Building a better working world

Ernst & Young Accountants LLP
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The board of directors of
SABIC Capital B.V.
Attn. Mr. M. de Groot
Zuidplein 216
1077 XV AMSTERDAM

Eindhoven, 4 April 2019

REQ3338014a/avh

Dear Mr. De Groot,

Please find enclosed an authenticated copy of the annual report of SABIC Capital B.V. for the financial year ended 31 December 2018 and our auditor's report thereon dated 4 April 2019.

We consent, under the conditions as set out in the enclosed information sheet Publication of auditor's report, to include and publish our auditor's report as enclosed, in the section Other information of copies of the annual report for the financial year ended 31 December 2018, provided that they are identical to the enclosed authenticated copy of the annual report, subject to adoption of the audited financial statements, without modification, by the general meeting of the shareholder. The annual report to be filed with the Trade Register of the Chamber of Commerce, including the audited financial statements should be filed within one month of 4 April 2019. Publication of our auditor's report is only allowed together with the corresponding complete set of the annual report.

Our auditor's report states the name of our firm and the name of the responsible audit partner but without a handwritten signature. We kindly request you to include our auditor's report without handwritten signature in the version of the annual financial reporting that will be filed and published. We have enclosed one copy of our auditor's report including an original handwritten signature. This copy is meant for your own filing purposes. It is not allowed to file or publish the authenticated copy of annual financial reporting (initialed by us for identification purposes).

The annual report to be filed with the Trade Register of the Chamber of Commerce needs to be filed no later than eight days after adoption of the financial statements by the general meeting of the shareholder and prior to 1 January 2020.
Please note that it is legally required to (timely) file the annual report including the audited financial statements with the Trade Register of the Chamber of Commerce and that non-compliance is an offence punishable by law. In certain situations not complying with the publication requirements could even lead to personal liability for the board of directors and for the supervisory board.

If prior to the general meeting of the shareholder circumstances arise that require a modification to the financial statements, please note that such modifications should be made prior to the general meeting of the shareholder. In this situation, of course, we withdraw our consent granted above.

All members of the board of directors sign a copy of the financial statements. If a signature is missing, the reason is included in the annual report to be filed. In order to prevent the abuse of signatures we discourage the filing of a signed copy of the annual report.
The annual report to be filed with the Trade Register of the Chamber of Commerce should include the general meeting's adoption date of the financial statements.

If you wish to publish the annual report including the audited financial statements on the internet, it is your responsibility to ensure proper separation of the annual report from other information on the website. For example, by presenting the annual report as a separate read-only file, or by issuing a warning if readers switch from the web page containing the annual report ("You are now leaving the secured page containing the annual report, including the audited financial statements").

Yours sincerely,
Ernst & Young Accountants LLP

J.R. Frentz

Initialed for identification purposes: GL

Enclosures: Annual report initialed for identification purposes
Text auditor's report without handwritten signature to be included in the annual report
Signed auditor's report for your files
Information sheet Publication of auditor's report

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Independent auditor's report

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

Report on the audit of the Financial Statements 2018 included in the annual report

Our opinion

We have audited the Financial Statements 2018 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 2018 and of its result and its cash flows for 2018 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 2018, and of its result for 2018 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 2018
- The following statements for 2018: 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 2018
- The Company Only Statement of Income for 2018
- The notes comprising a summary of the 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 "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), 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	$8.5 million (2017: $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, in line with prior year's assessment.

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 $0.425 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.

We have performed full scope audit procedures ourselves at all entities included in the group. By performing the procedures mentioned above at group entities, we have been able to obtain sufficient and appropriate audit evidence about the group'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.

The key audit matters are consistent with prior year.

Risk	Our audit approach	Key observations
Financing activities - As disclosed in note 1, 8 and 13 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.	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 credit losses related to financial assets and compliance	Overall, the positions in relation to the Company's financing activities, including the bonds issued in 2018, are appropriately recorded in the financial statements and disclosures in conformity with EU-IFRS.

Risk	Our audit approach	Key observations
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.	with the advanced pricing agreement. For the 2018 audit, we paid specific attention to the refinancing of the maturing internal and external loans. The maturing external loans held by the Company were refinanced through the issuance of two new bonds, maturing loans from related parties were refinanced. We verified that the accounting treatment and valuation of the new bonds and refinanced loans is in line with the underlying agreements. Furthermore, we verified the correct accounting treatment and compliance with transfer pricing requirements of the related refinanced financial assets. In addition, we assessed the adequacy of the company's disclosure in the notes of the Consolidated Financial Statements.	
Valuation of preference shares - As disclosed in note 7 and 19 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. In addition, we assessed the adequacy of the company's disclosure in the notes of the Financial Statements.	Based on our audit procedures performed, we concluded that management appropriately accounted for the preference shares and made the required disclosures in the 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:

- The Report by the board of directors
- Other information as required by 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 substantially 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 as required by 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 financial year.

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 engagement 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 detect all material errors and fraud during our audit.

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 among others:

- 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 the key audit matters: those matters that were of most significance in the audit of the financial statements. 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, 4 April 2019

Ernst & Young Accountants LLP

J.R. Frentz

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Eindhoven, 4 April 2019

Ernst & Young Accountants LLP

signed by J.R. Frentz

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SABIC CAPITAL B.V.

Annual report

31 December 2018

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Ernst & Young Accountants LLP
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CHEMISTRY THAT MATTERS

GENERAL INFORMATION

Directors
M.R. De Groot
T.G. Brierley

Supervisory Board
A.S. Al-Fageeh (appointed 24 October 2018)
T.D. Leveille (appointed 24 October 2018)
K.A. Al-Garni (appointed 24 October 2018)
A.M. Al-Issa (resigned 3 December 2018)
M.S.A. Al-Ohali (resigned 24 October 2018)
E. Occhiello (resigned 2 October 2018)
T.M.H. Al-Madhi (resigned 24 October 2018)

Registered Office
Zuidplein 216
1077 XV Amsterdam
The Netherlands

Auditors
Ernst & Young Accountants LLP, The Netherlands

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Ernst & Young Accountants LLP
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All amounts are in thousands of USD, except for volumes of shares, share par values and number of employees

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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 global financing activities and corporate financial services for SABIC's subsidiaries in Europe, Middle-East and Africa ("EMEA"), Asia, and the Americas (the "International Subsidiaries").

Business

Financial review
The Group's net income for the year ended 31 December 2018 amounted to 2,138 compared to 2,948 in 2017. The Group's income is mainly determined through a market spread on its financing and services activities for SABIC's International Subsidiaries.

Investments
The value of the Group's investment in SABIC International Holdings B.V. ("SABIC International") decreased in 2018 compared to 2017 with 94,940 mainly as a result of the slight weakening of the Euro versus the US dollar and the net effect of the increase in market yield (discount rate), partially offset by the improved expectations over SABIC International future dividend distribution capability.

Refinancing and available funds
On 26 January 2018, the Group entered into an external bridge loan facility amounting to 3,000,000, with an interest rate of LIBOR plus 30 bps for the first half year and LIBOR plus 45 bps for the second half year and maturing in January 2019, in order to fund the acquisition by SABIC International of a 24.99% interest in Clariant AG. At the end of December, this bridge facility was repaid by the Group and refinanced by SABIC, with a fixed interest rate of 3.85% and maturing at the end of December 2019. It is management's intend to align the financing with the ultimate outcome of the underlying strategic initiative.

