IMPORTANT NOTICE

THE ATTACHED BASE PROSPECTUS IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER: (1) QIBs (AS DEFINED BELOW) THAT ARE ALSO QPs (AS DEFINED BELOW); OR (2) INSTITUTIONAL ACCREDITED INVESTORS (AS DEFINED BELOW) THAT ARE ALSO QPs; OR (3) NON-U.S. PERSONS (AS DEFINED IN REGULATION S (AS DEFINED BELOW)) OUTSIDE OF THE UNITED STATES.

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

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

THE DISTRIBUTION IN THE UK OF THE BASE PROSPECTUS, ANY FINAL TERMS AND ANY OTHER MARKETING MATERIALS RELATING TO THE SECURITIES IS BEING ADDRESSED TO, OR DIRECTED AT: (A) IF THE SECURITIES ARE "ALTERNATIVE FINANCE INVESTMENT BONDS" ("AFIBS") AND THE DISTRIBUTION IS BEING EFFECTED BY A PERSON WHO IS NOT AN AUTHORISED PERSON UNDER THE FSMA, ONLY THE FOLLOWING PERSONS: (I) PERSONS WHO ARE INVESTMENT PROFESSIONALS AS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "FINANCIAL PROMOTION ORDER"); (II) PERSONS FALLING WITHIN ANY OF THE CATEGORIES OF PERSONS DESCRIBED IN ARTICLE 49 (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.) OF THE FINANCIAL PROMOTION ORDER; AND (III) ANY OTHER PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE IN ACCORDANCE WITH THE FINANCIAL PROMOTION ORDER; AND (B) IF THE SECURITIES ARE NOT AFIBS AND THE DISTRIBUTION IS EFFECTED BY A PERSON WHO IS AN AUTHORISED PERSON UNDER THE FSMA, ONLY THE FOLLOWING PERSONS: (I) PERSONS FALLING WITHIN ONE OF THE CATEGORIES OF INVESTMENT PROFESSIONAL AS DEFINED IN ARTICLE 14(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (PROMOTION OF COLLECTIVE INVESTMENT SCHEMES) (EXEMPTIONS) ORDER 2001 (THE "PROMOTION OF CISS ORDER"); (II) PERSONS FALLING WITHIN ANY OF THE CATEGORIES OF PERSON DESCRIBED IN ARTICLE 22 (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.) OF THE PROMOTION OF CISS ORDER; AND (III) ANY OTHER PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE IN ACCORDANCE WITH THE PROMOTION OF CISS ORDER (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS").

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

CONFIRMATION OF YOUR REPRESENTATION: In order to be eligible to view the attached Base Prospectus or make an investment decision with respect to the Certificates and/or the Guarantee (each as defined in the attached Base Prospectus), an investor must be: (i) a person that is outside the United States and is not a U.S. person (within the meaning of Regulation S); or (ii) a person that is a "qualified institutional buyer" ("**QIBs**") (within the meaning of Rule 144A under the Securities Act ("**Rule 144A**")) that is also a "qualified purchaser" (each a "**QP**") (within the meaning of Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**")), and the rules and regulations thereunder; or (iii) a person that is both an "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that is an institution ("**Institutional Accredited Investors**") that is also a QP. The attached Base Prospectus is being sent at your request and by accepting the e-mail and accessing the attached Base Prospectus, you shall be deemed to have represented to us that: (a) you and any customers you represent are either: (1) non-U.S. persons (within the meaning of Regulation S) outside the United States; or (2) QIBs that are also QPs; or (3) Institutional Accredited Investors that are also QPs; (b) you are a person who is permitted under applicable law and regulation to receive the attached Base Prospectus; and (c) you consent to delivery of the attached Base Prospectus and any amendments or supplements thereto by electronic transmission.

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

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

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

Under no circumstances shall the attached Base Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities described herein in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached Base Prospectus who intend to subscribe for or purchase the Certificates are reminded that any subscription or purchase may only be made on the basis of the information contained in the attached Base Prospectus as completed by the applicable Final Terms and/or supplement(s) to the Base Prospectus (if any). The attached Base Prospectus may only be communicated to persons in the United Kingdom in circumstances where Section 21(1) of the Financial Services and Markets Act 2000, as amended does not apply.

