

International Petroleum Investment Company PJSC and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

30 JUNE 2015 (UNAUDITED)

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 2015, comprising the interim consolidated statement of financial position as at 30 June 2015 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.



Signed by
Bassam E Hage
Partner
Ernst & Young
Registration No 258

26 November 2015
Abu Dhabi

International Petroleum Investment Company PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Period ended 30 June 2015 (Unaudited)

	<i>Notes</i>	<i>Six months ended 30 June</i>	
		<i>2015 US \$ '000</i>	<i>2014 US \$ '000</i>
Revenues		18,673,001	27,267,216
Cost of sales		<u>(15,631,208)</u>	<u>(24,267,290)</u>
Gross profit		3,041,793	2,999,926
Share of post tax profits of associates and joint ventures		331,404	468,851
Selling and distribution costs		<u>(980,549)</u>	<u>(1,210,711)</u>
General and administrative expenses		<u>(637,923)</u>	<u>(640,771)</u>
Research and development expenses		<u>(200,744)</u>	<u>(183,988)</u>
Operating profit		1,553,981	1,433,307
Net foreign exchange gains		705,820	65,967
Finance income	7	139,244	246,781
Finance costs	8	<u>(544,166)</u>	<u>(631,335)</u>
Other income		65,175	119,322
Other expenses		<u>(266,330)</u>	<u>(40,767)</u>
(Losses) gains on acquisitions and disposals	9	<u>(23,475)</u>	<u>175,924</u>
Other (losses) gains on financial instruments	10	<u>(36,805)</u>	<u>228,760</u>
Profit for the period from continuing operations before tax		1,593,444	1,597,959
Income tax expense		<u>(342,414)</u>	<u>(368,141)</u>
PROFIT FOR THE PERIOD		<u>1,251,030</u>	<u>1,229,818</u>
Profit for the period attributable to:			
Equity holder of the parent		1,077,069	1,087,692
Non-controlling interests		<u>173,961</u>	<u>142,126</u>
		<u>1,251,030</u>	<u>1,229,818</u>
		<i>US \$</i>	<i>US \$</i>
Basic and diluted earnings per share attributable to equity holder of the parent	11	<u><u>308</u></u>	<u><u>311</u></u>

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 2015 (Unaudited)

	<i>Six months ended 30 June</i>	
	<i>2015 US \$ '000</i>	<i>2014 US \$ '000</i>
PROFIT FOR THE PERIOD	<u>1,251,030</u>	<u>1,229,818</u>
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange (losses) gains on translation of foreign subsidiaries	(688,789)	50,387
Net losses arising on hedge of net investments	(223,927)	(24,612)
Net gains (losses) arising on cash flow hedges	6,551	(27,929)
Net (losses) gains arising on changes in fair value of available-for-sale financial assets	(228,607)	453,226
Share of other comprehensive (loss) income of associates and joint ventures	<u>(169,433)</u>	<u>55,463</u>
Net other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods	<u>(1,304,205)</u>	<u>506,535</u>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Net actuarial gains (losses) arising on defined benefit plans	<u>8,516</u>	<u>(38,923)</u>
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods	<u>8,516</u>	<u>(38,923)</u>
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	<u>(1,295,689)</u>	<u>467,612</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>(44,659)</u>	<u>1,697,430</u>
Total comprehensive income for the period attributable to:		
Equity holder of the parent	(142,939)	1,561,712
Non-controlling interests	<u>98,280</u>	<u>135,718</u>
	<u>(44,659)</u>	<u>1,697,430</u>

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 2015 (Unaudited)

		<i>(Audited)</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2015</i>	<i>2014</i>
<i>Notes</i>	<i>US \$ '000</i>	<i>US \$ '000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	12 17,282,154	17,514,642
Intangible assets	13 4,201,025	3,450,007
Investment properties	2,908,685	2,558,958
Investments in associates and joint ventures	10,697,560	11,880,759
Deferred tax assets	870,305	896,501
Investments in financial instruments	14 3,068,158	3,294,132
Trade and other receivables	367,852	128,138
Other assets	<u>3,458,438</u>	<u>3,247,219</u>
	42,854,177	42,970,356
Current assets		
Inventories	3,949,070	3,999,581
Trade and other receivables	7,003,873	5,576,807
Investments in financial instruments	14 2,567,682	2,859,394
Other assets	2,228,135	1,829,666
Cash and short term deposits	<u>5,308,441</u>	<u>5,303,258</u>
	21,057,201	19,568,706
Assets classified as held for sale	5 <u>4,271,410</u>	<u>3,753,034</u>
	25,328,611	23,321,740
TOTAL ASSETS	<u>68,182,788</u>	<u>66,292,096</u>
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	12,441,897	11,486,811
Other reserves	17 <u>(3,256,871)</u>	<u>(2,094,645)</u>
	13,685,026	13,892,166
Non-controlling interests	<u>3,455,277</u>	<u>2,358,299</u>
Total equity	<u>17,140,303</u>	<u>16,250,465</u>

International Petroleum Investment Company PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued
At 30 June 2015 (Unaudited)

		<i>30 June</i>	<i>(Audited)</i>
		<i>2015</i>	<i>31 December</i>
	<i>Notes</i>	<i>US \$ '000</i>	<i>2014</i>
			<i>US \$ '000</i>
EQUITY AND LIABILITIES continued			
Non-current liabilities			
Borrowings	18	23,231,174	24,006,113
Defined benefit plan deficit		627,605	648,318
Deferred tax liabilities		3,629,107	3,689,859
Derivative financial liabilities		264,629	19,491
Provisions	19	551,637	582,178
Trade and other payables		72,460	24,044
Other liabilities		<u>449,822</u>	<u>427,355</u>
		28,826,434	29,397,358
Current liabilities			
Trade and other payables		9,289,847	7,888,581
Borrowings	18	6,776,845	5,943,450
Other liabilities		1,578,569	2,214,331
Advances received against asset held for sale	5	4,000,000	4,000,000
Derivative financial liabilities		193,033	505,984
Provisions	19	<u>76,620</u>	<u>91,927</u>
		21,914,914	20,644,273
Liabilities classified as held for sale	5	<u>301,137</u>	<u>-</u>
		22,216,051	20,644,273
Total liabilities		51,042,485	50,041,631
TOTAL EQUITY AND LIABILITIES		68,182,788	66,292,096



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 2015 (Unaudited)

	Attributable to equity holder of the parent						
	Share capital US \$ '000	Shareholder loan US \$ '000	Retained earnings US \$ '000	Other reserves US \$ '000	Total US \$ '000	Non-controlling interests US \$ '000	Total equity US \$ '000
Balance at 1 January 2014	<u>3,500,000</u>	<u>1,000,000</u>	<u>10,632,997</u>	<u>127,838</u>	<u>15,260,835</u>	<u>2,276,176</u>	<u>17,537,011</u>
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 a subsidiary	-	-	(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	<u>3,500,000</u>	<u>1,000,000</u>	<u>11,662,859</u>	<u>608,953</u>	<u>16,771,812</u>	<u>2,377,686</u>	<u>19,149,498</u>
Balance at 1 January 2015	3,500,000	1,000,000	11,486,811	(2,094,645)	13,892,166	2,358,299	16,250,465
Profit for the period	-	-	1,077,069	-	1,077,069	173,961	1,251,030
Other comprehensive loss for the period	-	-	-	(1,220,008)	(1,220,008)	(75,681)	(1,295,689)
Total comprehensive income for the period	-	-	1,077,069	(1,220,008)	(142,939)	98,280	(44,659)
Acquisition of additional interest in subsidiaries	-	-	(961)	-	(961)	20,877	19,916
Acquisition of a subsidiary (note 4.1)	-	-	-	20,707	20,707	1,033,208	1,053,915
Dividends paid to non-controlling shareholders	-	-	-	-	-	(55,387)	(55,387)
Movement in other reserves	-	-	(121,022)	37,075	(83,947)	-	(83,947)
Balance at 30 June 2015	<u>3,500,000</u>	<u>1,000,000</u>	<u>12,441,897</u>	<u>(3,256,871)</u>	<u>13,685,026</u>	<u>3,455,277</u>	<u>17,140,303</u>