On 18 July and 3 October 2018, the Group repaid its outstanding term loan facility and US Dollar bond amounting to 1,000,000 and 1,000,000, respectively, initially making use of its multi-currency revolving credit facility, which was subsequently refinanced through two US Dollar Bond issuances of 1,000,000 each. Additionally, in March 2018, the Group has refinanced 1,531,495 of intercompany debt from SABIC through a new loan with the same amount and extended maturity, which will expire in 2028.

At the end of 2018, an amount of 100,000 was drawn under the multi-currency revolving credit facility leaving an unused balance of 1,900,000 (2017: 1,842,500).

The total unused amount of bank overdraft facilities and money market facilities at the end of 2018 amounted to 474,360 (2016: 479,960).

Corporate governance

The Group applies corporate governance standards that promote transparency, accountability and competence. The Company's corporate governance structure consists of a board of managing directors (the "Managing Board") and a board of supervisory directors ("the Supervisory Board"). The Supervisory Board consist of senior executives of SABIC. The Managing Board has the overall responsibility for managing the Company and overseeing the management of the Group companies in alignment with SABIC's overall goals and objectives. The Managing Board meets on a regular basis during the year. The Supervisory Board meets twice a year as a minimum and more if required.

The composition of the Managing Board and Supervisory Board does not (yet) meet the target criteria as set by legislation regarding gender diversity whereby t at least 30 percent of the positions are held by men and at least 30 percent by women. In accordance with the "apply-or-explain"-rule in said legislation, the Managing Board and Supervisory Board herewith express their full recognition of the benefits of diversity, including gender balance. In the future, members of the Managing Board and Supervisory Board will continue 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 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 accept 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: These are related to financial activities, see Financial risks.
- 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 19 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 mostly financing related risks, related to the Group, which have not significantly changed over the last few years:

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

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, to fund 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 and to strive for sufficient feedstock availability in the regions it is operating.

Doing business in an international environment

SABIC is a global business with operations in more than 50 countries and has its foundation in Saudi Arabia. SABIC is therefore exposed to unfavorable 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.

National and international taxation is changing rapidly, e.g. as a result of the actions developed by the Organization for Economic Co-operation and Development (OECD) at the request of the G20 to prevent Base Erosion and Profit Shifting (BEPS) in previous years and the 2018 US Tax Reform Act. SABIC's Global Tax function ensures SABIC is ready for these changes by providing strategic and operational support to manage tax risks for the business, while promoting growth in areas that include operating models, intercompany transactions, merger and acquisitions and

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the relationship with tax authorities. By building and maintaining robust compliance processes and a strong compliance culture the Group is fostering the highest ethical standards.

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 2018, the Group had 44 (2017: 37) employees directly employed within the Netherlands.

Company outlook

Management is actively managing the timely availability of funding to support any financing needs of the International Subsidiaries. For 2019, management believes it currently has sufficient cash availability with the International Subsidiaries as well as the ability to generate additional cash in 2019, to meet the International Subsidiaries' near term operational funding needs and regular capital expenditure commitments. For large projects or strategic investments, to support SABIC's international growth, the Group has the availability of its unused multi-currency revolving credit facility as well as the possibility 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.

Management expects to refinance the 3,000,000 intercompany funding from SABIC, which matures in December 2019, before the end of 2019 to align with the final structure of the underlying strategic initiative.

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Amsterdam, 4 April 2019

Signed by:

M.R. De Groot

T.G. Brierley

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Consolidated Financial Statements

31 December 2018

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Consolidated Statement of Income

	Notes	For the years ended 31 December 2018	2017
Interest income	3	398,075	296,870
Financial income	3	34,513	18,383
Financial expense	4	(429,316)	(310,370)
Operating income		3,272	4,883
Selling, general and administrative income/(expense)	5	412	(98)
Income before tax		**3,684**	**4,785**
Income tax expense	6	(1,546)	(1,837)
Net income for the year		**2,138**	**2,948**
Attributable to:			
Owner of the Company		2,138	2,948
Net income for the year		**2,138**	**2,948**

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Consolidated Statement of Comprehensive Income

	Note	For the years ended 31 December 2018	2017
Net income for the year		2,138	2,948
Other comprehensive income:			
Net (loss)/gain from equity instruments designated at FVOCI	7	(94,940)	574,522
Total other comprehensive (loss)/income that will not be reclassified to statement of income in subsequent periods		(94,940)	574,522
Total comprehensive (loss)/income, net of tax		**(92,802)**	**577,470**
Attributable to:			
Owner of the Company		(92,802)	577,470
Total comprehensive (loss)/income, net of tax		**(92,802)**	**577,470**

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Consolidated Statement of Financial Position

	Notes	At 31 December 2018	2017
Assets			
Non-current assets			
Property and equipment		124	188
Equity instruments	7	2,546,640	2,641,580
Other financial assets	8	7,223,450	3,746,701
Deferred tax assets		649	68
		9,770,863	6,388,537
Current assets			
Other financial assets	8	3,979,083	4,708,674
Other receivables	9	76,198	40,642
Derivatives	10	8,006	2,170
Cash and cash equivalents	11	1,286,529	1,056,936
		5,349,816	5,808,422
Total assets		15,120,679	12,196,959
Equity and liabilities			
Equity			
Equity attributable to owner of the Company	12	2,571,602	2,665,978
		2,571,602	2,665,978
Non-current liabilities			
Interest-bearing loans and borrowings	13	7,302,020	3,895,335
Employee benefits		348	279
		7,302,368	3,895,614
Current liabilities			
Current liabilities, interest-bearing	13	5,185,516	5,606,805
Provisions		—	387
Trade and other payables	14	53,201	26,023
Derivatives	15	7,992	2,152
		5,246,709	5,635,367
Total liabilities		12,549,077	9,530,981
Total equity and liabilities		15,120,679	12,196,959

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Consolidated Statement of Changes in Equity

	Attributable to owner of the Company					
	Issued capital*	Share premium	Retained earnings	Other reserves	Fair value financial assets through OCI	Total Equity
Balance as at 1 January 2017	23	1,332,115	19,958	80	736,332	2,088,508
Net gain available-for-sale investment (note 7)	—	—	—	—	574,522	574,522
Net income for the year	—	—	2,948	—	—	2,948
Total comprehensive loss for the year, net of tax	—	—	2,948	—	574,522	577,470
Balance as at 31 December 2017	23	1,332,115	22,906	80	1,310,854	2,665,978
Adoption of IFRS 9 (Note 2.4)	—	—	(1,574)	—	—	(1,574)
Balance as at 1 January 2018	23	1,332,115	21,332	80	1,310,854	2,664,404
Net loss equity instrument designated at FVOCI (note 7)	—	—	—	—	(94,940)	(94,940)
Net income for the year	—	—	2,138	—	—	2,138
Total comprehensive loss for the year, net of tax	—	—	2,138	—	(94,940)	(92,802)
Balance as at 31 December 2018	23	1,332,115	23,470	80	1,215,914	2,571,602

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

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Consolidated Statement of Cash Flows