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

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

EQUATE SUKUK SPC LIMITED

(incorporated in the Dubai International Financial Centre as a Special Purpose Company)

U.S.$2,000,000,000
Trust Certificate Issuance Programme

Under this U.S.$2,000,000,000 trust certificate issuance programme (the "**Programme**"), EQUATE Sukuk SPC Limited (in its capacity as issuer and as trustee, the "**Trustee**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue trust certificates (the "**Certificates**") denominated in any currency agreed between the Trustee and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Certificates outstanding from time to time will not be more than US$2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to any increase as described herein.

Each Tranche (as defined in "*Terms and Conditions of the Certificates*") of Certificates issued under the Programme will be constituted by: (i) a master trust deed dated 15 December 2016 (the "**Master Trust Deed**") entered into between the Trustee, EQUATE Petrochemical Company K.S.C.C. ("**EQUATE**"), The Kuwait Olefins Company K.S.C.C. ("**TKOC**" or the "**Guarantor**" and together with EQUATE, the "**Obligors**") and Citibank, N.A., London Branch as delegate of the Trustee (in such capacity, the "**Delegat**e"); and (ii) a supplemental trust deed in relation to the relevant Series (each a "**Supplemental Trust Deed**" and together with the Master Trust Deed, each a "**Trust Deed**"). Certificates of each Tranche confer on the holders of the Certificates from time to time (the "**Certificateholders**") the right to receive certain payments (as more particularly described herein) arising from a *pro rata* ownership interest in the assets of a trust declared by the Trustee in relation to the relevant Series (the "**Trust**") over the Trust Assets (as defined herein).

TKOC has entered into a guarantee (the "**Guarantee**") contained in the Master Trust Deed in favour of the Trustee and the Delegate, pursuant to which TKOC will guarantee the payment and performance obligations of EQUATE under each of the Transaction Documents to which it is a party.

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

The Certificates will be limited recourse obligations of the Trustee. An investment in Certificates issued under the Programme involves certain risks. For a discussion of these risks, please see "*Risk Factors*" on page 19.

This Base Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under Directive 2003/71/EC, as amended, and includes any relevant implementing measure in a relevant Member State of the European Economic Area (for the purposes of this Base Prospectus, the "**Prospectus Directive**"). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for Certificates issued under this Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list (the "**Official List**") and to trading on its regulated market (the "**Main Securities Market**"). The Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC) ("**MiFID**"). Such approval relates only to Certificates which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area.

References in this Base Prospectus to Certificates (other than Non-PD Certificates) being "listed" (and all related references) shall mean that such Certificates have been admitted to trading on the Main Securities Market and have been admitted to the Official List.

Notice of the aggregate nominal amount of the Certificates, profit (if any) payable in respect of the Certificates, the issue price of the Certificates and certain other terms and conditions not contained herein which are applicable to each Tranche of Certificates (other than Non-PD Certificates) will be set out in the applicable final terms (the "**Final Terms**") which will be delivered to the Central Bank and the Irish Stock Exchange.

The Programme also permits Certificates to be issued on the basis that they will not be admitted to listing, trading on a regulated market for the purposes of the Markets in Financial Instruments Directive in the European Economic Area and/or quotation by any competent authority, stock exchange and/or quotation system or may be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed between the Trustee, the Obligors and the relevant Dealer ("**Non-PD Certificates**").

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

The Trustee is a "covered fund" for the purposes of the "Volcker Rule" contained in Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The acquisition of the Certificates is likely to be considered an acquisition of an "ownership interest" (as that term is used in the Volcker Rule) in a "covered fund". Accordingly, entities that may be "banking entities" for the purposes of the Volcker Rule, which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates, may be restricted from holding the Certificates. **Any prospective investor in the Certificates, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisors regarding such matters and other effects of the Volcker Rule. For further information, see "*Important Notices*".**

The rating of certain Series of Certificates to be issued under the Programme and the credit rating agency issuing such rating may be specified in the applicable Final Terms. Each of EQUATE and TKOC has been assigned ratings of Baa2 (stable outlook) by Moody's Investors Service Ltd. ("**Moody's**") and BBB+ long-term and A-2 short term (stable outlook) by Standard & Poor's Credit Market Services Europe Limited ("**S&P**").