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 2015 (Unaudited)

		<i>Six months ended 30 June</i>	
	<i>Notes</i>	<i>2015 US \$ '000</i>	<i>2014 US \$ '000</i>
OPERATING ACTIVITIES			
Profit before tax		1,593,444	1,597,959
Adjustments for:			
Depreciation and amortisation of fixed assets		1,062,395	1,096,214
Net impairment of fixed assets		260,295	13,401
Losses (gains) on disposals and acquisitions		23,475	(175,924)
Other losses (gains) on financial instruments		36,805	(228,760)
Finance income		(139,244)	(246,781)
Finance costs		544,166	631,335
Unrealised foreign exchange difference		(757,226)	(327,712)
Share of post tax profits of associates and joint ventures		(331,404)	(468,851)
Reversal of previously recognised impairment losses in inventories		(393,241)	(17,264)
Other non-cash adjustments		<u>(20,434)</u>	<u>43,662</u>
		1,879,031	1,917,279
Working capital changes:			
Inventories		230,275	(1,032,334)
Trade and other receivables		(29,849)	(50,394)
Trade and other payables		171,731	764,427
Other assets and liabilities		<u>(105,901)</u>	<u>(523,166)</u>
		2,145,287	1,075,812
Income tax paid		<u>(411,408)</u>	<u>(560,624)</u>
Net cash from operating activities		<u>1,733,879</u>	<u>515,188</u>
INVESTING ACTIVITIES			
Purchase of subsidiaries, net of cash acquired	4.1	242,953	(2,588,242)
Purchase of financial instruments		(349,523)	(35,486)
Acquisition of associates and joint ventures		(116,877)	(72,307)
Purchase of fixed assets		(1,356,677)	(1,049,798)
Advance received against asset held for sale	5	-	2,000,000
Movement in financial instruments		442,166	39,443
Interest received		16,068	154,511
Dividends received		196,006	229,458
Advance paid against non-current asset	22	(1,000,000)	-
Net payments against other assets		<u>(17,027)</u>	<u>(161,720)</u>
Net cash used in investing activities		<u>(1,942,911)</u>	<u>(1,484,141)</u>
FINANCING ACTIVITIES			
Proceeds from borrowings		4,977,143	4,520,015
Repayments of borrowings		(4,045,388)	(4,890,244)
Interest paid		(543,188)	(628,498)
Dividends paid to non-controlling shareholders		<u>(55,387)</u>	<u>(53,837)</u>
Net cash from (used in) financing activities		<u>333,180</u>	<u>(1,052,564)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		124,148	(2,021,517)
Net foreign exchange difference		(118,965)	(36,625)
Cash and cash equivalents at 1 January		<u>5,303,258</u>	<u>6,818,844</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE		<u>5,308,441</u>	<u>4,760,702</u>

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

International Petroleum Investment Company PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2015 (Unaudited)

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 6.

The interim condensed consolidated financial statements for the six months ended 30 June 2015 were authorised for issue by the management on 26 November 2015.

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 2015 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 consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2014. In addition, results for the six months ended 30 June 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

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 2014 except for the adoption of the new standards and interpretations effective as of 1 January 2015, noted below:

IAS 19 Defined Benefit Plans: Employee Contributions – Amendments to IAS 19

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. The amendment must be applied retrospectively. The amendments have no material impact on the Group's financial position or performance.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Annual Improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 2 *Share-based Payments*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

The above definitions are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Group's accounting policies.

IFRS 3 *Business Combinations*

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

IFRS 8 *Operating Segments*

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has aggregated segments based on the industry classification and has five reportable segments. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in note 6 in these interim condensed consolidated financial statements.

IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

IAS 24 *Related Party Disclosures*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

These amendments have no impact on the Group.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. This amendment does not impact the accounting policy of the Group.

2.3 USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgments

In the process of applying the Group's accounting policies, management has made the following additional significant judgments in 2015, apart from those involving estimations, which have the most significant effect on the amounts recognised in the interim condensed consolidated financial statements:

Consolidation of Arabtec Holding PJSC ("Arabtec") (de facto control)

The Group, through its subsidiary Aabar, considers that it has de-facto control over Arabtec even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Arabtec with 36.11% equity interest with the next two largest shareholders holding approximately 11.8% and 1.8%, respectively. The remaining 50.29% of the equity shares in Arabtec are widely held by many other shareholders, none of which individually hold more than 1% of the equity shares (as recorded in Arabtec's shareholders' register from 11 November 2014 to 30 April 2015). On 30 April 2015, the Group's attendance in Arabtec's annual general meeting was in simple majority. On that date, the Group concluded that Aabar acquired de facto control of Arabtec, and since then there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.3 USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions

The key additional assumptions to those made in 2014 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:

Percentage-of-completion and cost to complete estimates of construction contracts

The Group uses the percentage-of-completion method in accounting for its construction contracts. At each reporting date, the Group is required to estimate stage of completion and costs to complete on its construction contracts. These estimates require the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. These estimates also include the cost of potential claims by subcontractors and the cost of meeting other contractual obligations to the customers. Effects of any revision to these estimates are reflected in the period in which the estimates are revised. When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts. The Group uses its commercial team to estimate the costs to complete of construction contracts. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, labour costs and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

Contract variations

Contract variations are recognised as revenues only to the extent that it is probable that they will result in revenue which can be reliably measured. This requires the exercise of estimating the value of variations based on management's prior experience, application of contract terms and the relationship with the customers.

Contract claims

Contract claims are recognised as revenue only when management believes that an advanced stage of negotiation has been reached and the revenue can be estimated with reasonable certainty. Management reviews the judgment related to these contract claims periodically and adjustments are made, as assessments indicate that such adjustments are appropriate.

As a result of the above, adjustments to revenues were made during the period, including expected future losses arising on onerous contracts.

Business combination

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 combination refer to note 4.

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 2015 and 30 June 2014.

International Petroleum Investment Company PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2015 (Unaudited)

4 BUSINESS COMBINATION

The Group made the following acquisition during the period ended 30 June 2015, which is further described below:

4.1 Acquisition of Arabtec

On 30 April 2015, Aabar gained de facto control of Arabtec (see note 2.3), a public joint stock company registered and incorporated in the Emirate of Dubai, United Arab Emirates ("UAE"). Arabtec is engaged in construction of high-rise towers, buildings and residential units, in addition to the execution of related services such as drainage, electrical and mechanical works, provision of ready mix concrete and construction equipment supply and rental. Aabar's shareholding in Arabtec as at 30 June 2015 was 36.11%.

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 Arabtec from the acquisition date.

