spread on its financing and services activities.

Investments
The value of the Company’s investment in SABIC International Holdings B.V. (“SABIC International”) decreased in 2016 compared to 2015 by 77 mainly as a result of the net effect of the strengthening of the USD and increase in market yield (discount rate) partially offset by the impact of improved expectations over SABIC International future dividend distribution capability.

Financing and available funds
During 2016, an amount of 615 of the revolving credit facility was repaid. At the end of 2016 the total amount of the revolving credit facility was unused and amounted to 2,000 (2015: 1,385). The total unused amount of bank overdraft facilities and money market facilities at the end of 2016 amounted to 461 (2015: 289).

Corporate governance

The Group is managed by a Board of Directors and a Supervisory Board. The Board of Directors meets on a monthly basis during the year. The Supervisory Board meets twice a year.

The Group has taken notice of the adopted legislation regarding gender diversity whereby a "large" company, when nominating or appointing members of the Board of Directors and Supervisory Board, should take into account as much as possible a balanced composition of its Board in terms of gender, to the effect that at least 30 percent of the positions are held by men and at least 30 percent by women. The current composition of the Board of Directors and Supervisory Board is not in line with this legislation and deviates from the above mentioned percentage. The Boards recognize the benefits of diversity, including gender balance. In the future, Board members will continued to be selected on the basis of wide ranging experience, backgrounds, skills, gender, knowledge and insights.

Risk appetite and management

Risk appetite
As part of SABIC’s global Enterprise Risk Management assessment, the Group assesses its internal and external risks regularly, and provides necessary remedial action plans for material risks identified. The Group operates under SABIC’s global established policies and guidelines, assessing its risks and developing action plans, which are reviewed and followed up as necessary in light of risk evaluations. Overall, the Group is willing to bear risks that are assessed as low. The Group’s risk appetite is set as part of SABIC’s 2025 strategy focus as well as internal policies such as the Code of Ethics, company values, authority schedules, treasury and other corporate policies and varies per goal and objective and type of risk:

- Strategic risks: Regarding SABIC’s 2025 strategy, the Group is prepared to take reasonable risk in order to achieve its performance goals and objectives.
- Operational risks: With full and uncompromising focus on Environment, Health, Safety and Security (“EHSS”), the Group strives to minimize any downside risk from the impact of operational failures within its businesses.
- Financial risks: the Group, as part of SABIC globally, takes proper actions to maintain a strong cash position and to support its parent’s best in class credit ratings. Our financial risk management is explained in more detail in Note 17 of the consolidated financial statements.
- Compliance risks: the Group does not allow any of its employees to take any compliance risk and takes appropriate measures in the event of any breach of its Code of Ethics.

Major risks

Management has assessed the following major risk related to the Group:

Volatility in interest rates, market risk, credit risk and liquidity risk

The risks of the Group are mainly financing related risks and this profile has not changed over the years. The Group provides financing to its International Subsidiaries by obtaining funds through equity contributions and loans from related parties as well as from external banking and capital markets, for their investments, capital expenditures and normal operations. Overall, management of the Group believes it has limited exposure to market risk, credit risk and liquidity risks on its financing activities as a result of its operating model, whereby funding obtained externally, are either fully (e.g. loans and bonds) or through limited recourse (e.g. cash pools) guaranteed by SABIC. Foreign exchange risk is also limited as the cash outflows or loans issued are almost completely offset by cash in-flows or loans received.

In addition, the Group is exposed to the following risks as part of SABIC:

Volatility in the global economy

SABIC's growth is to a large extent dependent on the growth of the global Gross Domestic Product ("GDP"). As the recovery of the global economy remains fragile, any decline in global GDP growth could have a decreasing effect on SABIC's financial results. SABIC is mitigating the impact of any volatility in the global economy through an efficient operational cost focus.

Doing business in an international environment

SABIC is a global business with operations in more than 40 countries and has its foundation in Saudi Arabia. SABIC is therefore exposed to unfavourable geo-political, social or economic developments as well as developments in local laws and regulations which could adversely impact the business. To mitigate these risks, SABIC is carefully monitoring the international political, economic and legislative environment.

Compliance with laws and regulations

SABIC's international footprint requires to stay up to date with continuous change and expansion of laws and regulations. Non-compliance with laws and regulations could result in liabilities to SABIC. To mitigate these risks SABIC is actively monitoring its compliance exposures globally and is educating and training all of its employees annually on its Code of Ethics.

Internal Control Systems

The Group's internal control system is designed to provide reasonable assurance to the management and the Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of its financial statements. However, all internal control systems, no matter how well designed, have its limitations. Therefore, even those systems and controls determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparations and presentation.

Human resources

As of 31 December 2016, the Group had 41 (2015: 34) employees directly employed within the Netherlands. The Group has additional managerial responsibility for 519 employees (2015: 63), which provide treasury, tax and financial reporting services and since 1 January 2016, as part of the global SABIC Corporate Finance re-organization, regional accounting services to the International Subsidiaries.

Company outlook

Due to the favourable results and cash generation in 2016 of the International Subsidiaries, the Group has sufficient liquidity available to meet the International Subsidiaries' near term funding needs and capital expenditure commitments. The International Subsidiaries are expected to generate sufficient free cash flow in 2017. For large projects or investments to support SABIC's international growth, the Group has the availability of its unused multi-currency revolving credit facility as wel as the ability to borrow additional funds externally depending on the availability of funds in the banking and capital markets and the support of SABIC. The Group's ability to borrow externally remains strong due to the guarantees from SABIC.

Amsterdam, 13 April 2017

Signed by:

/s/ P.G.H.M. Dorn

P.G.H.M. Dorn

/s/ M.R. De Groot

M.R. De Groot

/s/ T.G. Brierley

T.G. Brierley

Consolidated Financial Statements

31 December 2016

Consolidated Statement of Income

	Notes	For the years ended 31 December 2016	2015
Financial income	3	299	344
Financial expense	4	(295)	(339)
Operating revenues		4	5
Selling, general and administrative expense	5	(1)	(3)
Income before tax		**3**	**2**
Income tax expense	6	(1)	(1)
Net income for the year		**2**	**1**
Attributable to:			
Owner of the Company		2	1
Net income for the year		**2**	**1**

See accompanying Notes to the Consolidated Financial Statements

All amounts are in millions of USD, except for volumes of shares, share par values and number of employees