	Notes	For the years ended 31 December 2018	2017
Operating activities			
Net income for the year		2,138	2,948
Add back non-cash items in net income			
Interest revenue and expense, net		(9,396)	(10,629)
Amortization of debt issuance costs		5,477	5,746
Loss on impairment		647	—
Income tax expense		1,546	1,837
Non-cash adjustment to reconcile the result before tax to net cash flows			
Depreciation property and equipment		63	98
Movement in other non-current assets, liabilities and other, net		(356)	(474)
Net foreign exchange gain/(loss)		(7,156)	5,003
Changes in Group funding:			
Proceeds of funding to related parties		5,303,709	1,062,608
Repayments of funding from related parties		(5,010,000)	(741,016)
Proceeds from third party funding		7,087,660	226,500
Repayments of third party funding		(7,157,500)	(69,000)
Debt issuance costs paid		(6,750)	—
Interest received		384,672	294,967
Interest paid		(377,026)	(284,862)
Guarantee fee received		15,645	18,383
Guarantee fee paid		(15,645)	(36,883)
Change in working capital:			
Current receivables		(3,776)	(6,990)
Current liabilities – non-interest-bearing		(3,016)	4,715
Others		5	(19)
Income tax paid		(1,400)	(1,133)
Net cash provided by operating activities		**209,541**	**471,799**
Net increase in cash and cash equivalents		209,541	471,799
Net foreign exchange (loss)/gain on cash and cash equivalents		7,492	(5,778)
Cash and cash equivalents (including overdrafts) at 1 January	11	795,210	329,189
Cash and cash equivalents (including overdrafts) at 31 December	**11**	**1,012,243**	**795,210**

See accompanying Notes to the Consolidated Financial Statements

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Notes to the Consolidated Financial Statements

1. General information

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 is 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") with Amsterdam as principal place of business. 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 provide financing and corporate financial services for SABIC subsidiary entities 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, which are charged out to the beneficiary SABIC entities.

The financial statements of the Company for the year ended 31 December 2018 were approved on 4 April 2019 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 accordance 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, which 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 the entities controlled by the Company. Control is considered achieved when the Company has power over its subsidiaries together with exposure, or rights, to variable returns from its involvement with the subsidiaries and lastly the ability to use its power over the subsidiaries to affect its returns. Generally, there is a presumption that a majority of voting rights results in control. The Company re-assesses whether or not it controls its subsidiaries if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Profit or loss and each component of other comprehensive income are attributed to the equity owner of the Company. 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 2018 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, 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 19)
- Sensitivity analyses disclosures (Note 19)

The key assumptions and critical judgments concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a significant adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated 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 Group. Such changes are reflected in the assumptions when they occur.

Equity instruments (Note 7)

These equity instruments are designated at Fair value through other comprehensive income("FVOCI") where the fair value recognized in the consolidated statement of financial position cannot be derived from active markets. This is determined using a discounted cash flow model. The input for certain parameters is taken from observable pricing in markets, but where this is not feasible, a degree of judgment by management is required in assessing fair values. Changes in assumptions about these factors could affect the fair value of these equity instruments.

2.4 Changes in accounting policies

Effective 1 January 2018, the Group has applied International Financial Reporting Standard 9 '*Financial Instruments*' ('IFRS 9'), which became mandatory as per 1 January 2018. The nature and the impact of adopting IFRS 9 is described below. The new revenue standard, IFRS 15 '*Revenue from Contracts with Customers*' ('IFRS 15') did not affect the Group for recognizing revenue given its current operating model.

IFRS 9 mainly led to new and specific requirements for the classification and measurement of financial assets, changes regarding the recognition of impairments of certain financial assets and a revised approach to hedge accounting.

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Classification and measurement

IFRS 9 retains amortized cost and fair value as basis of measurement. The financial liabilities are not affected, as the new requirements only affect the accounting for financial liabilities that are designated at Fair Value Through Profit or Loss ("FVTPL") and the Group does not have such liabilities. The classification and measurement of financial assets is based on two criteria: the cash flow condition and the solely payments of principle and interest ('SPPI') assessment, which is the contractual cash flow characteristics of a separate individual asset and considering the business model to manage financial asset portfolio's.

The introduction of the SPPI condition and the business model assessment under IFRS 9, resulted in the reclassification of equity investments that were assigned as "available for sale" under IAS 39 and subsequent measurement at fair value through OCI, to equity instruments designated as FVOCI. These investments are irrevocably designated at fair value through OCI as the Group considers these investments to be strategic in nature.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interests. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortized cost measurement under IFRS 9.

Impairment

Unlike IAS 39 '*Financial Instruments: Recognition and Measurement*', impairment allowances have to be recognized for expected credit losses ('ECL'). Rather than to recognize these allowances for financial assets that are not measured at FVTPL, when there is an objective evidence of impairment. ECL is determined on the credit risk of a financial asset, as well as any change to this credit risk. If the credit risk of a financial asset has increased significantly since initial recognition, an ECL is generally recognized over the lifetime of the asset. The (trade) receivables of the Group consist only of receivables from the International Subsidiaries. Therefore, the credit risk in determining ECL is based on a credit rating derived from SABIC. The allowance for doubtful debts end 2017 was nil (Note 8).

Disclosure

Upon adopting IFRS 9, the Group applied the new standard prospectively without changing the comparative financial information for 2017, which is disclosed in accordance with IAS 39 and is therefore not comparable to the information presented for 2018 under IFRS 9.

The following table shows changes in measurement and classification of the different categories in accordance with IAS 39 and the new measurement and classification categories in accordance with IFRS 9 for the Group's financial assets as per 1 January 2018:

	Measurement under IAS 39	Measurement under IFRS 9	Carrying value under IAS 39	Carrying value under IFRS 9	Changes on adopting IFRS 9
Financial assets:					
Available-for-sale investments unquoted shares	FVOCI	—	2,641,580	—	
Other non-current financial assets	—	FVOCI	—	2,641,580	
Equity instruments	FVOCI	FVOCI	2,641,580	2,641,580	—
Other financial assets	Amortized cost	Amortized cost	8,455,375	8,453,276	(2,099)
Other receivables	Amortized cost	Amortized cost	40,642	40,642	—

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The adoption of IFRS 9 has resulted in a change in the retained earnings as follows:

	Retained earnings
Balance as at 31 December 2017	22,906
Allowance for expected credit losses from intra group loans (Note 8)	(2,099)
	20,807
Tax impact	525
Opening balance 1 January 2018	**21,332**

2.5 IFRS issued but not yet effective

The IFRS standards and interpretations that are issued and relevant for the Group, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are elaborated below. These standards will be adopted by the Group, when they become effective.

- IFRS 16 '*Leases*'. The IASB has issued a new standard for the recognition of leases. This standard will replace IAS 17 '*Leases*', IFRIC 4 – '*Whether an arrangement contains a lease*', SIC 15 – '*Operating leases – Incentives*' and SIC 27 – '*Evaluating the substance of transactions involving the legal form of a lease*'

  Under IAS 17, lessees are required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 '*Leases*' ('IFRS 16') will require lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for all lease contracts apart from an optional exemption for certain short-term leases and low value assets. In addition, under the new lease standard, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  The Group will adopt IFRS 16 '*Leases*' ('IFRS 16') from its mandatory adoption date of 1 January 2019 using the modified simplified transition approach as permitted under the specific transition provisions in the standard. As a result, comparatives for the 2018 financial year will not be restated. The Group has not used the practical expedient of applying IFRS 16 to only those contracts that were previously identified as leases under IAS 17 '*Leases*'.