Assets acquired and liabilities assumed

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

	<i>Provisional fair value recognised on acquisition AED '000</i>	<i>Provisional fair value recognised on acquisition US \$ '000</i>
Assets		
Property, plant and equipment	1,034,874	281,790
Intangibles	1,519,269	413,688
Investments properties	652,380	177,639
Investments in associates	280,149	76,283
Trade receivables	8,050,698	2,192,157
Other assets	857,940	233,611
Cash and cash equivalents	892,246	242,953
Assets classified as held for sale	<u>1,529,021</u>	<u>416,343</u>
	<u>14,816,577</u>	<u>4,034,464</u>
Liabilities		
Borrowings	(1,294,757)	(352,555)
Trade payables	(6,285,919)	(1,711,619)
Other liabilities	(208,873)	(56,875)
Liabilities directly associated with assets held for disposal	<u>(1,067,905)</u>	<u>(290,784)</u>
	<u>(8,857,454)</u>	<u>(2,411,833)</u>
Total identifiable net assets at fair value	5,959,123	1,622,631
Non-controlling interest	(3,794,460)	(1,033,209)
Provisional goodwill arising from business combination	<u>2,535,238</u>	<u>690,330</u>
Cost of business combination	<u>4,699,901</u>	<u>1,279,752</u>

The fair value of the consideration has been determined by Aabar as the aggregate of the fair value of the 36.11% equity interest held (measured at the quoted market price on 30 April 2015). Non-Controlling interests were measured at the fair value of the net assets acquired often referred to as partial goodwill approach.

4 BUSINESS COMBINATION continued

4.1 Acquisition of Arabtec continued

The Group also acquired cash amounting to US \$ 242,953 thousand as a result of this acquisition.

The residual goodwill of US \$ 690,330 thousand partially relates to the workforce which is valued at US \$158 million but not recognised separately as an intangible asset in accordance with IFRS 3R. In respect of the remaining balance of goodwill, it is considered to reflect Arabtec's expected growth (and value) associated with the commercialisation and subsequent expansion of the Arabtec business outside the region and the strategic desire for Aabar to be associated with a high profile construction company and sharing Arabtec's synergies. As at 30 June 2015, on account of the declining market prices of Arabtec, an impairment of US \$ 231,703 thousand was recorded on the provisional goodwill and recognised within other expenses in the interim consolidated statement of profit and loss.

The purchase price allocation is expected to be finalised before 31 December 2015.

From the date of acquisition to 30 June 2015, Arabtec Holding PJSC ("Arabtec") has contributed US \$ 390,361 thousand to the revenue and loss of US \$ 38,290 thousand to the profit for the period before tax of the Group. If the business combination had taken place at 1 January 2015, the Group's revenue would have been US \$ 19,224,527 thousand and the Group's net profit for the period would have been US \$ 930,503 thousand.

5 ASSETS CLASSIFIED AS HELD FOR SALE

Arabtec

Included in assets held for sale is Arabtec's equity interests in certain entities located in the Kingdom of Saudi Arabia. These entities were approved for disposal by Arabtec board of directors back in 2014. Accordingly, Arabtec's net interest in the above entities which has carrying value of US \$ 121,934 thousand as at 30 June 2015 has been reclassified as assets held for sale in the interim condensed consolidated financial statements in accordance with *IFRS 5 ("Non-Current Assets Held For Sale And Discontinued Operations")*. Assets and liabilities of the disposal group classified as held for sale as at the reporting date are US \$ 421,946 thousand and US \$ 300,012 thousand, respectively. The consideration for the sale of the assets is expected to be higher than the carrying amount.

Abu Dhabi Crude Oil Pipeline ("ADCOP")

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 ended 30 June 2015, additional cost of US \$ 94,949 thousand (six-month ended 30 June 2014: US \$ 21,515 thousand) has been incurred on ADCOP. The total cost of the ADCOP project was US \$ 3,847,983 thousand at 30 June 2015 (31 December 2014: US \$ 3,753,034 thousand)

The Company has been in discussion with the Government of the Emirate of Abu Dhabi (the Government) 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. In November 2015, the Company and ADNOC entered into a transfer agreement in relation to ADCOP. The definitive transfer is subject to a number of conditions yet to be completed.

As of 30 June 2015, the Company had received an amount of US \$ 4 billion from the Government as partial payment in relation to the transfer of ADCOP, which has been recorded as advances received against asset held for sale. On 13 November 2015, the Company received an additional US \$ 1.2 billion from the Government as a further advance payment for ADCOP.

6 OPERATING SEGMENT REPORTING

For management purposes, the Group has been re-organised in 2014 into new business units based on their industry classification and has five reportable operating segments. The operating segments have been re-grouped to align with the change in the organisational structure and operating decision-making process in the Company.

Upstream and Integrated Investments

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

Midstream, Power & Utilities Investments

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

Downstream operations

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

Diversified investments

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

Projects

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

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

International Petroleum Investment Company PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2015 (Unaudited)

6 OPERATING SEGMENT REPORTING continued

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

	Upstream and integrated investments US \$ '000	Midstream, power and utilities investments US \$ '000	Downstream operations US \$ '000	Diversified investments US \$ '000	Projects US \$ '000	Corporate and others US \$ '000	Total US \$ '000
Six months ended 30 June 2015							
<i>Key components of the segments are</i>							
Revenue from external customers	<u>11,745,800</u>	<u>-</u>	<u>6,407,351</u>	<u>507,188</u>	<u>-</u>	<u>12,662</u>	<u>18,673,001</u>
Share of post-tax profits (losses) of associates and joint ventures	111,384	2,657	287,721	(61,188)	(9,170)	-	331,404
Depreciation and amortization of fixed assets, net	(677,821)	-	(347,292)	(29,739)	-	(7,543)	(1,062,395)
Net impairment of fixed assets	(9,926)	-	(18,514)	(231,855)	-	-	(260,295)
Finance income	43,780	32,741	5,632	51,185	-	5,906	139,244
Finance costs	(54,631)	-	(64,778)	(120,659)	-	(304,098)	(544,166)
(Losses) gains on acquisitions and disposals	21,973	-	134	(45,582)	-	-	(23,475)
Other gains (losses) on financial instruments	7,265	-	(378)	(149,950)	-	106,258	(36,805)
Tax expense	<u>(112,860)</u>	<u>-</u>	<u>(227,954)</u>	<u>(1,600)</u>	<u>-</u>	<u>-</u>	<u>(342,414)</u>
Profit (loss) for the period (segment results)	<u>523,127</u>	<u>35,398</u>	<u>851,695</u>	<u>(310,953)</u>	<u>(16,962)</u>	<u>168,725</u>	<u>1,251,030</u>
Six months ended 30 June 2014							
<i>Key components of the segments are</i>							
Revenue from external customers	<u>18,568,340</u>	<u>-</u>	<u>8,628,774</u>	<u>70,102</u>	<u>-</u>	<u>-</u>	<u>27,267,216</u>
Share of post-tax profits (losses) of associates and joint ventures	165,671	-	256,983	57,228	(11,031)	-	468,851
Depreciation and amortization of fixed assets, net	(697,077)	-	(384,600)	(7,203)	-	(7,334)	(1,096,214)
Net impairment of fixed assets	(5,813)	-	(7,236)	(352)	-	-	(13,401)
Finance income	50,773	40,298	7,144	111,969	-	36,597	246,781
Finance costs	(68,523)	-	(80,985)	(109,071)	-	(372,756)	(631,335)
Gains on acquisitions and disposals	40,910	-	-	135,014	-	-	175,924
Other gains (losses) on financial instruments	31,527	-	(965)	196,346	-	1,852	228,760
Tax expense	<u>(199,075)</u>	<u>-</u>	<u>(176,257)</u>	<u>7,191</u>	<u>-</u>	<u>-</u>	<u>(368,141)</u>
Profit (loss) for the period (segment results)	<u>312,955</u>	<u>70,655</u>	<u>772,664</u>	<u>396,889</u>	<u>(18,823)</u>	<u>(304,522)</u>	<u>1,229,818</u>

International Petroleum Investment Company PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2015 (Unaudited)