Consolidated Statement of Comprehensive Income

	Note	For the years ended 31 December 2016	2015
Net income for the year		2	1
Other comprehensive income:			
Net loss from available-for-sale investment	7	(77)	(314)
Total other comprehensive loss to be reclassified to consolidated statement of income in subsequent periods, net of tax*		**(77)**	**(314)**
Total other comprehensive loss, net of tax		**(75)**	**(313)**
Attributable to:			
Owner of the Company		(75)	(313)
Total comprehensive loss, net of tax		**(75)**	**(313)**

* There is no tax impact on the loss from available-for-sale investments

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Consolidated Statement of Financial Position

	Notes	At 31 December 2016	2015
Assets			
Non-current assets			
Available-for-sale investment-unquoted shares	7	2,067	2,144
Other financial assets	8	7,176	7,228
		9,243	9,372
Current assets			
Other financial assets	8	2,230	2,600
Other receivables	9	31	41
Cash and cash equivalents		333	47
		2,594	2,688
Total assets		**11,837**	**12,060**
Equity and liabilities			
Equity			
Equity attributable to owner of the Company	10	2,087	2,162
		2,087	2,162
Non-current liabilities			
Interest-bearing loans and borrowings	11	7,162	7,822
Employee benefits		—	1
		7,162	7,823
Current liabilities			
Current liabilities, interest-bearing	11	2,551	2,044
Trade and other payables	12	37	31
		2,588	2,075
Total liabilities		9,750	9,898
Total equity and liabilities		**11,837**	**12,060**

See accompanying Notes to the Consolidated Financial Statements

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Consolidated Statement of Changes in Equity

	Attributable to owner of the Company					
	Issued capital*	**Share premium**	**Retained earnings**	**Other reserves**	**Available-for-sale investment reserve**	**Total Equity**
Balance as at 1 January 2015	**—**	**1,332**	**15**	**1**	**1,127**	**2,475**
Net loss available-for-sale investment	—	—	—	—	(314)	(314)
Net income for the year	—	—	1	—	—	1
Total comprehensive loss for the year, net of tax	—	—	1	—	(314)	(313)
Balance as at 31 December 2015	**—**	**1,332**	**16**	**1**	**813**	**2,162**
Net loss available-for-sale investment	—	—	—	—	(77)	(77)
Net income for the year	—	—	2	—	—	2
Total comprehensive loss for the year, net of tax	—	—	2	—	(77)	(75)
Balance as at 31 December 2016	**—**	**1,332**	**18**	**1**	**736**	**2,087**

**Issued capital amounts to € 18,000.*

All amounts are in millions of USD, except for volumes of shares, share par values and number of employees

Consolidated Statement of Cash Flows

	For the years ended 31 December	
	2016	**2015**
Operating activities		
Net income for the year	2	1
Add back non-cash items in net income		
Interest revenue and expense, net	(9)	(10)
Amortization debt issuance costs	6	5
Income tax expense	1	1
Changes in Group funding:		
Proceeds from funding from related parties	1,071	2,151
Repayments of funding from related parties	—	(1,453)
Proceeds from third party funding	2,155	1,924
Repayments of third party funding	(2,965)	(2,618)
Debt issuance costs paid	—	(5)
Interest received	280	331
Interest paid	(271)	(318)
Guarantee fee received	19	26
Guarantee fee paid	—	(55)
Change in working capital:		
Current receivables	11	(5)
Current liabilities – non-interest-bearing	(12)	14
Income tax paid	(2)	(2)
Net cash provided by (used in) operating activities	**286**	**(13)**
Net increase (decrease) in cash and cash equivalents	286	(13)
Cash and cash equivalents at 1 January	47	60
Cash and cash equivalents at 31 December	**333**	**47**

See accompanying Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

1. Organization and activities

SABIC Capital B.V. (“the Company”) was incorporated on 3 September 2008 as a private company with limited liability (“besloten vennootschap met beperkte aansprakelijkheid”) in accordance with Dutch law and was registered at the trade register of the Chamber of Commerce in the Netherlands on 4 September 2008, with registration number 14105349. The Company having its legal seat in Amsterdam, the Netherlands, is a direct, wholly owned subsidiary of SABIC Luxembourg S.à r.l.

The Company has two wholly owned subsidiaries: SABIC Capital I B.V. and SABIC Capital II B.V. (together with the Company, “the Group”). The Company is an indirect subsidiary of Saudi Basic Industries Corporation (“SABIC”) a Saudi Arabian joint stock company based in Riyadh, Kingdom of Saudi Arabia (“KSA”). SABIC is engaged in the manufacturing, marketing and distribution of chemicals and other basic materials in global markets.

The primary purpose of the Group is to act as a financing and corporate financial and accounting services management company for SABIC entities outside the KSA, in Europe, Middle-East and Africa, Asia, and the Americas (“International Subsidiaries”). The Group’s financing is ensured through equity contributions, loans from related parties and third party financing. The Group has guarantees supporting its external financing from SABIC to receive sufficient funds to ensure compliance with all of its payment obligations to creditors. The Group’s corporate financial services consist of treasury, tax and group reporting and accounting services, most of which are charged out to the recipient SABIC entities.

The financial statements of the Company for the year ended 31 December 2016 were approved on 13 April 2017 and are subject to adoption by the Annual General Meeting of the Shareholder.

2. Basis of preparation and accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and its interpretations as adopted by the International Accounting Standards Board (“IASB”) and endorsed by the European Union (“EU”). In conformity with Article 2:402 of the Dutch Civil Code, the company only statement of income is presented in a condensed form.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services at the date of inception.

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, regardless whether that price is directly observable or estimated using another technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis.

The Group has categorized its financial assets and liabilities into a three-level fair value hierarchy, based on the degree to which the inputs to fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirely, which are described as follows:

- 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
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company has:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Company 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. Generally, there is a presumption that a majority of voting rights results in control.

Profit or loss and each component of other comprehensive income are attributed to the equity owner of the Company and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows related to transactions between members of the Group are eliminated in full on consolidation.

The Group's consolidated companies at 31 December 2016 are disclosed in the Other Information section.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in the future.

These estimates and assumptions are based upon historical experience and various other factors that are believed to be relevant and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the revision period and future periods if the changed estimates affect both current and future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties include:

- Capital management, financial instruments risk management and policies (Note 17)
- Sensitivity analyses disclosures (Note 17)

2.3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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 described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond control of the Company. Such changes are reflected in the assumptions when they occur.

Available-for-sale investments – unquoted shares from a related party (Note 7)
The fair value of available-for-sale investments recorded in the consolidated statement of financial position cannot be derived from active markets; they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Changes in assumptions about these factors could affect the reported fair value of the available-for-sale investments.