  In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

  - the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
  - the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
  - the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

  On adoption of IFRS 16, the Group will recognize lease liabilities and associated right-of-use assets in relation to contracts that have been concluded as leases under the principles of IFRS 16. The liabilities will be measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The associated rights-of-use assets will be measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, if any, relating to that lease recognized in the consolidated statement of financial position as at 31 December 2018. The Group is in the process of finalizing its calculation of the final amount for the right-of-use assets and lease liability as at 1 January 2019. The impact is expected to be approximately 3,000. There will be no impact on retained earnings on 1 January 2019. The impact of adopting IFRS 16 on Group's net income for 2019 will be insignificant.

- IFRIC 23 '*Uncertainty over Income Tax Treatment*'. The Interpretation addresses accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 '*Income Taxes*' ("IAS 12") and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

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The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable results, tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group expects no significant impact from this interpretation and will adopt from its effective date.

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

2.6 Summary of significant accounting policies

Foreign currencies

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.

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. 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 2018	Exchange rate at 31 December 2017	Average exchange rate 2018	Average exchange rate 2017
Euro	1.14	1.20	1.18	1.13

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.

Interest income and financial income and expense
For all financial instruments measured at amortized cost and interest bearing financial assets classified as debt instruments, interest income or expense is recorded using the effective interest rate ("EIR"). EIR 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
The Group provides treasury, tax and group financial and accounting services to SABIC. All costs related to the services provided are recharged to the service beneficiaries.

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

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

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

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 consolidated statement of changes in 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.

Comprehensive income (loss)
The consolidated statement of comprehensive income consists of net income (loss), foreign currency translation adjustments, a change in fair value of equity instruments designated at FVOCI and a change in fair value of derivative instruments.

Equipment
Equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the useful life

Financial assets
Classification of financial assets is based on the Group's business model for managing its financial assets and the contractual terms of the cash flows, whereby the Group classifies its financial assets as:
- financial assets measured at amortized cost; or
- financial assets measured at fair value

Gains or losses of assets measured at fair value will be recognized either through the consolidated statement of income or through the consolidated statement of OCI.

Initial measurement

Financial assets are initially measured at their fair value plus transaction costs. Transaction costs of financial assets carried at fair value through income statement are recognized in the consolidated statement of income, when incurred. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

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, which is the date that the Group commits to purchase respectively sell the asset.

Subsequent measurement

Debt instruments

The Group recognized its debt instruments at amortized cost. Financial assets recognized at amortized cost are assets held for collection of contractual cash flows, where those cash flows represent Solely Payments of Principal and Interest ("SPPI"), are measured at amortized cost. A gain or loss on a debt investment subsequently measured at amortized cost, and not part of a hedging relationship, is recognized in the consolidated statement of income when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the EIR method. This category includes trade receivables and loans granted.

Equity instruments

The Group measures all equity instruments at fair value through OCI. Dividends from such investments continue to be recognized in the consolidated statement of income as other income when the Group's right to receive payments is established. There shall be no subsequent reclassification of changes in fair value through the consolidated statement of income.

De-recognition

A financial asset or a part of a financial asset is 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 under a 'pass-through' arrangement, and either:
  a) The Group has transferred substantially all the risks and rewards of the asset; or
  b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment

The Group based its assessment of ECL on historical observed default rates, based on credit ratings. The Group assessed that the impact of forward looking information is not material. At reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Group recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Accounting policy for financial assets until the end 2017

Until the end of 2017, financial assets are classified, at initial recognition, as financial assets at fair value through the consolidated statement of income, loans and receivables, held to maturity investments, available for sale financial ('AFS') assets, as appropriate, and in accordance with IAS 39.

All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through the consolidated statement of income.

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, which is the date that the Group commits to purchase respectively sell the asset.

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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

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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.

AFS financial assets included equity investments and debt securities. Equity investments classified as AFS were those that were neither classified as held for trading nor designated at fair value through statement of income. Debt securities in this category were those that were intended to be held for an indefinite period and that might have been sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, AFS assets were subsequently measured at FVOCI. The change in fair value was recognized in the AFS reserve until the investment is derecognized or when the investment was impaired.

The Group evaluated annually whether the ability and intention to sell its AFS financial assets in the near term was still appropriate. When, in rare circumstances, the Group was 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, at each reporting date, 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.

Cash and cash equivalents
Cash and cash equivalents comprise of cash at banks and short-term deposits with original maturities of three months or less that are readily convertible to know amounts of cash and which are subject to an insignificant risk of changes in value. Because of the short term nature of cash and cash equivalents, the Group recognizes these at its contractual par amount. The Group holds these balances in order to collect contractual cash flows. Cash and cash equivalents meet the business model and SPPI test and are therefore classified and measured at amortized cost. The expected credit losses are considered insignificant.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified as other financial liabilities measured at amortized cost using the EIR method, which include other non-current liabilities and trade and other payables.

All financial liabilities are recognized initially when the Group becomes party to contractual provisions and obligations under the financial instrument. The liabilities are recorded at fair value, and in the case of loans and borrowings and payables, the proceeds received net of directly attributable transaction costs.

Subsequent measurement
Other financial liabilities, including loans and borrowings, after initial recognition, these are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in consolidated statement of income when the liabilities are de-recognized as well as through the EIR amortization process.

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 method. The EIR amortization is included as finance costs in the consolidated statement of income.

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Derivative financial instruments
Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair

value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the period that do not qualify for hedge accounting are taken directly to the consolidated statement of income. The Company does not apply hedge accounting.

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles.

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 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 effective interest expense recognized on the debt.

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 Group applies netting of financial assets and liabilities, such as current accounts, where offsetting is justified by a formal agreement, provided these criteria are met.

Provisions

General

Provisions are recognized when the Group has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where management of the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement.

If the effect of the time value of money is significant, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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. Provisions for other long-term employee benefits are measured at present value, using actuarial assumptions and methods. Any actuarial gains and losses are recognized in the consolidated statement of income in the period in which they arise.

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 Group's operating model, movements and transactions related to loans and receivables are included in the cash flows from operating activities. For the purpose of preparing the Group's consolidated statement of cash flows, the cash and cash equivalents include bank overdrafts, which are presented under interest-bearing loans and borrowings in current liabilities in the Group's statement of financial position.

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

3. Interest and financial income

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

	2018	2017
Interest income related parties	379,891	290,304
Interest income third parties	18,184	6,566
Financial income related parties	34,513	18,383
Total interest and financial income	**432,588**	**315,253**

Included in financial income from related parties is a guarantee fee to cover the guarantee support fee payable to SABIC (see also Note 4). Interest income consists of income based on effective interest rate.

4. Financial expense

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

	2018	2017
Interest expense related parties	236,862	208,799
Interest expense third parties	153,607	75,331
Guarantee support fee owed to SABIC	34,513	18,383
Loss on impairment	647	—
Other financial-related expenses	3,687	7,857
Total financial expenses	**429,316**	**310,370**

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:

	2018	2017
Wages and salaries, pension costs and social security and benefit charges	(9,454)	(14,856)
Other external expenses	(9,640)	(12,230)
Cost recharged to other SABIC companies	19,506	26,988
Total selling, general and administrative expense	**412**	**(98)**

As of 31 December 2018, the Company had 44 employees directly employed within the Netherlands (2017: 37). The Group provides treasury, tax and financial reporting services to SABIC parent as well the International Subsidiaries. The total incurred cost included in wages and salaries, pension costs and social security and benefit charges are subsequently charged out to the entities which benefit from the provided services.