6 OPERATING SEGMENT REPORTING continued

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

	Upstream and integrated investments US \$ '000	Midstream, power and utilities investments US \$ '000	Downstream operations US \$ '000	Diversified investments US \$ '000	Projects US \$ '000	Corporate and others US \$ '000	Total US \$ '000
At 30 June 2015							
Assets							
Investments in associates and joint ventures	4,228,368	74,629	3,701,628	2,604,614	88,321	-	10,697,560
Assets classified as held for sale	-	-	-	423,427	3,847,983	-	4,271,410
Other segment assets	19,901,324	713,382	13,014,258	16,799,760	208,398	2,576,696	53,213,818
Total assets	24,129,692	788,011	16,715,886	19,827,801	4,144,702	2,576,696	68,182,788
Liabilities							
Liabilities classified as held for sale	-	-	-	301,137	-	-	301,137
Other segment liabilities	11,768,550	-	6,722,806	12,941,565	4,000,053	15,308,374	50,741,348
Total liabilities	11,768,550	-	6,722,806	13,242,702	4,000,053	15,308,374	51,042,485
At 31 December 2014							
Assets							
Investments in associates and joint ventures	4,223,909	71,573	3,497,744	4,009,252	78,281	-	11,880,759
Asset classified as held for sale	-	-	-	-	3,753,034	-	3,753,034
Other segment assets	21,579,323	727,866	13,553,930	13,066,955	205,016	1,525,213	50,658,303
Total assets	25,803,232	799,439	17,051,674	17,076,207	4,036,331	1,525,213	66,292,096
Liabilities							
Total liabilities	12,631,758	-	7,606,228	11,068,083	4,000,044	14,735,518	50,041,631

International Petroleum Investment Company PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2015 (Unaudited)

7 FINANCE INCOME

	<i>Six months ended 30 June</i>	
	<i>2015</i>	<i>2014</i>
	<i>US \$ '000</i>	<i>US \$ '000</i>
Dividend income	75,423	60,064
Interest and other income	<u>63,821</u>	<u>186,717</u>
	<u>139,244</u>	<u>246,781</u>

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

8 FINANCE COSTS

	<i>Six months ended 30 June</i>	
	<i>2015</i>	<i>2014</i>
	<i>US \$ '000</i>	<i>US \$ '000</i>
Interest expense on borrowings and derivatives	(512,447)	(599,288)
Other finance costs	<u>(31,719)</u>	<u>(32,047)</u>
	<u>(544,166)</u>	<u>(631,335)</u>

9 (LOSSES) GAINS ON ACQUISITIONS AND DISPOSALS

	<i>Six months ended 30 June</i>	
	<i>2015</i>	<i>2014</i>
	<i>US \$ '000</i>	<i>US \$ '000</i>
Loss on disposal of property, plant and equipment	(2,442)	(16,031)
Gain on disposal of financial instruments (i)	546	57,455
(Loss) Gain on disposal/partial disposal of an associate (ii)	(38,964)	130,704
Other gains	<u>17,385</u>	<u>3,796</u>
	<u>(23,475)</u>	<u>175,924</u>

- (i) In the period ended 30 June 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) On 30 April 2015, Aabar gained de facto control of Arabtec resulting in a loss amounting to US \$ 38,964 thousand. The loss represents the excess of carrying amount of investment in associate over the fair value of existing shares in Arabtec. Arabtec was previously classified as an associate prior to Aabar's acquiring de facto control.

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 2015, Aabar owned 36.11 % stake in Arabtec Holding PJSC.

International Petroleum Investment Company PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2015 (Unaudited)

10 OTHER (LOSSES) GAINS ON FINANCIAL INSTRUMENTS

	<i>Six months ended</i> <i>30 June</i>	
	<i>2015</i>	<i>2014</i>
	<i>US \$ '000</i>	<i>US \$ '000</i>
Impairment loss on available-for-sale financial instruments (i)	(60,082)	-
Fair value gains on non-derivative financial instruments at fair value through profit or loss (ii)	116,428	274,589
Fair value losses on derivative financial instruments (iii)	(100,105)	(45,828)
Other gains (losses) on financial instruments	<u>6,954</u>	<u>(1)</u>
	<u>(36,805)</u>	<u>228,760</u>

- (i) Impairment loss on available-for-sale financial investments as at 30 June 2015 represents recycling of the accumulated fair value loss from other comprehensive income to the consolidated income statement on the Group's investment in Glencore Xstrata Plc.
- (ii) Fair value gain (loss) on non-derivative financial instruments at fair value through profit or loss during the period includes the following:

	<i>Six months ended</i> <i>30 June</i>	
	<i>2015</i>	<i>2014</i>
	<i>US \$ '000</i>	<i>US \$ '000</i>
Fair value loss on Daimler AG shares	-	(22,335)
Fair value gain on Unicredit SpA shares	101,860	290,894

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

	<i>Six months ended</i> <i>30 June</i>	
	<i>2015</i>	<i>2014</i>
	<i>US \$ '000</i>	<i>US \$ '000</i>
Call and put options and related call spread on Daimler AG shares (note a)	-	10,860
Call and put options on Unicredit SpA (note a)	(47,672)	(184,243)
Call spreads on Daimler AG shares (note b)	-	76,736
Options on Daimler AG shares (note c)	(251,052)	-
Embedded derivatives on exchangeable bonds of Daimler AG shares (note d)	227,282	17,149
Embedded derivatives on exchangeable bonds of Unicredit SpA shares (note e)	(135,976)	-

- (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 long-term, non-recourse, high loan-to-value financing to fund the purchase of the shares and to protect the Group against adverse movements in the value of the shares. The funded collar transactions include call and put options that restricted the revaluation gains and losses on the Daimler AG and Unicredit SpA shares within a certain range. Daimler shares were derecognised in 2014, while the collar structure on UniCredit SpA shares was restructured and accordingly only approximately 25% (31 December 2014: 25%) of the total holding in Unicredit SpA are subject to collar arrangement. The Group still maintains significant exposure to the share price on UniCredit SpA.

International Petroleum Investment Company PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2015 (Unaudited)

10 OTHER (LOSSES) GAINS ON FINANCIAL INSTRUMENTS continued

- (b) The amount includes fair value changes of the purchased call spread entered into to offset fair value changes in the call option embedded in the exchangeable bonds.
- (c) In 2015, Aabar purchased call options to offset fair value changes in the call options embedded in the exchangeable bonds of Daimler AG shares. The amount represent the fair value change in the call options.
- (d) Aabar has recognised the derivative embedded in its exchangeable bonds. The holders of the bonds have the option to exchange their bonds into Daimler AG shares on exercise of exchange rights, however the Aabar has the option to deliver either shares or cash. The exchangeable bonds were settled during the six-month ended 30 June 2015 which led to the derecognition of embedded derivatives.
- (e) Aabar has recognised the derivative embedded in its exchangeable bonds that were issued in March 2015 (see note 18). The holders of the bonds have the option to exchange their bonds into Unicredit SpA shares on exercise of exchange rights 6 months before their maturities. However, Aabar has the option to deliver either shares or cash.

11 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:

	<i>Six months ended</i> <i>30 June</i>	
	<i>2015</i> <i>US \$ '000</i>	<i>2014</i> <i>US \$ '000</i>
Net profit attributable to ordinary equity holder of the parent for basic earnings	<u>1,077,069</u>	<u>1,087,692</u>
Weighted average number of ordinary shares for basic earnings per share (in thousands)	<u>3,500</u>	<u>3,500</u>
	<i>US \$</i>	<i>US \$</i>
Basic and diluted earnings per share	<u>308</u>	<u>311</u>

12 PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment during the period ended 30 June 2015 amounted to US \$ 1,395,242 thousand (30 June 2014: US \$ 3,885,281 thousand) of which US \$ 281,790 thousand were acquired through business combinations (30 June 2014: US \$ 2,942,043 thousand).