2.4 Changes in accounting policies and disclosures

The Company's accounting policies adopted are consistent with those of previous year.

Future changes in accounting policies and disclosures

The Company has not early adopted any of the following new and amended standards and interpretations issued but not effective for the financial year beginning 1 January 2016:

- IFRS 9 '*Financial Instruments*'. The final version of IFRS 9 replaces IAS 39 '*Financial Instruments: Recognition and Measurement'*. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company is still performing the potential impact assessment of this new standard.

- IFRS 15 '*Revenue from Contracts with Customers*'. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 '*Revenue*' and the related interpretations when it becomes effective. Considering that the Company's revenue consists of interest income, IFRS 15 will have no significant impact, other than additional disclosure notes.

- IFRS 16 '*Leases'*. IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the current lease standard and interpretations upon its effective date, 1 January 2019.

  The Standard removes the distinction between operating and finance lease under IAS 17 *'Leases'* and requires a lessee to recognize a right-of-use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets. Based on a preliminary assessment, the Company concludes that the new Standard will not have a significant impact due to the nature of the current contracts and/or the low value of the eligible assets.

- Amendments to IAS 7 *'Disclosure Initiative'*. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. However, an entity may fulfil the disclosure objective by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

  The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. Entities are not required to present comparative information for earlier periods. This amendment has not yet been endorsed by the EU and it will only affect the Company's disclosure notes to the financial statements.

Other new and amended standards and interpretations issued, but not yet effective, are not considered materially applicable to the Company now and in the foreseeable future.

2.5 Summary of significant accounting policies

The Group's consolidated financial statements are presented in US Dollars, which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of an operation, the gain or loss that is reclassified to the consolidated statement of income reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

All amounts are in millions of USD, except for volumes of shares, share par values and number of employees

Differences arising on settlement or translation of monetary items are recognized in the consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of an operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded 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 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 translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the 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 statement of income are also recognized in other comprehensive income or statement of income, respectively).

The principal exchange rates against the US Dollar of the Company's main foreign currency, used in preparing the consolidated financial statements of financial position and statements of income, are:

	Statement of Financial Position		Statement of Income	
	Exchange rate at 31 December 2016	Exchange rate at 31 December 2015	Average exchange rate 2016	Average exchange rate 2015
Euro	1.05	1.09	1.11	1.11

Current versus non-current classification
An asset (liability) is classified as current when it is expected to be realized (settled) within 12 months after the balance sheet date, except for derivatives designated as a hedge, which are classified consistent with the underlying hedged item.

Financial income and expense
For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate ("EIR"), which is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income (or expense) is included in financial income (or expense) in the consolidated statement of income. Premiums, discounts and transaction costs on loans are carried as an adjustment to interest expenses, spread over the term of the loans concerned.

Expenses
Operating costs are recognized on a historical cost basis. The Group provides treasury, tax and group financial and accounting services to SABIC. All costs related to the provided services are being recharged to the service receiving companies.

Eligible (direct) employees participate in defined contribution plans. Obligations for contributions to defined contribution plans are recognized in the consolidated statement of income as incurred.

Taxation
Income tax expense represents the sum of the tax currently payable.

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount due are those that are enacted or substantively enacted at the balance sheet date in the Netherlands. Current income tax relating to items recognized directly in equity is recognized in the equity and not in consolidated statement of income. Management 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.

Total comprehensive income
Total consolidated statement of comprehensive income consists of net income (loss) and the change in fair value of available-for-sale investments.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through statement of income, loans and receivables, held-to-maturity investments, available-for-sale (“AFS”) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through statement of income, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at fair value through statement of income
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

Financial assets at fair value through statement of income
Financial assets at fair value through statement of income include financial assets held for trading and financial assets designated upon initial recognition at fair value through the statement of income. The Group has not designated any financial assets at fair value through the statement of income.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized 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. The EIR amortization is included in finance income in the statement of income. The losses arising from impairment are recognized in the statement of income in finance costs for loans and in cost of sales or other operating expenses for receivables.

AFS financial assets
AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through statement of income. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income and credited in the AFS reserve until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of income in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates annually whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

De-recognition
A financial asset is primarily de-recognized when the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party.

Impairment of financial assets
The Group assesses annually whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred ‘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 reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment of financial assets – AFS investment
For its AFS investment, the Company assesses at each reporting date whether there is objective evidence that the investment is impaired. For equity investments classified as AFS, 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 recognized in the statement of income – is removed from other comprehensive income and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income; increases in their fair value after impairment are recognized directly in the statement of other comprehensive income.

Financial assets carried at amortized cost
For financial assets carried at amortized cost, the Group assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. The amount of any impairment loss identified 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 EIR.

Cash and cash equivalents
Cash and cash equivalents comprise of cash at banks and on hand.

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

Deferred debt issuance costs
Deferred debt issuance costs are accounted for in accordance with IAS 39 "*Financial Instruments: Recognition and Measurement*", and represent an adjustment to the initial carrying amount of debt. These costs are amortized over the life of the debt and increase the amount of interest expense recognized on the debt.

Employee benefits
Other employee benefits that are expected to be settled fully within 12 months after the end of the reporting period are presented as current liabilities. Other employee benefits that are not expected to be settled fully within 12 months after the end of the reporting period are presented as non-current liabilities.

Current liabilities and other payables
Current liabilities and other payables are stated at amortized cost, which generally corresponds to the face value.

Offsetting of financial assets and liabilities
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Company applies netting of financial assets and liabilities, such as current accounts, where offsetting is justified by a formal agreement, provided these criteria are met.

De-recognition of financial liabilities
A financial liability is de-recognized when the obligation under the liability is discharged, cancelled or expired.

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

All amounts are in millions of USD, except for volumes of shares, share par values and number of employees

Statement of cash flows

The Group uses the indirect method to prepare the consolidated statement of cash flows. Cash flows in foreign currencies are translated at average exchange rates. Exchange rate differences affecting cash items are presented separately in the consolidated statement of cash flows. In line with the Company's operating model, movements and transactions related to loans and receivables are included in the cash flows from operating activities.

3. Financial income

The consolidated statement of income includes the following financial income for the year ended 31 December:

	2016	2015
Interest income related parties	295	339
Interest income third parties	4	5
Total financial income	**299**	**344**

Included in interest income from related parties is a guarantee fee in the amount of 19 (2015: 26) to cover the guarantee support fee payable to SABIC (see also Note 4).