Each of Moody's and S&P is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). As such, each of Moody's and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The transaction structure relating to the Certificates (as described in this Base Prospectus) has been approved by the Executive Shariah Committee of HSBC Saudi Arabia and the KFH Capital Sharia Committee. Prospective Certificateholders should not rely on the approval referred to above in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in the approval referred to above is in compliance with their individual standards of compliance with *Shari'a* principles.

Arrangers

HSBC **KFH Capital**

Dealers

Citigroup
HSBC
J.P. Morgan
KFH Capital
Mizuho Securities
MUFG
NBK Capital
SMBC Nikko

The date of this Base Prospectus is 15 December 2016

IMPORTANT NOTICES

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purpose of giving information with regard to the Trustee, the Obligors, the Group and the Certificates which, according to the particular nature of the Trustee, the Obligors, the Group and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee, the Obligors and the Group.

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

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

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

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

Certain information under the headings "*Risk Factors*", "*Industry Overview*" and "*Overview of Kuwait*" has been extracted from the following public official sources:

- **information provided by the Organisation of the Petroleum Exporting Countries ("OPEC") (in the case of "*Risk Factors*", "*Industry Overview*" and "*Overview of Kuwait*"); and**
- **publications of the Kuwait government and its ministries and departments.**

Certain information appearing on pages 226 to 229 (inclusive) of this Base Prospectus under the heading "*Book-Entry Clearance Systems*" has been obtained from the clearing systems referred to herein.

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

No person is or has been authorised by the Trustee or the Obligors to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any other information supplied by the Trustee or the Obligors or such other information as is in the public domain in connection with the Programme or the Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by the Trustee, the Obligors or any of the Arrangers or Dealers.

To the fullest extent permitted by law, none of the Arrangers or the Dealers accept any responsibility for the contents of this Base Prospectus or any information incorporated by reference into this document or for any other statement made, or purported to be made, by an Arranger or a Dealer or on its behalf in connection with the Trustee, the Obligors, or the issue and offering of the

Certificates. Each Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Base Prospectus or any such statement. Neither this Base Prospectus, any Final Terms nor any other information supplied in connection with the Programme or any Certificates: (i) is intended to provide the basis of any credit or other evaluation; or (ii) should be considered as a recommendation by the Trustee, the Obligors, the Arrangers, the Dealers or Agents that any recipient of this Base Prospectus, any Final Terms or any other information supplied in connection with the Programme or any Certificates should purchase any Certificates. Each investor contemplating purchasing any Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Trustee and/or the Obligors. Neither this Base Prospectus, any Final Terms nor any other information supplied in connection with the Programme or the issue of any Certificates constitutes an offer or invitation by or on behalf of the Trustee, the Obligors or any of the Dealers to any person to subscribe for or to purchase any Certificates.

The only persons authorised to use this Base Prospectus in connection with an offer of Certificates are the persons named in the relevant subscription agreement as the relevant Managers.

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

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

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

- **have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;**

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

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

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

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

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

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

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

The requirement to publish a base prospectus under the Prospectus Directive only applies to Certificates which are to be admitted to trading on a regulated market for the purposes of MiFID in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)).

References in this Base Prospectus to "Non-PD Certificates" are to Certificates issued by the Trustee for which no base prospectus is required to be published under the Prospectus Directive.

The Central Bank of Ireland has neither approved nor reviewed information contained in this Base Prospectus in connection with Non-PD Certificates.

U.S. INFORMATION

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

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

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

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

VOLCKER RULE

The Trustee is a "covered fund" for the purposes of the "Volcker Rule" contained in Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The definition of "covered fund" in the Volcker Rule includes (generally) any entity that would be an investment company under the Investment Company Act, but for the exemption provided under Section 3(c)(1) or 3(c)(7) thereunder. Because the Trustee intends to rely on Section 3(c)(7) of the Investment Company Act for its exemption from registration thereunder, it is considered to be a covered fund. The Volcker Rule generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from: (i) engaging in proprietary trading; (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund"; and (iii) entering into certain relationships with such funds. "Ownership interest" under the Volcker Rule is defined broadly to include any participation or other interest that entitles the holder of such interest to, amongst other things: (i) vote to remove management or otherwise, other than as a creditor exercising remedies upon an event of default, (ii) share in the income, gains, profits or excess spread of the covered fund or (iii) receive underlying assets of the covered fund.