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 advance pricing agreement with the Dutch Tax Authorities, under which a compliant taxable margin is declared in the annual corporate income tax return.

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In 2018, the tax charge recorded in the consolidated statement of income amounted to 1,546 (2017: 1,837). The effective tax rate of 42% (2017: 38%) is higher than the domestic income tax charge of 25% (25%) mainly caused by permanent adjustments to taxable profit in order to reach the minimum taxable margin.

7. Equity instruments designated at FVOCI

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

	2018	2017
Preference shares from a related party	2,546,640	2,641,580
Total equity instruments designated at FVOCI	**2,546,640**	**2,641,580**

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 2018 for an amount of 94,940 (2017: 574,522 increase) is recorded through the consolidated statement of comprehensive income. Due to SABIC International negative retained earnings position, no dividends have been distributed to the Group as preferred shareholder. The accumulated undistributed dividend, related to the cumulative preference shares, amounts to 999,277 as of 31 December 2018 (2017: 943,389).

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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 2018	Maturity	2018	2017
Loan to SABIC International	2.06%	2018	—	10,000
Loan to SABIC International	2.43% - 3.89%	2018	—	1,531,495
Loan to SABIC US Holdings LP	3.26%	2018	—	1,000,000
Loan to SABIC US Holdings LP	1 m Libor + 170 bps	2018	—	1,000,000
Loan to SABIC International	2.50%	2019	10,000	10,000
Loan to SABIC International	3.90%	2019	3,000,000	—
Loan to SABIC International	3.00%	2020	40,000	40,000
Loan to SABIC International	3.33%	2020	857,700	899,700
Loan to SABIC International	5.50% – 5.70%	2021	1,797,001	1,797,001
Loan to SABIC International	4.22%	2023	1,000,000	1,000,000
Loan to SABIC IP US LLC	4.80%	2023	1,000,000	—
Loan to SABIC International	4.26%	2028	1,531,495	—
Loan to SABIC IP US LLC	5.32%	2028	1,000,000	—
Cash pool with related parties	Floating inter day %+ 50 bps		969,083	1,167,179
Total loans to related parties			**11,205,279**	**8,455,375**
Allowance for expected credit loss			(2,746)	—
Total loans to related parties including ECL			**11,202,533**	**8,455,375**
Less:				
Current portion of loans to SABIC International			3,010,000	1,541,495
Current portion of loans to SABIC US Holdings LP			—	2,000,000
Cash pool with related parties			969,083	1,167,179
Total current other financial assets			**3,979,083**	**4,708,674**
Total non-current other financial assets			**7,223,450**	**3,746,701**

All loans with a maturity ending in 2018 were repaid or refinanced on their respective due dates.

The Allowance for expected credit losses applies for other financial assets longer than a year as ECL for the short term is assumed to be insignificant.

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.

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Loan to SABIC International 2019
In January 2018, the Group entered into a specific intercompany loan facility amounting to 3,000,000, with SABIC International, in order to fund a strategic investment initiative of the SABIC International. It is management's intend to align the financing with the ultimate outcome of the underlying strategic initiative before the end of 2019.

Loan to SABIC International 2021
During August and November 2011, the Group entered into loans provided to SABIC International in the amount of 2,321,313, in the aggregate. These borrowings mature on 31 December 2021 and the interest rates are fixed varying from 5.50% to 5.70% and payable at every quarter. Interest payments (for an amount of 65,943) for the 3rd and 4th quarter 2012 were capitalized to the loan amount.

Loan to SABIC US Holdings LP 2018
In 2018, SABIC US Holdings LP repaid the two loans.

Loan to SABIC IP US LLC 2023
In October 2018, the Group used the USD Bond issuances to on-lend to SABIC IP US LLC, a related party.

Loans to SABIC International 2028
From December 2008 through April 2010, the Group entered into loans to on-lend to SABIC International. These loans were refinanced during 2018 for their nominal amount including capitalized interest (84,967). There was no settlement in cash.

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. An amount of 443,726 (2017: 421,022) was netted as there is an enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis. The gross balance amounts to 1,412,809 (2017: 1,588,201).

9. Other receivables

Other receivables consist of the following as at 31 December:

	2018	2017
Receivables from related parties	29,116	25,000
Accrued interest from related parties	27,579	14,138
Accrued guarantee support fee from related parties	18,868	—
Others	635	1,504
Total other receivables	**76,198**	**40,642**

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 IP US LLC.

The Company has assessed the estimated credit loss on these other receivables as immaterial.

10. Derivatives

Derivatives relate to the Group foreign currency hedge programs used to manage the non-functional currency exposure that exists at its international subsidiaries. Current receivable derivatives consist of the following as at 31 December:

	2018	2017
Third parties	7,907	741
Related parties	99	1,429
Total derivatives	**8,006**	**2,170**

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11. Cash and cash equivalents including bank overdrafts

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2018	2017
Cash at banks and on hand	1,286,529	756,936
Short-term deposits	—	300,000
Cash and cash equivalents	1,286,529	1,056,936
Bank overdrafts	(274,286)	(261,726)
Total cash and cash equivalents including bank overdrafts	**1,012,243**	**795,210**

12. Equity attributable to owner of the Company

At 31 December 2018 and 2017, 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 2018 for an amount of 2,969, which is at the disposal of the General Meeting of Shareholders. The fair value financial assets 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 2018 (2017: nil).

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13. Interest-bearing loans and borrowings

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

	EIR 2018	Maturity	2018	2017
Term loan	1 month Libor + 50 bps	2018	—	999,326
US Dollar Bond	2.82%	2018	—	998,640
Eurobond	2.94 %	2020	854,178	894,058
Multi-currency revolving credit facility	Libor/Euribor + 25 bps	2020	97,851	154,276
US Dollar Bond	4.14%	2023	993,962	—
US Dollar Bond	4.66%	2028	987,533	—
Bank overdrafts			274,286	261,726
Total third party loans and borrowings			3,207,810	3,308,026
Loans from related party SABCAP	1.63%	2018	—	10,000
Loans from related party SABCAP	1.98%	2019	10,000	10,000
Loans from related party SABCAP	2.39%	2020	40,000	40,000
Loans from related party SABIC	2.38%-3.86%	2018	—	1,531,495
Loans from related party SABIC	3.85%	2019	3,000,000	—
Loans from related party SABIC	5.47% – 5.67%	2021	1,797,001	1,797,001
Loans from related party SABIC	4.19%	2023	1,000,000	1,000,000
Loans from related party SABIC	4.21%	2028	1,531,495	—
Cash pool with related parties	Floating inter day % -10 bps		1,901,230	1,805,618
Total Loans from related parties and borrowings			9,279,726	6,194,114
Total interest-bearing loans and borrowings			**12,487,536**	**9,502,140**
Less:				
Current portion of third party loans			—	1,997,966
Current portion of loans from related parties			3,010,000	1,541,495
Cash pool with related parties			1,901,230	1,805,618
Bank overdrafts			274,286	261,726
Current liabilities, interest-bearing			**5,185,516**	**5,606,805**
Total non-current interest-bearing loans and borrowings			**7,302,020**	**3,895,335**

All loans with a maturity ending in 2018 were repaid or refinanced on their respective due dates. On 18 July and 3 October 2018, the Group repaid its term loan facility and US Dollar bond, respectively, initially made use of its multi-currency revolving credit facility, which was subsequently refinanced through two US Dollar Bond issuances as discussed below.