4. Financial expense

The consolidated statement of income includes the following financial expense for the year ended 31 December:

	2016	2015
Interest expense related parties	203	221
Interest expense third parties	66	87
Guarantee support fee owed to SABIC	19	26
Other financial-related expenses	7	5
Total financial expenses	**295**	**339**

5. Selling, general and administrative expense

Included in the selling, general and administrative expense are the following amounts by nature of expense for the year ended 31 December:

	2016	2015
Wages and salaries, pension costs and social security and benefit charges	(16)	(17)
Other external expenses	(24)	(15)
Cost recharged to other SABIC companies	39	29
Total selling, general and administrative expense	**(1)**	**(3)**

As of 31 December 2016, the Company had 41 employees directly employed within the Netherlands (2015: 34). The Group has additional managerial responsibility for 519 employees (2015: 63), which provide treasury, tax and financial reporting services and since 1 January 2016, as part of the global SABIC Corporate Finance re-organization, regional accounting services to the International Subsidiaries. The total incurred cost is included in wages and salaries, pension costs and social security and benefit charges and only relates to those costs which are charged out for the historical treasury, tax and financial reporting services as the regional accounting services are incurred in the entities which also benefit from the provided services.

The net expense in 2016 is caused by a provision of 1 (2015: 3) against a withholding tax receivable from foreign tax authorities.

All amounts are in millions of USD, except for volumes of shares, share par values and number of employees

6. Corporate income tax

The companies in the Group are part of a Dutch fiscal unity headed by the Company. The regulations for a Dutch fiscal unity stipulate that all companies included in the fiscal unity are jointly and severally liable for all tax liabilities due by the tax parent company until the tax unity ceases. The Company's individual corporate income tax is calculated on a stand-alone basis.

The taxable income is subject to an advanced pricing agreement with the Dutch Tax Authorities, under which a minimum taxable margin is declared in the annual corporate income tax return.

In 2016, the current tax charge recorded in the consolidated statement of income amounted to 1 (2015: 1). The effective tax charge amounts to 32% (2015: 44%) leading to a difference with the domestic income tax charge (25%) largely caused by a (non-taxable) provision of 1 against a withholding tax receivable from foreign tax authorities.

7. Available-for-sale investment – unquoted shares

The consolidated statement of financial position includes the following for the year ended 31 December:

	2016	**2015**
Preference shares from a related party	2,067	2,144
Total available-for-sale investment	**2,067**	**2,144**

Preference shares
In December 2008, SABIC Capital II B.V. made a contribution for an amount of € 1,028 million on the cumulative preference shares of SABIC International Holdings B.V. ("SABIC International"), a related party, with a coupon of 8.5%, representing 5.05% of the shares of SABIC International. The contribution consists of 7,982,000 cumulative preference shares with a par value of € 1 per share. The change of the fair value of the cumulative preference shares as at 31 December 2016 for an amount of 77 (2015: 314 decrease) is recorded through the consolidated statement of comprehensive income. Due to SABIC International negative retained earnings position, no dividends could be distributed to the Group as preferred shareholder. The accumulated undistributed dividend, related to the cumulative preference shares, amounts to 735 as of 31 December 2016.

All amounts are in millions of USD, except for volumes of shares, share par values and number of employees

8. Other financial assets

Other financial assets consist of loans to SABIC International and SABIC US Holdings LP, which are subsequently provided to the International Subsidiaries.

Other financial assets comprise of the following at 31 December:

	EIR 2016	Maturity	2016	2015
Loan to SABIC International	3.81%	2017	20	20
Loan to SABIC International	1.65%	2017	20	20
Loan to SABIC International	2.06%	2018	10	10
Loan to SABIC International	2.43% - 3.89%	2018	1,532	1,532
Loan to SABIC US Holdings LP	3.26%	2018	1,000	1,000
Loan to SABIC US Holdings LP	1 m Libor + 170 bps	2018	1,000	1,000
Loan to SABIC International	2.50%	2019	10	10
Loan to SABIC International	3.00%	2020	40	40
Loan to SABIC International	3.33%	2020	788	820
Loan to SABIC International	5.50% – 5.70%	2021	1,796	1,796
Loan to SABIC International	4.22%	2023	1,000	1,000
Cash pool with related parties	Floating inter day %+ 50 bps		2,190	2,580
Total loans to related parties			**9,406**	**9,828**
Less:				
Current portion of long term loans			20	—
Short term loans to SABIC International			20	20
Cash pool with related parties			2,190	2,580
Total current other financial assets			**2,230**	**2,600**
Total non-current other financial assets			**7,176**	**7,228**

All loans with a maturity ending in 2016 and the revolving credit facility were repaid prior to or on their respective due dates.

Loans to SABIC International
The Group has entered into multiple interest-bearing cash deposits agreements provided to SABIC International. These agreements bear interest mostly on a fixed rate.

Loans to SABIC International 2018
From December 2008 through April 2010, the Group entered into loans to on-lend to SABIC International. These borrowings mature in March 2018. On 1 January 2015, a number of loans have been converted into one new loan, which carries a fixed coupon of 2.43%. For the period ending December 2016, the outstanding notional value of the March 2018 loans, including accrued interest, amounted to 1,532 (2015: 1,532). The accumulated interest capitalized in 2016 amounted to 82 (2015: 82).

Loan to SABIC International 2021
During August and November 2011, the Group entered into loans provided to SABIC International in the amount of 2,321, in the aggregate. These borrowings mature on 31 December 2021 and the interest rates are fixed varying

All amounts are in millions of USD, except for volumes of shares, share par values and number of employees

from 5.50% to 5.70% and payable at every quarter. Interest payments (for an amount of 67) for the 3rd and 4th quarter 2012 were capitalized to the loan amount. The outstanding notional value of these loans, for the period ending December 2016 was 1,796 (2015: 1,796).

Cash pool with related parties
The Group serves as the head of a global cash pool for the International Subsidiaries to provide sufficient funding for their operational cash flows.

9. Other receivables

Other receivables consist of the following as at 31 December:

	2016	2015
Receivables from related parties	18	28
Accrued interest from related parties	13	13
Total other receivables	**31**	**41**

The receivables from related parties are non-interest bearing and relate mainly to cost recharges to other SABIC entities. The accrued interest from related parties relate to loans granted to SABIC International and SABIC US Holdings LP.

10. Equity attributable to owner of the Company

At 31 December 2016 and 2015, issued capital amounts to € 18,000 distributed over 18,000 ordinary shares with a par value of € 1 per share. The authorized share capital amounts to € 90,000 consisting of 90,000 ordinary shares with a par value of € 1 per share.