International Petroleum Investment Company PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2015 (Unaudited)

13 INTANGIBLE ASSETS

During the period ended 30 June 2015, the Group invested US \$ 487,087 thousand into intangible assets (30 June 2014: US \$ 35,666 thousand) of which US \$ 412,775 thousand were acquired through business combinations (30 June 2014: US \$ nil). A further US \$ 690,330 thousand relates to provisional goodwill on acquisition of a subsidiary, netted off by impairment loss amounting to US \$ 231,703 thousand (see note 4.1).

14 INVESTMENTS IN FINANCIAL INSTRUMENTS

	<i>30 June 2015 US \$ '000</i>	<i>(Audited) 31 December 2014 US \$ '000</i>
Non-derivative financial instruments:		
Financial assets at fair value through profit or loss (note 14.1)		
Held-for-trading	386,931	390,230
Designated on initial recognition	<u>2,088,779</u>	<u>1,980,037</u>
	2,475,710	2,370,267
Held to maturity investments	17,010	23,207
Available-for-sale financial assets (note 14.2)	<u>2,838,866</u>	<u>3,185,458</u>
	5,331,586	5,578,932
Derivative financial instruments	<u>304,254</u>	<u>574,594</u>
	<u>5,635,840</u>	<u>6,153,526</u>
Non-current	3,068,158	3,294,132
Current	<u>2,567,682</u>	<u>2,859,394</u>
	<u>5,635,840</u>	<u>6,153,526</u>

14.1 Financial assets at fair value through profit or loss

	<i>Percentage holding</i>		<i>Carrying value (Audited)</i>	
	<i>30 June 2015</i>	<i>31 December 2014</i>	<i>30 June 2015 US \$ '000</i>	<i>31 December 2014 US \$ '000</i>
Unicredit SpA shares (i)	5.1%	5.1%	2,023,899	1,922,039
Others			<u>451,811</u>	<u>448,228</u>
			<u>2,475,710</u>	<u>2,370,267</u>
Non - current			49,443	46,276
Current			<u>2,426,267</u>	<u>2,323,991</u>
			<u>2,475,710</u>	<u>2,370,267</u>

- i) This represents an investment in UniCredit SpA. The Group has taken collar and put options to fix the floor and cap price for movements in the share price of UniCredit SpA and to finance the acquisitions of shares. Shares in UniCredit SpA are pledged as collateral against a term loan. In 2014, the Group refinanced and restructured the collar position (see note 10 (iii) (a)).

International Petroleum Investment Company PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2015 (Unaudited)

14 INVESTMENTS IN FINANCIAL INSTRUMENTS continued

14.2 Available-for-sale financial assets

	Percentage holding		Carrying value (Audited)	
	30 June 2015	31 December 2014	30 June 2015 US \$ '000	31 December 2014 US \$ '000
Quoted investments:				
Glencore Xstrata Plc	0.75%	0.75%	398,120	460,825
Energias de Portugal	4.06%	4.06%	563,382	577,866
Cosmo Oil Company Limited *	20.76%	20.76%	285,910	251,261
Oil Search Limited ("OSH")	12.89%	12.89%	1,080,358	1,268,112
Others			<u>297,672</u>	<u>209,476</u>
			2,625,442	2,767,540
Unquoted investments carried at fair value			174,553	380,476
Unquoted investments carried at cost			<u>38,871</u>	<u>37,442</u>
			<u>2,838,866</u>	<u>3,185,458</u>

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

Quoted investments

The fair value of the quoted investments is determined by reference to published price quotations in an active market. The Group recognised an impairment charge of US \$ 60,082 thousand as at 30 June 2015 relating to the Group's investment in Glencore Xstrata Plc, which represents recycling of the accumulated fair value loss from other comprehensive income to profit or loss.

Unquoted investments

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

15 SHARE CAPITAL

	Authorised (Audited)		Issued and fully paid (Audited)	
	30 June 2015 US \$ '000	31 December 2014 US \$ '000	30 June 2015 US \$ '000	31 December 2014 US \$ '000
Ordinary shares of US \$ 1,000 each	<u>5,000,000</u>	<u>5,000,000</u>	<u>3,500,000</u>	<u>3,500,000</u>

International Petroleum Investment Company PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2015 (Unaudited)

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

	<i>Cumulative changes in fair value of available for-sale investments US \$ '000</i>	<i>Foreign currency translation reserve US \$ '000</i>	<i>Reserve for cash flow hedges US \$ '000</i>	<i>Reserve for actuarial gains and losses US \$ '000</i>	<i>Share of reserves of associates US \$ '000</i>	<i>Total US \$ '000</i>
2014						
Balance at 1 January 2014	2,314,463	(1,635,332)	(37,064)	(152,223)	(362,006)	127,838
Other comprehensive income (loss) 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	<u>2,766,982</u>	<u>(1,593,276)</u>	<u>(62,111)</u>	<u>(191,127)</u>	<u>(311,515)</u>	<u>608,953</u>
2015						
Balance at 1 January 2015	2,031,709	(2,987,191)	(99,719)	(242,325)	(797,119)	(2,094,645)
Other comprehensive (loss) income for the period	(227,499)	(835,767)	4,390	8,578	(169,710)	(1,220,008)
Acquisition of shares of a subsidiary (note 4.1)	-	-	-	-	20,707	20,707
Movement in other reserves	<u>237</u>	<u>36,838</u>	<u>-</u>	<u>6</u>	<u>(6)</u>	<u>37,075</u>
Balance at 30 June 2015	<u>1,804,447</u>	<u>(3,786,120)</u>	<u>(95,329)</u>	<u>(233,741)</u>	<u>(946,128)</u>	<u>(3,256,871)</u>

18 BORROWINGS

	<i>30 June 2015 US \$ '000</i>	<i>(Audited) 31 December 2014 US \$ '000</i>
Overdrafts	403,056	316,556
Listed notes and other listed borrowing instruments	15,866,863	15,661,801
Unlisted borrowings	13,685,532	13,969,766
Others	<u>52,568</u>	<u>1,440</u>
	<u>30,008,019</u>	<u>29,949,563</u>
Non-current	23,231,174	24,006,113
Current	<u>6,776,845</u>	<u>5,943,450</u>
	<u>30,008,019</u>	<u>29,949,563</u>

International Petroleum Investment Company PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2015 (Unaudited)

18 BORROWINGS continued

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

	<i>30 June 2015 US \$ '000</i>	<i>(Audited) 31 December 2014 US \$ '000</i>
The Company	14,841,036	14,165,619
Aabar	7,365,915	7,253,872
NOVA	999,060	1,000,284
Borealis	1,851,214	2,226,991
CEPSA	<u>4,950,794</u>	<u>5,302,797</u>
	<u>30,008,019</u>	<u>29,949,563</u>

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

	<i>30 June 2015 US \$ '000</i>	<i>(Audited) 31 December 2014 US \$ '000</i>
EUR	12,153,214	13,303,966
USD	14,382,234	13,550,934
AED	983,119	810,627
JPY	549,365	561,561
GBP	1,430,583	1,415,192
CNY	439,266	275,616
Others	<u>70,238</u>	<u>31,667</u>
	<u>30,008,019</u>	<u>29,949,563</u>

As of 30 June 2015 and 31 December 2014, the Company has not guaranteed the borrowings of any company including Group companies, except for joint guarantees with 1Malaysia Development Berhad ("1MDB"), a strategic development company wholly-owned by the Government of Malaysia (see note 22 for further details) in relation to certain obligations (principal and associated interests) of subsidiaries of 1MDB. The principal amount of these obligations is US \$ 3.5 billion.