The acquisition of the Certificates is likely to be considered an acquisition of an "ownership interest" (as that term is used in the Volcker Rule) in a "covered fund". Accordingly, entities that may be banking entities for the purposes of the Volcker Rule may be restricted from holding the Certificates. **Any prospective investor in the Certificates, including a U.S. or foreign bank or a subsidiary or other**

affiliate thereof, should consult its own legal advisors regarding such matters and other effects of the Volcker Rule.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Certificates that are "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act, the Trustee and each Obligor has undertaken in the Master Trust Deed to furnish, upon the request of a holder of such Certificates or any beneficial interest therein, to such holder or to a prospective purchaser designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Certificates remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and the Trustee and each Obligor is neither subject to Sections 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") nor exempt from reporting requirements pursuant to and in compliance with Rule 12g3-2(b) under the Exchange Act.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Trustee is a special purpose company incorporated in the Dubai International Financial Centre (the "**DIFC**") and all or a substantial portion of the assets of the Trustee are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Trustee or to enforce judgments against it obtained in United States courts, including judgments predicated upon civil liability provisions of the United States federal securities laws or the securities laws of any State or territory within the United States.

EQUATE is a Closed Kuwaiti Shareholding Company established in Kuwait and all or a substantial portion of the assets of EQUATE are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Kuwait upon EQUATE or to enforce judgments against it obtained in courts outside Kuwait predicated upon civil liabilities of EQUATE under laws other than Kuwaiti law, including any judgment predicated upon United States federal securities laws or the securities laws of any state or territory within the United States.

TKOC is a Closed Kuwaiti Shareholding Company established in Kuwait and all or a substantial portion of the assets of TKOC are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Kuwait upon TKOC or to enforce judgments against it obtained in courts outside Kuwait predicated upon civil liabilities of TKOC under laws other than Kuwaiti law, including any judgment predicated upon United States federal securities laws or the securities laws of any state or territory within the United States.

The Certificates and the Transaction Documents are governed by English law and disputes in respect of them may be settled under the Arbitration Rules of the London Court of International Arbitration (the "**LCIA Rules**"), in London, England. In addition, actions in respect of the Certificates and the Transaction Documents may be brought in the English courts or the courts of the Dubai International Financial Centre (the "**DIFC Courts**").

Investors may have difficulties in enforcing any arbitration awards against the Trustee or either Obligor in the courts of Kuwait (the "**Kuwaiti Courts**"). Further, in the absence of any bilateral treaty for the reciprocal enforcement of foreign judgments, the Kuwait Courts are unlikely to enforce an English court judgment or a DIFC Court judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the Certificates and the Transaction Documents. In addition, even if English law is accepted as the governing law, this will only be applied to the extent that it is compatible with the mandatory rules of Kuwaiti law and public policy. Moreover, judicial precedent in Kuwait has no binding effect on subsequent decisions and there is no formal system of reporting court decisions in Kuwait. These factors create greater judicial uncertainty than would be expected in certain other jurisdictions. Please see "*Risk Factors—Risks Relating to Enforcement—Investors may experience difficulties in enforcing arbitration awards and foreign judgments in Kuwait*".

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

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

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

The CBB has not reviewed, approved or registered this Base Prospectus or related offering documents and it has not in any way considered the merits of the Certificates to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Base Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Base Prospectus. No offer of securities will be made to the public in the Kingdom of Bahrain and this Base Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

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

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

NOTICE TO RESIDENTS OF THE STATE OF QATAR

The Certificates will not be offered, sold or delivered, at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Base Prospectus has not been and will not be reviewed or approved by or registered with the Qatar Central Bank, the Qatar Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority in accordance with their regulations or any other regulations in the State of Qatar. The Certificates are not and will not be traded on the Qatar Exchange.