Included in the retained earnings is the un-appropriated result for 2016 for an amount of 2, which is at the disposal of the General Meeting of Shareholders. The available-for-sale investment reserve is a legal reserve in accordance with Dutch law and is not available for distribution.

Dividends paid
The Company distributed no dividends to its parent in 2016 (2015: nil).

All amounts are in millions of USD, except for volumes of shares, share par values and number of employees

11. Interest-bearing loans and borrowings

Interest-bearing loans and borrowings consist of the following as at 31 December:

	EIR 2016	Maturity	2016	2015
Money market	Libor + 140 bps	2016	—	75
Term loan	1 month Libor + 50 bps	2018	998	997
US Dollar Bond	2.82%	2018	997	995
Eurobond	2.94 %	2020	782	811
Multi-currency revolving credit facility	Libor/Euribor + 25 bps	2020	(4)	610
Bank overdrafts			4	124
Total third party loans and borrowings			2,777	3,612
Loans from related party SABCAP	1.98%	2017	20	20
Loans from related party SABCAP	1.30%	2017	20	20
Loans from related party SABCAP	1.63%	2018	10	10
Loans from related party SABCAP	1.98%	2019	10	10
Loans from related party SABCAP	2.39%	2020	40	40
Loans from related party SABIC	2.38%-3.86%	2018	1,532	1,532
Loans from related party SABIC	5.47% – 5.67%	2021	1,797	1,797
Loans from related party SABIC	4.19%	2023	1,000	1,000
Cash pool with related parties	Floating inter day % -10 bps		2,507	1,825
Total Loans from related parties and borrowings			6,936	6,254
Total interest-bearing loans and borrowings			**9,713**	**9,866**
Less:				
Money market			—	75
Short-term loan from related parties			20	20
Current portion of loans from related parties			20	—
Cash pool with related parties			2,507	1,825
Bank overdrafts			4	124
Current liabilities, interest-bearing			**2,551**	**2,044**
Total non-current interest-bearing loans and borrowings			**7,162**	**7,822**

All loans with a maturity ending in 2016 and the multi-currency revolving credit facility were repaid prior to or on their respective due dates.

Money market
At the end of 2015, the Group had 75 loans outstanding under uncommitted lines of credit. As at the end of 2016 the facility was not used. The unused amount of the Money market facilities amounted to 205 at the end of December 2016.

Term loan
On 18 July 2013, the Group entered into a syndicated 1,000 five-year term loan agreement which has a bullet maturity. This facility bears interest at floating rate LIBOR plus a specified margin.

US Dollar Bond 2018
In October 2013, the Group issued a 1,000 five-year bond with a coupon of 2.625% which matures on 3 October 2018. The EIR, including amortization of debt issuance cost, is 2.82%, excluding the guarantee fee to be paid to SABIC.

Eurobond 2020
In November 2013, the Group issued a €750 seven-year bond with a coupon of 2.75% which matures on 20 November 2020. The EIR, including amortization of debt issuance cost, is 2.94%, excluding the guarantee fee to be paid to SABIC.

Multi-currency revolving credit facility
Since 2015, the Group has a 2,000 revolving credit facility with interest rate of Libor +25 bps for a period of 5 years. The facility is not drawn and therefore fully available as of 31 December 2016, capitalized financing fees amount to 4.

Bank overdrafts
Bank overdrafts relate to overdraft positions of certain companies within the Group’s cash pool arrangements with external banks. The unused amount of the bank overdrafts facilities amounted to 256 at the end of December 2016.

Loans from related party SABCAP
The Group has entered into multiple interest-bearing cash deposits agreements with SABCAP, a related party. These agreements bear interest mostly on a fixed rate.

Loans from related party SABIC 2018
Since its inception, the Group received several loans from SABIC, amounting to 1,532 (2015: 1,532). These borrowings mature in March 2018 and bear fixed rates varying from 2.378% to 3.86%. The accumulated interest capitalized in 2016 amounted to 87 (2015: 87). On 1 January 2015, a number of these loans has been converted to a new loan from related parties and bear a fixed rate of 2.378%.

Loans from related partySABIC 2021
The loans received from SABIC in August and November 2011 amounting to 1,797 (2015: 2,388), mature on 31 December 2021 and bear fixed rates varying from 5.47% to 5.67%. The interest is payable every quarter end. Interest payments (for an amount of 66) of the 3rd and 4th quarter 2012 were capitalized as part of the outstanding principal loan amount.

Loans from related party SABIC 2023
In June 2013, the Group received two new loans from SABIC amounting to 1,000. These borrowings mature on 23 June 2023 and bear a fixed rate of 4.19%.

Cash pool with related parties
Since 2012, the Group serves as the head of a global cash pool for the International Subsidiaries, to provide sufficient funding for their operational cash flows.

All amounts are in millions of USD, except for volumes of shares, share par values and number of employees

12. Trade and other payables

Trade and other payables consist of the following as at 31 December:

	2016	2015
Accrued interest	9	9
Guarantee fee	19	—
Payable to related parties	2	15
Trade payables	6	4
Income tax	—	1
Employee related	1	2
Total trade and other payables	**37**	**31**

The guarantee fee is payable to SABIC. Accrued interest relates to interest to be paid on the Eurobond and the US dollar bonds.

13. Derivatives

As at 31 December 2016, there were no outstanding derivative contracts (2015: nil).

14. Commitments and Contingencies

Operating lease commitments – the Group as lessee
The Group has entered into operational lease arrangements for its offices and lease cars. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2016	2015
Between 1 – 5 years	3	3
Thereafter	—	1
Total	**3**	**4**

Financial indebtedness and guarantees
On 14 February 2009 and 24 November 2010, the Group entered into a guarantee agreement with SABIC, whereby SABIC guarantees that sufficient funds will be available to meet any payment obligation. Such undertaking is not limited in time or amount. In addition, third party lenders to the Group and holders of securities issued by the Group have received direct guarantees from SABIC.

The regulations for a Dutch tax unity stipulate that all companies included in the tax unity are jointly and severally liable for all tax liabilities due by the tax parent company until the tax unity ceases. The Group is also included in a Dutch Value Added Tax (“VAT”) tax unity headed by SABIC International.

The Group has provided bank guarantees in the amount of 159 on behalf of the International Subsidiaries as at 31 December 2016 (2015: 319).