International Petroleum Investment Company PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2015 (Unaudited)

18 BORROWINGS continued

Details of the group borrowings are as follows:

Listed notes and other borrowing instruments

				30 June 2015 US \$ '000	(Audited) 31 December 2014 US \$ '000
	Maturity(Year)	Currency	Coupon rate		
IPIC - Bond 1	2020	US \$	5.000%	1,487,988	1,487,091
IPIC - Bond 2 (note iii)	2015	US \$	3.125%	999,328	998,522
IPIC - Bond 3	2021	EUR	5.875%	1,373,457	1,489,203
IPIC - Bond 4	2016	EUR	4.875%	1,389,450	1,505,810
IPIC - Bond 5	2026	GBP	6.875%	856,653	849,109
IPIC - Bond 6	2022	US \$	5.500%	1,493,512	1,493,142
IPIC - Bond 7	2017	US \$	3.750%	1,496,550	1,495,590
IPIC - Bond 8	2041	US \$	6.875%	743,157	743,118
IPIC - Bond 9	2015	US \$	1.750%	749,301	748,493
IPIC - Bond 10	2018	EUR	2.375%	887,743	962,774
IPIC - Bond 11	2023	EUR	3.625%	937,100	1,016,462
Aabar - Exchangeable bond 1 (note i)	2016	EUR	4.000%	-	1,491,355
Aabar - Exchangeable bond 2 (note ii)	2020	EUR	0.50%	1,061,461	-
Aabar - Exchangeable bond 3 (note ii)	2022	EUR	1.00%	1,040,296	-
Borealis - Bond 1	2017	EUR	5.375%	222,940	241,960
Borealis - Bond 2	2019	EUR	4.000%	139,338	151,225
NOVA - Bond 6	2023	US \$	5.250%	494,443	494,099
NOVA - Bond 7	2025	US \$	5.000%	494,146	493,848
				<u>15,866,863</u>	<u>15,661,801</u>

(note i) - 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 Daimler Exchangeable Bonds"). The Daimler Exchangeable Bonds are quoted hybrid securities consisting of a straight bond and an embedded call option with a fixed strike price to exchange the bond for either shares in Daimler AG or cash of an equivalent value at the option of Aabar. The balance does not include embedded call options. In March 2015, Aabar repaid majority of the portion of the Daimler Exchangeable Bonds which led to the derecognition of its embedded derivatives. The remaining portion of the bonds were completely repaid in June 2015.

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

(note iii) – IPIC – Bond 2 was completely repaid on 16 November 2015.

All bonds of the Group are unsecured, and repayable as bullet payment on maturity.

International Petroleum Investment Company PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2015 (Unaudited)

18 BORROWINGS continued

Unlisted borrowings

			30 June 2015 US \$ '000	(Audited) 31 December 2014 US \$ '000
	Maturity (Year)	Currency		
IPIC - Loan 12 (note i)	On demand	US \$	2,192	25,053
IPIC - Loan 15	2018	JPY	549,365	561,561
IPIC - Loan 16 (note ii)	2016	EUR / US \$	936,145	800,256
IPIC - Loan 17 (note ii)	2019	EUR / US \$	939,095	-
Aabar - Loan 12 (note iii)	2015	AED	-	204,221
Aabar - Loan 16	2016	US \$	490,426	488,379
Aabar - Loan 17	2016	AED	354,516	353,037
Aabar - Loan 18	2016	EUR	562,839	610,987
Aabar - Loan 19	2018	US \$	285,585	284,724
Aabar - Loan 20	2018	AED	233,092	233,197
Aabar - Loan 21	2018	EUR	395,996	430,371
Aabar - Loan 22 (note iii)	2015	US \$	-	172,986
Aabar - Loan 23	2016	GBP	526,943	519,580
Aabar - Loan 24 (note iv)	2017	US \$	-	299,992
Aabar - Loan 25	2017	EUR	476,479	519,406
Aabar - Loan 26	2019	EUR	383,505	820,403
Aabar - Loan 27	2017	EUR	752,600	418,056
Borealis- Loan 1	2018	EUR	159,402	173,001
Borealis- Loan 3	2016 - 2028	EUR / US \$	167,205	181,470
CEPSA- Loan 1	2018	US \$	209,212	279,008
CEPSA- Loan 3	2015	EUR	-	241,960
CEPSA- Loan 7	2022	EUR	167,205	181,470
CEPSA- Loan 18	2019	US \$	268,987	269,044
CEPSA- Loan 19	2020	US \$	273,968	274,026
CEPSA- Loan 20	2017	EUR	-	222,833
CEPSA- Loan 21	2017	US \$	587,585	398,583
CEPSA- Loan 22	2024	CNY	330,955	247,377
CEPSA- Loan 23	2019	US \$	-	199,292
CEPSA- Loan 24	2015	EUR	139,338	151,225
CEPSA- Loan 25	2021	US \$	149,437	149,469
CEPSA- Loan 26	2015	US \$	162,388	182,352
CEPSA- Loan 27	2019	US \$	429,382	509,190
CEPSA- Loan 28	On demand	US \$	296,881	197,266
CEPSA- Loan 29	2016	EUR / US \$	219,174	-
Others			<u>3,235,635</u>	<u>3,369,991</u>
			<u>13,685,532</u>	<u>13,969,766</u>

(Audited)
30 June
2015
US \$ '000

31 December
2014
US \$ '000

Analysed as follows:

Fixed interest rate loans	2,846,608	2,982,822
Variable interest rate loans	<u>10,838,924</u>	<u>10,986,944</u>
	<u>13,685,532</u>	<u>13,969,766</u>

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

(note i) – IPIC loan (12) has an undrawn amount of US \$1,425,808 thousand as at 30 June 2015 (31 December 2014: US \$ 1,402,947 thousand)

(note ii) - On 19 December 2013, the Company entered into US \$ 1 billion 3 years and US \$ 1 billion 6 years multicurrency revolving facilities agreement with an interest rate at a margin over, in relation to any loan in US \$, LIBOR or, in relation to any loan in euro, EURIBOR. At 30 June 2015, facilities were fully drawn (31 December 2014: undrawn amount (equivalent) of US \$ 979,234 thousand).

International Petroleum Investment Company PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2015 (Unaudited)

18 BORROWINGS continued

Unlisted borrowings continued

(note iii) - In April 2015, Aabar repaid its AED 750,000 thousand (Aabar – Loan 12) and US \$ 208,708 thousand (Aabar – Loan 22) (multicurrency) loan facilities which were due to mature in September 2015.

(note iv) – In May 2015, Aabar repaid its US \$ 300,000 thousand (Aabar – Loan 24) loan facility which was due to mature in July 2017.

(note v) - All of IPIC loans are unsecured. Aabar loans are unsecured, except for Aabar – Loan 23, 25 and 26 which are secured through pledges on land mortgage and certain securities as of 30 June 2015.

(note vi) - All loans within Others are individually less than US \$ 150,000 thousand and are unsecured except for an amount of US \$ 10,471 thousand (31 December 2014: US \$ 12,337 thousand) which is secured on property, plant and equipment.

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

The table below summarises the maturity profile of the Group's borrowings at 30 June 2015 and 31 December 2014, on a contractual undiscounted basis. In the table below, interest rates on variable rate loans have been based on rates prevailing at the reporting dates.