Money market
At the end of 2018 and 2017, this facility was not used. The unused amount of the Money market facilities amounted to 214,360 at the end of December 2018 (2017: 219,960).

US Dollar Bonds
In October 2018, the Group issued two new US Dollar bonds on the Irish Stock Exchange, guaranteed by SABIC. The first US Dollar bond is a 1,000,000 five-year bond with a coupon of 4.00%, which matures on 10 October 2023. The EIR, including amortization of debt issuance cost, is 4.14%, excluding the guarantee fee to be paid to SABIC. The second US Dollar bond is a 1,000,000 ten-year bond with a coupon of 4.50% which matures on 10 October 2028. The EIR, including amortization of debt issuance cost, is 4.66%, excluding the guarantee fee to be paid to SABIC. The fixed interest on these bonds is payable semi-annually. With the proceeds of the new US Dollar bonds, the multi-currency revolving credit facility balance was repaid, which was initially used to repay the Term loan and the 2018 US Dollar bond at maturity date.

Eurobond 2020
In November 2013, the Group issued a €750 million 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. The fixed interest on this bond is payable annually.

Multi-currency revolving credit facility
Since 2015, the Group has a 2,000,000 revolving credit facility with interest rate of Libor +25 bps for a period of 5 years. The Group has drawn 100,000 and capitalized facility fees amounting to 2. The unused amount of the revolving credit facility amounted to 1,900,000 at the end of December 2018.

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 260,000 at the end of December 2018 (2017: 260,000).

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 on a fixed rate, payable quarterly.

Loans from related party SABIC 2019
On 26 January 2018, the Group entered into an external bridge loan facility amounting to 3,000,000, with an interest rate of LIBOR plus 30 bps for the first half year and LIBOR plus 45 bps for the second half year and maturing on 3 February 2019, in order to fund a strategic investment initiative as part of the SABIC International. At the end of December this bridge facility was repaid and refinanced by SABIC, the ultimate parent, with a fixed interest rate of 3.85% and maturing at the end of December 2019. The fixed interest on this loan is payable every quarter end. It is management's intend to align the financing with the ultimate outcome of the underlying strategic initiative.

Loans from related party SABIC 2021
The fixed interest on these loans is payable every quarter end. Interest payments (for an amount of 65,943) 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 1,000,000 with a fixed interest rate, payable every quarter end.

Loans from related party SABIC 2028
These borrowings bear fixed rates, payable every quarter end. These loans were refinanced during 2018 for their nominal amount including prior year's capitalized interest (85,308). There was no settlement in cash.

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. An amount of 443,726 (2017: 421,022) was netted as there is an enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis which can be demonstrated. The gross balance amounts to 2,344,956 (2017: 2,226,640).

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

Cash flows
The changes in the liabilities arising from financing activities (excluding overdrafts), including both changes arising from cash flows and non-cash changes, are as follows:

	1 January 2018	Cash flows	Amortized Debt fees	Foreign exchange movement	31 December 2018
Fixed rate borrowings	6,281,194	3,970,910	3,730	(41,665)	10,214,169
Floating rate borrowings	2,959,220	(961,888)	1,749	—	1,999,081
Total	**9,240,414**	**3,009,022**	**5,479**	**(41,665)**	**12,213,250**

	1 January 2017	Cash flows	Amortized Debt fees	Foreign exchange movement	31 December 2017
Fixed rate borrowings	6,207,170	(40,000)	3,573	110,451	6,281,194
Floating rate borrowings	3,500,563	(543,516)	2,173	—	2,959,220
Total	**9,707,733**	**(583,516)**	**5,746**	**110,451**	**9,240,414**

14. Trade and other payables

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

	2018	2017
Accrued interest	21,930	9,502
Guarantee fee payable to SABIC	18,868	—
Trade payables	5,383	6,081
Employee related	2,179	1,869
Accrued interest intercompany	1,434	2,410
Payable to related parties	858	5,840
Others	2,548	321
Total trade and other payables	**53,200**	**26,023**

Accrued interest relates to interest to be paid on the Eurobond and the recently acquired US dollar bonds.

15. Derivatives

Derivatives relate to the Group's foreign currency hedge programs used to manage the non-functional currency exposure that exists at its International Subsidiaries.

Current payable derivatives consist of the following as at 31 December:

	2018	2017
Third parties	102	1,429
Related parties	7,890	723
Total derivatives	**7,992**	**2,152**

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

16. 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:

	2018	2017
Between 1 – 5 years	2,706	3,077
Total	**2,706**	**3,077**

The lease payments in 2018 amounted to 1,063 (2017: 839).

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 44,982 on behalf of the International Subsidiaries as at 31 December 2018 (2017: 179,146). The expected credit loss on these bank guarantees are considered insignificant.

17. Related party transactions

During 2018 and 2017, 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 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:

	2018	2017
Interest income related parties	379,891	290,304
Financial income related parties	34,513	18,383
Financial expense related parties	(236,862)	(208,799)
Guarantee support fee expense	(34,513)	(18,383)
Cost recharged from related parties	—	(5,193)
Cost recharged to related parties	19,506	26,988

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Consolidated Statement of financial position:

	2018	2017
Available-for-sale investment – unquoted shares	—	2,641,580
Equity instruments designated at FVOCI	2,546,640	—
Other financial assets – loans to related parties	7,223,450	3,746,701
Other financial assets – current	3,979,083	4,708,674
Receivables from related parties	29,116	25,000
Accrued interest from related parties	27,579	14,138
Accrued guarantee support fee from related parties	18,868	—
Assets derivatives from related parties	99	1,429
Loans from related parties	(4,368,496)	(2,847,001)
Current liabilities, interest-bearing	(4,911,230)	(3,347,113)
Accrued interest to related parties	(1,434)	(2,410)
Guarantee fee	(18,868)	—
Payables to related parties	(858)	(5,840)
Liabilities derivatives to related parties	(7,890)	(723)

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 16. For the year ended 31 December 2018, the Group has recognized 2,746 as impairment of other financial assets relating to amounts owed by related parties to comply with IFRS 9 requirements (2017: 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.

18. Management remuneration

Remuneration for the years ended 31 December of key management can be detailed as follows:

	2018	2017
Salary	611	797
Short term incentives	238	342
Long term incentives	217	302
Pension and other post-employment benefits	127	121
Others	87	130
Total management remuneration	**1,280**	**1,692**

The Directors of the Company did not receive any remuneration for their services in 2018 (2017: nil).

19. 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 that financial risks are identified, measured and managed in accordance with SABIC's global treasury policies and SABIC risk profile.

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

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

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 2018 and 2017, 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 cash and cash equivalents, 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.

The interest exposure on the cash and cash equivalents, cash pool, short term loan and bank overdrafts, if any, amounts to 19,904 (2017: 728). 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 2017 versus 31 December 2018	94	(187)
1% change	100	(199)

* 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 and its investment in unquoted preference shares in a related party, which all relate 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. An increase in foreign exchange of 1% will result in an increase in investment in unquoted preference shares by 25,466.