15. Related party transactions

During 2016 and 2015, the Group had regular and non-recurring business transactions with the International Subsidiaries. These companies are referred to as related parties. The majority of the transactions presented in the consolidated statement of income and the consolidated statement of financial position are with SABIC, SABIC International and SABIC US Holdings LP.

All amounts are in millions of USD, except for volumes of shares, share par values and number of employees

All relations and transactions with related parties, including but not limited to service fees for treasury, tax and group reporting activities, financial income and financial expenses, have been included as follows in the consolidated statement of income and the consolidated statement of financial position for the year ended 31 December:

Consolidated Statement of income:

	2016	2015
Interest income	276	313
Guarantee support fee income	19	26
Financial expense	(203)	(221)
Guarantee support fee expense	(19)	(26)
Cost recharged from related parties	13	(11)
Cost recharged to related parties	39	29

Consolidated Statement of financial position:

	2016	2015
Available-for-sale investment – unquoted shares	2,067	2,144
Other financial assets – loans to related parties	7,176	7,228
Other financial assets – current	2,230	2,600
Receivables from related parties	18	28
Accrued interest from related parties	13	13
Loans from related parties	(4,389)	(4,409)
Current liabilities, interest-bearing	(2,547)	(1,845)
Payables to related parties	(21)	(15)

Terms and conditions of transactions with related parties
The transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances, excluding loans and borrowings, at year-end are unsecured, interest free and settlement occurs in cash.

There have been no guarantees provided or charged on for any related party receivables or payables, other than disclosed in Note 14. For the year ended 31 December 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2015: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

16. Remuneration management

Management of the Group are remunerated for their services, which includes bonuses, pensions and social security contributions, which amounted to 2 for the year ended 31 December 2016 (2015: 3) . The Directors of the Company did not receive any remuneration for their services in 2016 (2015: nil).

17. Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings and other payables contracted to raise funding to provide further funding to the International Subsidiaries. The Group's financial assets include loans to related parties and other receivables and cash and short-term deposits that arrive directly from its financing activities.

The Group has limited exposure to market risk, credit risk and liquidity risk on its financing activities due to its operating model. The Group manages these risks for SABIC's International Subsidiaries financing activities. The Group ensures that its financial risk-taking activities are governed by appropriate policies and procedures and those financial risks are identified, measured and managed in accordance with SABIC's global treasury policies and SABIC risk profile. The Group does not have derivative financial instruments at the end of 2016 (2015: nil).

The management of the Group reviews and manages each of these risks, which are summarized below.

All amounts are in millions of USD, except for volumes of shares, share par values and number of employees

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

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group's policy is to maintain between 50% and 100% of its borrowings at fixed rates. To manage this, the Group may enter 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.

As at the end of 2016 and 2015, the Group had only limited exposure to the risk of changes in market interest rates as all the Group loans received and provided carried fixed interest rates, except for the multi-currency revolving credit facilities, the term loan, the cash pool and the short term loan facility. The interest rate risk for the Group is limited as all loans are back to back using the same interest rate plus a spread for the interest on the loan receivables. During 2016 and 2015, the Group did not enter into any interest rate swap arrangements.

The interest exposure on the cash and cash equivalents, cash pool, short term loan and bank overdrafts, if any, amounts to 12 (2015: 12). The interest rate is based on one month LIBOR.

Interest rate sensitivity
The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before tax and equity.

	Increase (decrease) in basis points	**Effect on income (loss) before taxation***
One month LIBOR 31 December 2015 versus 31 December 2016	34	0.042
1% change	100	0.122

* Effect on equity equals effect on income before taxation.

Foreign currency risk
The Group operates in international markets and is primarily exposed to foreign exchange risk arising from loans related to EUR exposures. Foreign exchange risk arising from loans denominated in EUR is limited to the Group as the cash outflows or loans issued, are almost completely offset by cash inflows or loans received. The effect of a reasonable change in income (loss) before taxation is assessed as not material.

The Group serves as the head of a global cash pool for the International Subsidiaries to provide their operations with sufficient funding for their operational cash flows.

Other price risk
The Group holds an equity interest in SABIC International. The fair value of these unquoted preference shares has been estimated using a discounted cash flow model. The valuation requires management to make certain assumptions about the model inputs including credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for this unquoted equity investments. Increasing the yield rate with 1% will result in a decrease of the fair value of the equity interest with approximately 254 (2015: 235).

Credit and counterparty risk
Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or contract, resulting in a financial loss. The Group is exposed to credit risk from its financing activities, including loans to other SABIC companies, deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group has a policy to manage exposure to counterparty risk represented by possible defaults on financial instruments by monitoring the concentration of risk that it has with any individual bank or counterparty and through the use of minimum credit quality standards for accepting counterparties.

All amounts are in millions of USD, except for volumes of shares, share par values and number of employees

As at 31 December 2016, the Group has financing activities mainly with SABIC International and SABIC US Holdings LP. With respect to loans issued to related parties, the Group acts as an intermediate between SABIC or the capital markets, and the related party companies, whereby it bears a pre-defined and limited credit risk.

With respect to loans between the Group and SABIC International, for which the Group has borrowed a corresponding amount from SABIC, individual limitation of recourse letters have been entered into between the three companies, whereby, among others, the Group's exposure to a default of the borrower under the loan agreement is limited to the maximum amount of 2 (€ 2 million).

With respect to the issuance of the fixed rate bonds and loans, SABIC has issued a direct guarantee for the lenders.

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

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2016 and 2015, respectively, based on undiscounted contractual payments:

	Within 1 year	Between 1 and 5 years	More than 5 years	Total
At 31 December 2016				
Third party loans and borrowings	61	2,887	—	2,948
Loan from related parties	234	3,982	1,062	5,278
Cash pool with related parties	2,507	—	—	2,507
Bank overdraft	—	—	—	—
Other payables	38	—	—	38
At 31 December 2015				
Third party loans and borrowings	142	3,647	—	3,789
Loan from related parties	214	2,255	3,003	5,472
Cash pool with related parties	1,825	—	—	1,825
Bank overdraft	124	—	—	124
Other payables	31	—	—	31

For several loans interest is capitalized and added to the principal loan amount and, as from that moment, also becomes interest bearing. The maturity of the interest bearing loans and borrowings is in line with the maturity of the financial assets.

Capital management
Capital represents equity attributable to the owners of the Group. The primary objective to the SABIC Group's capital management is to support SABIC's business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objective, policies or processes in 2016.