<i>Undiscounted contractual basis</i>	<i>On demand US \$ '000</i>	<i>0 - 3 months US \$ '000</i>	<i>3 - 12 months US \$ '000</i>	<i>1 - 3 years US \$ '000</i>	<i>3 - 5 years US \$ '000</i>	<i>>5 years US \$ '000</i>	<i>Total US \$ '000</i>
At 30 June 2015 Borrowings	<u>181,770</u>	<u>540,457</u>	<u>7,034,624</u>	<u>9,362,036</u>	<u>5,547,849</u>	<u>3,815,645</u>	<u>26,482,381</u>
At 31 December 2014 Borrowings	<u>25,059</u>	<u>2,583,788</u>	<u>4,381,770</u>	<u>10,200,994</u>	<u>6,252,798</u>	<u>11,984,972</u>	<u>35,429,381</u>

19 PROVISIONS

	<i>Decommissioning US \$ '000</i>	<i>Legal disputes US \$ '000</i>	<i>Others US \$ '000</i>	<i>Total US \$ '000</i>
At 1 January 2015	166,473	146,012	361,620	674,105
Additions	515	5,861	39,166	45,542
Accretion expenses	2,627	2,035	1,410	6,072
Utilised	-	(1,942)	(43,210)	(45,152)
Reversed	-	(1,893)	(5,337)	(7,230)
Exchange adjustments	<u>(10,130)</u>	<u>(10,518)</u>	<u>(24,098)</u>	<u>(44,746)</u>
Balance at 30 June 2015	<u>159,485</u>	<u>139,555</u>	<u>329,551</u>	<u>628,591</u>

	<i>30 June 2015 US \$ '000</i>	<i>(Audited) 31 December 2014 US \$ '000</i>
Classified as:		
Non-current	551,637	582,178
Current	<u>76,620</u>	<u>91,927</u>
	<u>628,257</u>	<u>674,105</u>

(i)
International Petroleum Investment Company PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2015 (Unaudited)

19 PROVISIONS continued

- (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) 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 21) .
- (iv) 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.

20 COMMITMENTS AND CONTINGENCIES

	<i>30 June 2015 US \$ '000</i>	<i>(Audited) 31 December 2014 US \$ '000</i>
Guarantees		
Financial guarantees (see note 22)	3,500,000	3,500,000
Other guarantees and letters of credit	<u>6,866,789</u>	<u>3,126,776</u>
	<u>10,366,789</u>	<u>6,626,776</u>
Operating lease commitments		
Up to 1 year	354,407	374,253
1 to 5 years	851,543	667,048
Beyond 5 years	<u>775,515</u>	<u>424,753</u>
	<u>1,981,465</u>	<u>1,466,054</u>
Capital commitments		
Property, plant and equipment	1,570,579	1,743,506
Investment properties	758,568	795,287
Investments in equity instruments	61,568	257,395
Intangible assets	<u>1,293</u>	<u>6,093</u>
	<u>2,392,008</u>	<u>2,802,281</u>
Fiduciary assets	<u>465,378</u>	<u>672,096</u>

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

21 LITIGATIONS AND CONTINGENCIES

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

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

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

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

Dow Litigations

In 2005, The Dow Chemical Company ("Dow Chemical") filed suit against NOVA in the Federal District Court in Delaware alleging that certain grades of NOVA's SURPASS® polyethylene film resins infringe two Dow Chemical patents. In 2010, a jury trial took place and a judgment of infringement against NOVA was entered on June 18, 2010. Dow Chemical was awarded certain amounts for damages and pre-judgment interest. In 2012, after unsuccessful appeals, NOVA paid Dow Chemical approximately US \$ 77 million. A Supplemental Damages Bench Trial was held on April 30, 2013 and May 1, 2013 to determine any additional damages that should be awarded to Dow Chemical based on sales of certain grades of NOVA's SURPASS resin in the United States from January 1, 2010 through the expiration of the patents on October 15, 2011. The court issued a decision in March 2014. Approximately \$30 million was awarded to Dow Chemical for supplemental damages. In April 2014, NOVA filed a Notice of Appeal with the court, and will be required to post at least US \$ 30 million as security for the appeal. Oral arguments in the appeal were heard on June 3, 2015. On August 28, 2015, the court panel held in a unanimous, precedential decision that the patents-in-suit are invalid as indefinite and reversed the lower court award of supplemental damages. On September 28, 2015, Dow Chemical filed a petition with the court for panel rehearing and rehearing *en banc*. The court has not yet ruled on Dow Chemical's petition.

In December 2010, Dow Chemical filed a Statement of Claim against NOVA in Federal Court in Canada alleging that certain grades of NOVA's SURPASS polyethylene film resins infringe a Dow Chemical Canadian patent, and in March 2011, NOVA filed its statement of defences and counterclaim. A trial on the infringement issue commenced in September 2013 and concluded in November 2013. In May 2014, the judge for the Federal Court issued an adverse judgment. In August 2014, NOVA filed a Notice of Appeal with the Federal Court of Appeal. Oral arguments in the appeal are scheduled for December 7 and 8, 2015. A subsequent trial to determine damages will be held at a future date if the judgment is affirmed on appeal.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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21 LITIGATIONS AND CONTINGENCIES continued

Tax contingencies

On 29 December 2014, Borealis Technology Oy (“TOY”), Finland, has received a re-assessment decision by the Finnish Tax Authority (FTA) for the year 2008. Based on this re-assessment the taxable income of TOY has been increased by an amount of US \$ 930,300 thousand (Euro 700,000 thousand). This leads to a requested additional total payment of US \$ 374,442 thousand (Euro 281,747 thousand), comprising of taxes, late payment interest and penalties. The payment obligation has been suspended pending TOY’s appeal.

The FTA claims that the exclusive licence agreement under which TOY licensed its polyolefin technology to Borealis AG in the year 2008 is to be regarded as a sale of business. The management of Borealis believes that the FTA’s decision is unjustified as, in fact, it constitutes an attempt to re-characterise a valid and legitimate licence deal into a sale deal that never took place. Furthermore, Borealis believes that TOY’s licensed technology constitutes assets and cannot be regarded as a fully-fledged business. Borealis is confident that it is very likely that the decision of the FTA will be reversed in the next phases of the proceeding.

On 9 June 2015, TOY received from the Finnish tax authority a re-assessment decision to pay an additional amount of US \$ 165,593 thousand (Euro 124,600 thousand) in taxes, penalties and interest related to the year 2010.

While the re-assessment decision from December 2014 relates to TOY’s polyolefin technology, the re-assessment decision as received on June 9th relates to TOY’s catalyst technology. The amount claimed for catalyst is based on an additional taxable income of US \$ 451,860 thousand (Euro 340,000 thousand).

Despite all arguments provided by Borealis and its team of advisors the Finnish tax authority decided to follow an argumentation which is deemed incorrect according to both Borealis and its advisors. Borealis will file a claim for adjustment with the Board of Adjustment of the Finnish tax authority and will also ask for a suspension of payment pending the appeal.

In February 2015, Borealis Polymer Oy (“BPOY”), a Finnish subsidiary of Borealis, received a preliminary tax audit report from the Finnish tax authority regarding the years 2009. The preliminary tax audit report suggests to increase BPOY’s taxable base in year 2009 by US \$ 863,850 thousand (Euro 650,000 thousand). Given the preliminary nature of the proceedings, potential impacts, if any, cannot be currently reliably estimated.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2015 (Unaudited)

22 1MDB GUARANTEE

The Company agreed in 2012 to guarantee the obligations (principal and associated interests) 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. The principal amount of these obligations is US \$ 3.5 billion.

The guarantees were initially recognised as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantees. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation. As at 30 June 2015, the unamortised deferred income was US \$ 258,172 thousand (31 December 2014: US \$ 279,751 thousand).

In respect of these financings, the Company benefits from back-to-back guarantees and support from 1MDB and has secured for its Group the rights (“the Options Agreements”) to acquire up to 49% stake in the shares of two subsidiaries of 1MDB at a fixed price.