NOTICE TO RESIDENTS OF THE STATE OF KUWAIT

Unless all necessary approvals from the Kuwait Capital Markets Authority (the "**CMA**") pursuant to Law No. 7 of 2010, and its executive bylaws (each as amended) together with the various resolutions, regulations, guidance principles and instructions issued pursuant thereto, or in connection therewith (regardless of nomenclature) or any other applicable law or regulation in Kuwait, have been given in respect of the offering, marketing, and sale of the Certificates, the Certificates may not be offered for sale, nor sold, in Kuwait. This Prospectus is not for general circulation to the public in Kuwait nor will the Certificates be sold by way of a public offering in Kuwait. For the avoidance of doubt, no Certificates shall be offered, marketed and/or sold in the State of Kuwait except on a private placement basis to Professional Clients (as defined in Module 1 of the executive bylaws of Law No. 7 of 2010 (each as amended)). In the event where the Certificates are intended to be purchased onshore in Kuwait, the same may only be so purchased through KFH Capital Investment Company K.S.C.C. or Watani Investment Company K.S.C.C. (each being a "**Licensed Person**" duly authorised to undertake such activity pursuant to Law No. 7 of 2010 of Kuwait, and its executive bylaws (each as amended)). Investors from the State of Kuwait acknowledge that the CMA and all other regulatory bodies in Kuwait assume no responsibility whatsoever for the contents of this Base Prospectus and do not approve the contents thereof or verify the validity and accuracy of its contents. The CMA, and all other regulatory bodies in Kuwait, assume no responsibility whatsoever for any damages that may result from relying (in whole or in part) on the contents of this Base Prospectus. Prior to purchasing any Certificates, it is recommended that a prospective holder of any Certificates seeks professional advice from its advisors in respect to the contents of this Prospectus so as to determine the suitability of purchasing the Certificates.

NOTICE TO UK RESIDENTS

Any Certificates to be issued under the Programme which do not constitute "alternative finance investment bonds" ("**AFIBs**") within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010 will represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) which has not been authorised, recognised or otherwise approved by the United Kingdom Financial Conduct Authority. Accordingly, this Base Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of this Base Prospectus, any applicable Final Terms and any other marketing materials relating to the Certificates is being addressed to, or directed at: (A) if the Certificates are AFIBs and the distribution is being effected by a person who is not an authorised person under the FSMA, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"); (ii) persons falling within any of the categories of persons described in Article 49 (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if the Certificates are not AFIBs and the distribution is effected by a person who is an authorised person under the FSMA, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "**Promotion of CISs Order**"); (ii) persons falling within any of the categories of person described in Article 22 (high net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order.

Persons of any other description in the United Kingdom may not receive and should not act or rely on this Base Prospectus, any applicable Final Terms or any other marketing materials in relation to the Certificates. Potential investors in the United Kingdom in any Certificates which are not AFIBs are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in such Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme. Any individual intending to invest in any investment described in this Base Prospectus should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information of the Group, the EQUATE Group, TKOC, the MEGlobal B.V. Group and MEGlobal Canada Group

Overview

Although the Obligors are separate legal entities, they operate as a combined entity for operational purposes. For financial reporting purposes, EQUATE and its consolidated subsidiaries (the "**EQUATE Group**") and TKOC have historically prepared financial statements separately. The EQUATE Group completed the acquisition of the MEGlobal B.V. Group and the MEGlobal Canada Group (the "**MEGlobal Acquisition**") on 23 December 2015 (the "**MEGlobal Acquisition Date**"). See "*Business—The Group's History" and "Business—The Group's Corporate Structure*". Accordingly, the consolidated financial statements of the EQUATE Group include the results of the MEGlobal Group as from the MEGlobal Acquisition Date onwards. A merger of EQUATE and TKOC is under consideration by the shareholders of the respective companies. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview of Section*". For the purposes of this Base Prospectus, the "**Group**" means the EQUATE Group and TKOC taken as a whole, as if they were a consolidated group. To assist investors in any understanding of the Group's financial results and financial position, the Group has prepared reviewed combined condensed interim financial information of EQUATE and TKOC as of and for the six month period ending 30 June 2016, including the auditor's review report thereon and notes thereto (the "**Group H1 2016 Combined Financial Statements**") appearing elsewhere in this Base Prospectus. The Group H1 2016 Combined Financial Statements are the only financial statements available for the Group as a combined entity.

Financial Information of the Group, the EQUATE Group, TKOC, the MEGlobal B.V. Group and MEGlobal Canada Group

Unless otherwise indicated, the financial position, financial performance and cash flow information included in this Base Prospectus relating to the Group has been extracted from the Group H1 2016 Combined Financial Statements.