Fair values
The Group has categorized its financial assets and liabilities into a three-level fair value hierarchy, based on the nature of the inputs used in determining fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The fair value measurements of available-for-sale investments can be categorized as Level 3. All other fair value measurements of financial assets and liabilities reported in the financial statements can be categorized as Level 2, except for the Eurobond and US Dollar bond which can be categorized as Level 1.

All amounts are in millions of USD, except for volumes of shares, share par values and number of employees

Reconciliation of fair value measurements of Level 3 financial instruments:
The Company carries unquoted preference shares from a related party as an available-for-sale instrument classified as Level 3 within the fair value hierarchy. The fair value of the unquoted preference shares has been estimated using a discounted cash flow model. The valuation requires management to make certain assumptions about the model inputs including credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

The reconciliation of the fair value through 31 December 2016 is as follows:

1 January 2015	**2,458**
Total loss recognized in other comprehensive income	(314)
31 December 2015	**2,144**
Total loss recognized in other comprehensive income	(77)
31 December 2016	**2,067**

The discount rate applied by the Company for the discounted cash flow model was determined by reference to preference shares dividend yield rates as applicable for a peer group of companies for SABIC International which increased by 52 bps to 5.92% in 2016. The Company used business performance forecasts to estimate future availability of distributable dividends from SABIC International, starting from 2020 onwards.

Management has assumed that, in order to determine the fair value of its cumulative preference shares, dividends will be distributed when SABIC International will have positive dividend reserves (retained earnings and other reserves) associated with the cumulative preference shares. Ultimately, dividend distributions are in accordance with the Articles of Association of SABIC International and at the discretion of its shareholder. If the dividend distribution was one year later the fair value of the equity interest would decrease with approximately 115.

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

	Carrying amount		Fair value	
	2016	**2015**	**2016**	**2015**
Financial assets				
Cash and cash equivalents	333	47	333	47
Other receivables	31	41	31	41
Available-for-sale investment – unquoted shares	2,067	2,144	2,067	2,144
Other financial assets	7,176	7,228	7,614	7,726
Other financial assets - current	2,230	2,600	2,230	2,600
Financial liabilities				
Other payables	37	31	37	31
Interest bearing loans and borrowings	7,162	7,822	7,640	8,289
Provisions	—	1	—	1
Current liabilities, interest-bearing	2,551	2,044	2,551	2,044

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

- Cash and cash equivalents, other receivables and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair value of the fixed rate financial assets and fixed rate borrowing is based on interest rate quotations in active markets at the balance sheet date. The fair value of unquoted instruments, loans from banks and other financial indebtedness, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities.

- The fair value of unquoted instruments, loans from banks and other financial indebtedness, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currency available for debt or similar terms and remaining maturities.

Company Only Financial Statements

31 December 2016

All amounts are in millions of USD, except for volumes of shares, share par values and number of employees

Company Only Balance Sheet

	Notes	At 31 December 2016	2015
Assets			
Non-current assets			
Financial assets	2	2,098	2,172
		2,098	2,172
Current assets			
Other receivables	3	21	33
Cash and cash equivalents		—	—
		21	33
Total assets		**2,119**	**2,205**
Equity and liabilities			
Equity			
Issued capital	4	—	—
Share premium	4	1,332	1,332
Retained earnings		17	16
Available-for-sale investment reserve		736	813
Net income		2	1
		2,087	2,162
Non-current liabilities			
Employee benefits		—	1
		—	1
Current liabilities			
Current liabilities, interest-bearing	5	22	22
Trade and other payables	6	10	20
		32	42
Total liabilities		32	43
Total equity and liabilities		**2,119**	**2,205**

See accompanying Notes to the Financial Statements

Company Only Statement of Income

		At 31 December	
	Notes	**2016**	**2015**
Income from subsidiaries, after tax	2	3	5
Other expenses, after tax		(1)	(4)
Net income		**2**	**1**

See accompanying Notes to the Financial Statements

All amounts are in millions of USD, except for volumes of shares, share par values and number of employees

Notes to the Company Only Financial Statements

1. General

The financial statements of SABIC Capital B.V. (‘the Company’), have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code, making use of the IFRS principles as adopted by the EU and as applied in the consolidated financial statements (ex. Article 2:362 par. 8, Dutch Civil Code) as presented on page 13 to 19.

Assets and liabilities are valued in accordance with the accounting policies as set out in the notes to the consolidated financial statements, except for the financial fixed assets. The financial fixed assets are valued at net asset value. This also applies to the method used to calculate the results.

In conformity with Article 2:402 of the Dutch Civil Code the company only statement of income is presented in a condensed form.

2. Financial assets

	2016	2015
Balance as at 1 January	2,172	2,481
Net loss available-for-sale investments	(77)	(314)
Income from subsidiaries	3	5
Total financial assets	**2,098**	**2,172**

The Company’s direct wholly owned subsidiaries are SABIC Capital I B.V. and SABIC Capital II B.V.

3. Other receivables

Other receivables consist of the following as at 31 December:

	2016	2015
Accounts receivable from related parties	20	33
Income tax receivable	1	—
Total other receivables	**21**	**33**

4. Equity

The issued and paid-in capital amounts to € 18,000 distributed over 18,000 ordinary shares with a par value of € 1 per share. The authorized share capital amounts to € 90,000 divided into 90,000 ordinary shares with a par value of € 1 per share.

The available-for-sale investment reserve is a legal reserve and not available for distribution. For details see the consolidated statement of changes in equity and Note 10 of the consolidated financial statements.

5. Current liabilities, interest-bearing

Interest-bearing loans and borrowings consist of the following as at 31 December:

	EIR 2016	Maturity	2016	2015
Cash pool with related parties	Floating inter day % -10 bps		22	22
Total current liabilities, interest-bearing			**22**	**22**

All amounts are in millions of USD, except for volumes of shares, share par values and number of employees

6. Trade and other payables

Trade and other payables consist of the following as at 31 December:

	2016	2015
Other liabilities owed to related parties	1	14
Income tax	—	1
Trade payables	8	4
Employee related	1	1
Total trade and other payables	**10**	**20**

7. Selling, general and administrative expense

Included in the selling, general and administrative expenses are the following amounts by nature of expense for the year ended 31 December 2016 and 31 December 2015, respectively:

	2016	2015
Wages and salaries, pension costs and social security and benefit charges	(16)	(17)
Other external expenses	(24)	(15)
Costs recharged to other SABIC companies	39	29
Total selling, general and administrative expense	**(1)**	**(3)**

For the employee information, reference is made to Note 5 of the consolidated financial statements as the Company's subsidiaries have no employees.