In 2014, the Group entered into an agreement relating to the Options Agreements where the Group assigned all of its rights under the Options Agreement to 1MDB and its subsidiaries for a fixed price. As of 30 June 2015 an amount of US \$ 481,326 thousand was outstanding (31 December 2014: US \$ 481,326 thousand).

On 28 May 2015, IPIC, Aabar, Minister of Finance, Inc., Malaysia (MOF) and 1Malaysia Development Berhad (1MDB) entered into a binding term sheet that provides for the following principal matters:

- on 4 June 2015, IPIC provided US\$1 billion to 1MDB for 1MDB to utilise immediately to settle certain of its liabilities (the Cash Payment);
- from 4 June 2015, IPIC has assumed the obligations to pay (on an interim basis) all interest due under two IPIC guaranteed 1MDB financings amounting to US\$3.5 billion in aggregate principal amount (the Notes);
- upon the completion of the transfer of assets as described below, IPIC will directly assume liability for all payment obligations under the Notes (the Assumption of Debt) and forgive certain financial obligations of the 1MDB Group to the IPIC Group (the Debt Forgiveness); and
- by 30 June 2016, IPIC is to have received a transfer of assets with an aggregate value of an amount which represents the sum of the Cash Payment, the Assumption of Debt and the Debt Forgiveness.

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

IPIC has met the Cash Payment under the Notes from existing liquidity available to IPIC. On 16 October 2015 and 10 November 2015; IPIC paid interests amounting to US \$ 50,312 thousand and US \$ 52,412 thousand respectively due under the Notes.

International Petroleum Investment Company PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2015 (Unaudited)

23 RELATED PARTY TRANSACTIONS AND BALANCES

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

Compensation of key management personnel

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

	<i>Six months ended 30 June</i>	
	<i>2015</i>	<i>2014</i>
	<i>US \$ '000</i>	<i>US \$ '000</i>
Short-term benefits	<u>3,901</u>	<u>3,247</u>

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

<i>Business relationship</i>	<i>Goods and services</i>		<i>Financing</i>	
	<i>Purchases from US \$ '000</i>	<i>Sales to US \$ '000</i>	<i>Interest received US \$ '000</i>	<i>Interest paid US \$ '000</i>
<i>Six months ended 30 June 2015</i>				
Associates	1,021,217	383,652	82	-
Joint ventures	288,816	476,657	7,595	122
Entities under common management of key management personnel of the Company	10,836	10,730	-	-
Others	<u>585</u>	<u>7,830</u>	<u>1,560</u>	<u>4</u>
	<u>1,321,454</u>	<u>878,869</u>	<u>9,237</u>	<u>126</u>
<i>Six months ended 30 June 2014</i>				
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	<u>-</u>	<u>10,496</u>	<u>102</u>	<u>256</u>
	<u>1,663,961</u>	<u>1,465,746</u>	<u>106,834</u>	<u>602</u>

International Petroleum Investment Company PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2015 (Unaudited)

23 RELATED PARTY TRANSACTIONS AND BALANCES continued

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

<i>Business relationship</i>	<i>Goods and services</i>		<i>Other assets</i>	<i>Other payables</i>
	<i>Receivable from</i>	<i>Payable to</i>		
	<i>US \$ '000</i>	<i>US \$ '000</i>	<i>US \$ '000</i>	<i>US \$ '000</i>
At 30 June 2015				
Associates	137,783	469,128	12,350	6,819
Joint ventures	30,634	49,917	57,610	74,075
Entities under common management of key management personnel of the Company	110,201	110,972	1,020,432	24,639
Others	<u>15,521</u>	<u>8,699</u>	<u>104,589</u>	<u>1,084</u>
	<u>294,139</u>	<u>638,716</u>	<u>1,194,981</u>	<u>106,617</u>
At 31 December 2014(Audited)				
Associates	190,514	404,768	559,335	272,245
Joint ventures	89,643	48,713	292,037	28,538
Entities under common management of key management personnel of the Company	-	-	1,370,651	84,249
Others	<u>1,417</u>	<u>27,397</u>	<u>54,824</u>	<u>7,260</u>
	<u>281,574</u>	<u>480,878</u>	<u>2,276,847</u>	<u>392,292</u>

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

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

<i>Business relationship</i>	<i>Six months ended</i>			
	<i>30 June 2015</i>		<i>30 June 2014</i>	
	<i>Interest income</i>	<i>Interest expense</i>	<i>Interest income</i>	<i>Interest expense</i>
	<i>US \$ '000</i>	<i>US \$ '000</i>	<i>US \$ '000</i>	<i>US \$ '000</i>
Financing:				
Entities under common shareholder - the Government of the Emirate of Abu Dhabi	<u>4,023</u>	<u>19,936</u>	<u>4,035</u>	<u>19,183</u>
			<i>(Audited)</i>	
	<i>30 June 2015</i>		<i>31 December 2014</i>	
	<i>Cash and cash equivalents</i>	<i>Borrowings</i>	<i>Cash and cash equivalents</i>	<i>Borrowings</i>
	<i>US \$ '000</i>	<i>US \$ '000</i>	<i>US \$ '000</i>	<i>US \$ '000</i>
Financing:				
Entities under common shareholder - the Government of the Emirate of Abu Dhabi	<u>780,512</u>	<u>1,367,924</u>	<u>936,964</u>	<u>860,225</u>

International Petroleum Investment Company PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2015 (Unaudited)

24 GROUP INFORMATION

24.1 Interests in subsidiaries

The interim condensed consolidated financial statements include the interim financial statements of the Company and all its material subsidiaries as at 30 June 2015. The significant operating subsidiaries are listed in the following table:

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Percentage holding</i>	
		<i>30 June 2015</i>	<i>31 December 2014</i>
Borealis AG ("Borealis")	Austria	64%	64%
Aabar Investments PJS ("Aabar")	United Arab Emirates	98.36%	98.32%
NOVA Chemicals Corporation ("NOVA")	New Brunswick, Canada	100%	100%
Compañía Española de Petróleos, S.A.U. ("CEPSA")	Spain	100%	100%
Falcon Private Bank Ltd. ("Falcon Private Bank")	Switzerland	100%	100%
Arabtec Holding PJSC ("Arabtec") (note 4.1)	United Arab Emirates	36.11%	-

24.2 Investments in associates

The Group has the following significant investments in associates:

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Percentage holding*</i>	
		<i>30 June 2015</i>	<i>31 December 2014</i>
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	21.09%	21.22%
Galactic Ventures LLC ("Virgin Galactic")	British Virgin Islands	32.86%	37.80%
Arabtec Holding PJSC ("Arabtec")	United Arab Emirates	-	35.27%
Compañía Logística de Hidrocarburos CLH, S.A	Spain	9.15%	9.15%
APICO LLC ("APICO")	USA	39.00%	-

24.3 Investments in joint ventures

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

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Percentage holding*</i>	
		<i>30 June 2015</i>	<i>31 December 2014</i>
Medgaz, S.A.	Spain	42.09%	42.09%

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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25 EVENTS AFTER THE REPORTING PERIOD

- (i) On 13 November 2015, the Company received USD 1,200,000 thousand from the Department of Finance as a further advance payment for the Abu Dhabi Crude Oil Pipeline (ADCOP).
- (ii) On 16 November 2015, the Company repaid the 3.125% USD 1,000,000 thousand Notes due at maturity
- (iii) On 23 November 2015, IPIC entered into a series of Cross Currency Swap swapping USD liabilities respective cash flows for EUR. The amount transacted was USD 1,125,000 thousand.
- (iv) On 24 November 2015, IPIC entered into a series of Cross Currency Swap swapping USD liabilities respective cash flows for EUR. The amount transacted was USD 1,125,000 thousand.