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 266,128 (2017: 311,833).

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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.

As at 31 December 2018, 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 2,287 (€ 2 million).

With respect to the issuance of the fixed rate bonds and loans, SABIC has issued a direct guarantee for the lenders. The credit risk related to the external bridge loan repaid in 2018 was also fully guaranteed by SABIC.

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 2018 and 2017, respectively, based on undiscounted contractual payments:

	Within 1 year	Between 1 and 5 years	More than 5 years	Total
At 31 December 2018				
Third party loans and borrowings (Note 13)	109,337	2,323,228	1,225,000	3,657,565
Loan from related parties (Note 13)	3,338,054	3,449,552	1,809,193	8,596,799
Cash pool with related parties	1,901,230	—	—	1,901,230
Bank overdraft	274,286	—	—	274,286
Other payables	53,201	—	—	53,201
At 31 December 2017				
Third party loans and borrowings	2,062,429	1,106,684	—	3,169,113
Loan from related parties	1,699,625	2,324,261	1,019,577	5,043,463
Cash pool with related parties	1,805,618	—	—	1,805,618
Bank overdraft	261,726	—	—	261,726
Other payables	26,023	—	—	26,023

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 Group's capital management is to support SABIC's business and maximize shareholder value without any further specific targets. 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 2018.

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

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 equity instruments designated at FVOCI 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.

Reconciliation of fair value measurements of Level 3 financial instruments:
The Company carries unquoted preference shares from a related party as an equity instrument designated at FVOCI 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 2018 is as follows:

1 January 2017	**2,067,058**
Total gain recognized in other comprehensive income	574,522
31 December 2017	**2,641,580**
Total loss recognized in other comprehensive income	(94,940)
31 December 2018	**2,546,640**

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 32 bps to 5.91% in 2018. 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 instrument designated at FVOCI would decrease with approximately 142,108 (2017: 138,093).

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

	Carrying amount		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	1,286,529	1,056,936	1,286,529	1,056,936
Other receivables	76,198	40,642	76,198	40,642
Derivatives	8,006	2,170	8,006	2,170
Equity investments designated at FVOCI	2,546,640	2,641,580	2,546,640	2,641,580
Other financial assets	7,223,450	3,746,701	7,563,322	4,098,445
Other financial assets - current	3,979,083	4,708,674	4,039,321	4,745,014
Financial liabilities				
Other payables	53,201	26,023	53,201	26,023
Derivatives	7,992	2,152	7,992	2,152
Interest bearing loans and borrowings	7,302,020	3,895,335	7,645,185	4,249,372
Current liabilities, interest-bearing	5,185,516	5,606,805	5,210,424	5,624,444

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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, other financial assets, loans from banks and other financial indebtedness, obligations under finance leases, interest bearing liabilities 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 equity instruments designated at FVOCI, 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.

20. Subsequent events

In the opinion of management, there have been no significant subsequent events since the year ended 31 December 2018 that would have a material impact on the financial position of the Group as reflected in these consolidated financial statements.

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Company Only Financial Statements

31 December 2018

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Company Only Balance Sheet

	Notes	At 31 December 2018	2017
Assets			
Non-current assets			
Property, plant and equipment		124	188
Financial assets	2	2,582,734	2,676,816
Deferred tax assets		86	68
		2,582,944	2,677,072
Current assets			
Other receivables	3	36,168	28,266
		36,168	28,266
Total assets		**2,619,112**	**2,705,338**
Equity and liabilities			
Equity			
Issued capital	4	23	23
Share premium	4	1,332,115	1,332,115
Retained earnings		21,332	19,958
Fair value financial assets through OCI		1,215,914	1,310,854
Other reserves		80	80
Net income		2,138	2,948
		2,571,602	2,665,978
Non-current liabilities			
Employee benefits		348	279
		348	279
Current liabilities			
Current liabilities, interest-bearing	5	36,276	24,520
Provisions		—	387
Trade and other payables	6	10,886	14,174
		47,162	39,081
Total liabilities		47,510	39,360
Total equity and liabilities		**2,619,112**	**2,705,338**

See accompanying Notes to the Financial Statements

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Company Only Statement of Income

	Notes	At 31 December 2018	2017
Income from subsidiaries, after tax	2	2,432	3,853
Other expenses, after tax		(294)	(905)
Net income		2,138	2,948

See accompanying Notes to the Financial Statements

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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 21.

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

	2018	2017
Balance as at 31 December	2,676,816	2,098,441
Adoption of IFRS 9	(1,574)	—
Balance as at 1 January	2,675,242	2,09,441
Net (loss)/gain equity instruments designated at FVOCI	(94,940)	574,522
Income from subsidiaries	2,432	3,853
Total financial assets	**2,582,734**	**2,676,816**

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:

	2018	2017
Accounts receivable from related parties	35,533	26,799
Income tax receivable	(455)	257
Others	1,090	1,210
Total other receivables	**36,168**	**28,266**

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 fair value adjustment reserve is a legal reserve and not available for distribution. For details see the consolidated statement of changes in equity and Note 12 of the consolidated financial statements.

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5. Current liabilities, interest-bearing

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

	EIR 2018	Maturity	2018	2017
Cash pool with related parties	Floating inter day % -10 bps		36,276	24,520
Total current liabilities, interest-bearing			**36,276**	**24,520**

6. Trade and other payables

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

	2018	2017
Trade payables	5,383	6,081
Employee related	2,179	1,869
Other liabilities owed to related parties	858	5,903
Others	2,466	321
Total trade and other payables	**10,886**	**14,174**

7. Commitments and Contingencies

For operating lease arrangements reference is being made to Note 16 of the consolidated financial statements

8. Management remuneration

For the remuneration of the Board of Directors reference is made to Note 18 of the consolidated financial statements. The Board of Directors of the Company and the key management of the Group are the same.

9. Auditor's fee

Ernst & Young Accountants LLP's fee charged to the Company amounted to 45 (2017: 84).

10. Related party transactions

During the years 2018 and 2017, 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.

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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:

Company Only Statement of income:

	2018	2017
Income from subsidiaries, after tax	2,432	3,853
Costs recharged to related parties	19,506	26,988
Cost recharged from related parties	—	(5,193)
Interest income	—	4
Financial expense	873	305

Company Only balance sheet:

	2018	2017
Receivables from related parties	35,533	26,799
Cash pool with related parties	(36,276)	(24,520)
Other liabilities owed to related parties	(858)	(5,903)

11. 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.

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Amsterdam, 4 April 2019

Directors SABIC Capital B.V.

M.R. De Groot

T.G. Brierley

Supervisory Board SABIC Capital B.V.

A.S. Al-Fageeh

T.D. Leveille

K.A. Al-Garni

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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.

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Independent auditors report

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

Report on the audit of the Financial Statements 2018 included in the Annual Report

Our opinion

We have audited the Financial Statements 2018 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 2018 and of its result and its cash flows for 2018 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 2018, and of its result for 2018 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 2018
- The following statements for 2018: 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 2018
- The Company Only Statement of Income for 2018
- The notes comprising a summary of the 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 Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), 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	$8.5 million (2017: $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, in line with prior year's assessment.

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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 $0.425 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.

We have performed full scope audit procedures ourselves at all entities included in the group. By performing the procedures mentioned above at group entities, we have been able to obtain sufficient and appropriate audit evidence about the group'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.