8. Commitments and Contingencies

For operating lease arrangements reference is being made to Note 14 of the consolidated financial statements

9. Management remuneration

For the remuneration of the Board of Directors reference is made to Note 16 of the consolidated financial statements. The Board of Directors of the Company and the key management of the Group are the same.

10. Auditor's fee

Ernst & Young Accountants LLP's fee charged to the Company amounted to 0.08 (2015: 0.07).

11. Related party transactions

During the years 2016 and 2015, the Company has had regular and non-recurring business transactions with companies owned by the ultimate parent company. These companies are referred to as related parties.

All relations and transactions with related parties, including but not limited to service fees for treasury, tax and group reporting and accounting activities, financial income and financial expenses, have been included as follows in the consolidated statement of income and the consolidated statement of financial position:

All amounts are in millions of USD, except for volumes of shares, share par values and number of employees

Company Only Statement of income:

	2016	2015
Income from subsidiaries, after tax	3	5
Costs recharged to related parties	39	29

Company Only balance sheet:

	2016	2015
Receivables from related parties	20	33
Cash pool with related parties	(22)	(22)
Other liabilities owed to related parties	(1)	(14)

12. Appropriation of result for the year

Awaiting the decision of the General Meeting of Members, the result for the year is separately included in equity as an unappropriated result.

13. Subsequent events

There are no subsequent events.

Amsterdam, 13 April 2017

Directors SABIC Capital B.V.

/s/ P.G.H.M. Dorn

P.G.H.M. Dorn

/s/ M.R. De Groot

M.R. De Groot

/s/ T.G. Brierley

T.G. Brierley

Supervisory Board SABIC Capital B.V.

/s/ A.M. Al-Issa

A.M. Al-Issa

/s/ M.S.A Al-Ohali

M.S.A Al-Ohali

/s/ E. Occhiello

E. Occhiello

/s/ T.M.H. Al-Madhi

T.M.H. Al-Madhi

Other Information

List of Consolidated and Non-consolidated Companies

Consolidated companies:

Company	Registered office	% of ownership
SABIC Capital I B.V.	Amsterdam (NL)	100%
SABIC Capital II B.V.	Amsterdam (NL)	100%

Non-consolidated companies:

Company	Registered office	% of ownership
SABIC International Holdings B.V.	Sittard (NL)	5.05% preference shares

Appropriation of Result

According to Article 14 of the Articles of Association of the Company, the result for the year is at the disposal of the General Meeting of the Shareholder.

Independent auditor's report

To: the shareholder, supervisory board and board of directors of SABIC Capital B.V.

Report on the audit of the Financial Statements 2016 included in the Annual Report

Our opinion

We have audited the Financial Statements 2016 of SABIC Capital B.V. ('the company') based in Amsterdam. The Financial Statements include the Consolidated Financial Statements and the Company Only Financial Statements.

In our opinion:

- The accompanying Consolidated Financial Statements give a true and fair view of the financial position of SABIC Capital B.V. as at 31 December 2016, and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying Company Only Financial Statements give a true and fair view of the financial position of SABIC Capital B.V. as at 31 December 2016, and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The Consolidated Financial Statements comprise:

- The Consolidated Statement of Financial Position as at 31 December 2016
- The following statements for 2016: the Consolidated Statement of Income and Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The Company Only Financial Statements comprise:

- The Company Only Balance Sheet as at 31 December 2016
- The Company Only Statement of Income for 2016
- The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the Financial Statements" section of our report.

We are independent of SABIC Capital B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Materiality	$ 6 million
Benchmark applied	2% of financial income
Explanation	Based on our professional judgment we have considered an activity-based measure as the appropriate basis to determine materiality. Given the nature of the business we consider financial income to be the most relevant measure for the users of the financial statements.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of $ 0,3 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

SABIC Capital B.V. is at the head of a group of entities. The financial information of this group is included in the Consolidated Financial Statements of SABIC Capital B.V.

Our group audit focused on all group entities consisting of SABIC Capital B.V., SABIC Capital I B.V. and SABIC Capital II B.V. We have performed all audit procedures on the components ourselves. In total, the scope of our procedures covered 100% of the Consolidated Financial Statement’s total assets, financial income and financial expense.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the company’s financial information to provide an opinion about the Consolidated Financial Statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the Financial Statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Financing activities	
Risk	Our audit approach
As disclosed in note 2, 8 and 11 in the Consolidated Financial Statements the company’s primary activities are the financing of the SABIC entities outside the Kingdom of Saudi Arabia. The company’s financing is structured through equity contributions, intercompany loans and third party financing. Considering the significance of the agreements, the collectability risk and compliance to the advanced pricing agreement, the financing activities are considered a key audit matter.	Our audit procedures included assessing the contractual arrangements, recalculation of the financial income and financial expense. Furthermore, we performed procedures on management’s assessment of expected collectability and compliance with the advanced pricing agreement. In addition, we assessed the adequacy of the company’s disclosure in the notes of the Consolidated Financial Statements.

Valuation of preference shares	
Risk	Our audit approach
As disclosed in note 7 and 17 of the Consolidated Financial Statements, the company has preference shares with a coupon of 8,5% in a related party, SABIC International Holdings B.V. The fair value of these unquoted preference shares is estimated using a discounted cash flow model. This requires management to make a number of estimations and assumptions, including the discount rate and future profitability. Considering the estimations and significant assumptions made by management, the valuation of preference shares was considered a key audit matter.	We performed audit procedures in testing management calculation and assumptions in the estimate. This included assessing the discount rate and review of future profitability to estimate future availability of distributable dividends. We also assessed whether the company has properly disclosed the fair value in note 7 and 17 of the Consolidated Financial Statements.

Report on other information included in the Annual Report

In addition to the Financial Statements and our auditor's report thereon, the Annual Report contains other information that consists of:

- Report by the Board of Directors
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the Financial Statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the Financial Statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the Financial Statements.

Management is responsible for the preparation of the other information, including the Report by the Board of Directors, in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged as auditor of SABIC Capital B.V. as of the audit for the year 2009 and have operated as statutory auditor ever since that date.

Description of responsibilities for the Financial Statements

Responsibilities of management and the supervisory board for the Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the Financial Statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the Financial Statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the Financial Statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the Financial Statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the Financial Statements
Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.,:

- Identifying and assessing the risks of material misstatement of the Financial Statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit 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 company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the Financial Statements, including the disclosures
- Evaluating whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Eindhoven, 13 April 2017

Ernst & Young Accountants LLP

Signed by J.R. Frentz