The key audit matters are consistent with prior year.

Risk	Our audit approach	Key observations
Financing activities - As disclosed in note 1, 8 and 13 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 credit losses related to financial assets and compliance with the advanced pricing agreement. For the 2018 audit, we paid specific attention to the refinancing of the maturing internal and external loans. The maturing external loans held by the Company were refinanced through the issuance of two new bonds, maturing loans from related parties were refinanced. We verified that the accounting treatment and valuation of the new bonds and refinanced loans is in line with the underlying agreements.	Overall, the positions in relation to the Company's financing activities, including the bonds issued in 2018, are appropriately recorded in the financial statements and disclosures in conformity with EU-IFRS.

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Risk	Our audit approach	Key observations
	Furthermore, we verified the correct accounting treatment and compliance with transfer pricing requirements of the related refinanced financial assets. In addition, we assessed the adequacy of the company's disclosure in the notes of the Consolidated Financial Statements.	
Valuation of preference shares - As disclosed in note 7 and 19 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. In addition, we assessed the adequacy of the company's disclosure in the notes of the Financial Statements.	Based on our audit procedures performed, we concluded that management appropriately accounted for the preference shares and made the required disclosures in the 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:

- The Report by the Board of Directors
- Other information as required by 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 substantially 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 as required by Part 9 of Book 2 of the Dutch Civil Code.

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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 financial year.

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 engagement 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 detect all material errors and fraud during our audit.

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 among others:

- 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 the key audit matters: those matters that were of most significance in the audit of the financial statements. 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, 4 April 2019

Ernst & Young Accountants LLP

Signed by J.R. Frentz

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Publication of auditor's report

1 Conditions

Authorization to publish the auditor's report is granted subject to the following conditions:

- Further consultation with the auditor is essential if, after this authorization has been granted, facts and circumstances become known which materially affect the view given by the financial statements.
- The authorization concerns inclusion of the auditor's report in the annual report to be tabled at the Annual General Meeting (hereafter AGM) incorporating the financial statements as drawn up.
- The authorization also concerns inclusion of the auditor's report in the annual report to be filed with the Trade Registrar, provided consideration of the financial statements by the AGM does not result in any amendments.
- Financial statements for filing at the offices of the Trade Registrar which have been abridged in accordance with Section 397 of Book 2 of the Dutch Civil Code must be derived from the financial statements adopted by the AGM and a draft version of these financial statements for filing purposes must be submitted to us for inspection.
- The auditor's report can also be included if the financial statements are published electronically, such as on the internet. In such cases, the full financial statements should be published and these should be easily distinguishable from other information provided electronically at the same time.
- If the published financial statements are to be included in another document which is to be made public, authorization to include the auditor's report must again be granted by the auditor.

2 Explanations to the conditions

2.1 Board of supervisory directors and board of executive directors

The auditor usually forwards his report to the board of supervisory directors and to the board of executive directors. This is pursuant to Book 2 of the Dutch Civil Code, section 393 which stipulates inter alia: "The auditor sets out the outcome of his examination in a report". "The auditor reports on his examination to the board of supervisory directors and the board of executive directors".

2.2 Annual General Meeting (AGM)

Publication of the auditor's report will only be permitted subject to the auditor's express consent. Publication is understood to mean: making available for circulation among the public or to such group of persons as to make it tantamount to the public. Circulation among shareholders or members, as appropriate, also comes within the scope of the term "publication", so that inclusion of the auditor's report in the annual report to be tabled at the AGM similarly requires authorization by the auditor.

2.3 Auditor's reports and financial statements

The authorization concerns publication in the annual report incorporating the financial statements that are the subject of the auditor's report. This condition is based on the auditors' rules of professional practice, which state that the auditor will not be allowed to authorize publication of his report except together with the financial statements to which this report refers.

The auditor will also at all times want to see the rest of the annual report, since the auditor is not allowed to authorize publication of his report if, owing to the contents of the documents jointly published, an incorrect impression is created as to the significance of the financial statements.

2.4 Events between the date of the auditor's report and the AGM

Attention should be paid to the fact that between the date of the auditor's report and the date of the meeting at which adoption, as appropriate, of the financial statements is considered, facts or circumstances may have occurred which materially affect the view given by the financial statements. Under COS 560, the auditor must perform audit procedures designed to obtain sufficient audit evidence to ensure that all events occurring before the date of the auditor's report that warrant amendment of or disclosure in the financial statements have been identified.

If the auditor becomes aware of events that may be of material significance to the financial statements, the auditor must consider whether those events have been adequately recognized and sufficiently disclosed in the notes to the financial statements. If between the date of the auditor's report and the date of publication of the financial statements, the auditor becomes aware of a fact that may have a material impact on the financial statements, the auditor must assess whether the financial statements should be amended, discuss the matter with management and act as circumstances dictate.

2.5 Trade Registrar

The financial statements are tabled at the AGM (legal entities coming within the scope of Title 9 of Book 2 of the Dutch Civil Code table the directors' report and the other information as well). The AGM considers adoption of the financial statements. Only after the financial statements have been adopted, do they become the statutory (i.e., the company) financial statements. As a rule, the statutory financial statements will be adopted without amendment. The auditor's report must be attached to the statutory financial statements as part of the other information. As a rule, the text of this report will be the same as that issued earlier. The documents to be made public by filing at the offices of the Trade Registrar will consist of the statutory financial statements, the directors' report and the other information. The auditor's report which refers to the unabridged financial statements will then have to be incorporated in the other information. If consideration of the financial statements by the AGM does not result in any amendments, the auditor's report may be attached to the financial statements adopted, by the AGM and, provided the annual report and financial statements are filed promptly at the offices of the Trade Registrar, published as part of these annual report and financial statements.

2.6 Other manner of publication

The financial statements may also be published other than by filing at the offices of the Trade Registrar. In that event, too, inclusion of the auditor's report is permitted, provided the financial statements are published in full. If publication concerns part of the financial statements or if the financial statements are published in abridged form, publication of any report the auditor has issued on such financial statements will be prohibited, unless:

a. He has come to the conclusion that, in the circumstances of the case, the document concerned is appropriate
Or
b. Based on legal regulations, publication of the document concerned is all that is required

If less than the full financial statements are published, further consultation with the auditor is essential. If the financial statements and the auditor's report are published on the internet, it should be ensured that the financial statements are easily distinguishable from other information contained on the internet site. This can be achieved, for example, by including the financial statements as a separate file in a read-only format or by including a warning message when the reader exits the financial statements document.

2.7 Inclusion in another document

If the published financial statements are to be included in another document which is to be made public, this is considered a new publication and authorization must again be obtained from the auditor. An example of this situation is the publication of an offering circular which includes the financial statements, after these financial statements have been filed at the office of the Trade Registrar together with the other annual reports. For each new publication, authorization must again be obtained from the auditor.

2.8 Events after the AGM

Even if facts and circumstances have become known after the adoption of the financial statements as a result of which they no longer give the statutory true and fair view, the auditor must stand by the report issued on the financial statements as adopted and by the auditor's report filed at the offices of the Trade Registrar. In that event, the legal entity is required to file a statement at the offices of the Trade Registrar on these facts and circumstances accompanied by an auditor's report. In this situation, too, further consultation with the auditor is essential.