Unless otherwise indicated, the financial position, financial performance and cash flow information included in this Base Prospectus relating to the EQUATE Group has been extracted from: (i) the audited consolidated financial statements of the EQUATE Group as of and for the year ended 31 December 2015, including the auditors' report thereon and notes thereto (the "**EQUATE 2015 Financial Statements**"); (ii) the audited financial statements of EQUATE as of and for the year ended 31 December 2014, including the auditors' report thereon and notes thereto (the "**EQUATE 2014 Financial Statements**"); (iii) the audited financial statements of EQUATE as of and for the year ended 31 December 2013, including the auditors' report thereon and notes thereto (the "**EQUATE 2013 Financial Statements**" and, together with the EQUATE 2015 Financial Statements and the EQUATE 2014 Financial Statements, the "**EQUATE Audited Financial Statements**"); and (iv) the reviewed condensed consolidated interim financial information of the EQUATE Group (which consolidates the relevant interim financial information of each of the MEGlobal B.V. Group and MEGlobal Canada Group) as of and for the six months ended 30 June 2016, including the auditor's review report thereon and notes thereto (the "**EQUATE H1 2016 Financial Statements**" and, together with the EQUATE Audited Financial Statements, the "**EQUATE Financial Statements**"), appearing elsewhere in this Base Prospectus or incorporated by reference in this Base Prospectus (see "*Documents Incorporated by Reference*"), as the case may be.

Unless otherwise indicated, the financial position, financial performance and cash flow information included in this Base Prospectus relating to TKOC has been extracted from: (i) the audited financial statements of TKOC as of and for the year ended 31 December 2015, including the auditors' report thereon and notes thereto (the "**TKOC 2015 Financial Statements**"); (ii) the audited financial statements of TKOC as of and for the year ended 31 December 2014, including the auditors' report thereon and notes thereto (the "**TKOC 2014 Financial Statements**"); (iii) the audited financial statements of TKOC as of and for the year ended 31 December 2013, including the auditors' report thereon and notes thereto (the "**TKOC 2013 Financial Statements**" and, together with the TKOC 2015 Financial Statements and the TKOC 2014 Financial Statements, the "**TKOC Audited Financial Statements**"); and (iv) the reviewed condensed interim financial information of TKOC as of and for the six months ended 30 June 2016, including the auditor's review report thereon and notes thereto (the "**TKOC H1 2016 Financial Statements**" and, together with the TKOC Audited Financial Statements, the "**TKOC Financial**

Statements"), appearing elsewhere in this Base Prospectus or incorporated by reference in this Base Prospectus (see "*Documents Incorporated by Reference*"), as the case may be.

Unless otherwise indicated, the financial position, financial performance and cash flow information included in this Base Prospectus relating to the MEGlobal B.V. Group has been extracted from: (i) the audited consolidated financial statements of the MEGlobal B.V. Group as of and for the year ended 31 December 2015, including the auditors' report thereon and notes thereto (the "**MEGlobal B.V. 2015 Consolidated Financial Statements**"); (ii) the audited consolidated financial statements of the MEGlobal B.V. Group as of and for the year ended 31 December 2014, including the auditors' report thereon and notes thereto (the "**MEGlobal B.V. 2014 Consolidated Financial Statements**"); and (iii) the audited consolidated financial statements of the MEGlobal B.V. Group as of and for the year ended 31 December 2013, including the auditors' report thereon and notes thereto (the "**MEGlobal B.V. 2013 Consolidated Financial Statements**" and, together with the MEGlobal B.V. 2015 Consolidated Financial Statements and the MEGlobal B.V. 2014 Consolidated Financial Statements, the "**MEGlobal B.V. Financial Statements**"), incorporated by reference in this Base Prospectus (see "*Documents Incorporated by Reference*").

Unless otherwise indicated, the financial position, financial performance and cash flow information included in this Base Prospectus relating to the MEGlobal Canada Group has been extracted from: (i) the audited special purpose consolidated financial statements of the MEGlobal Canada Group as of and for the nine-day period ended 31 December 2015, including the auditors' report thereon and notes thereto (the "**MEGlobal Canada 2015 Consolidated Financial Statements**"); (ii) the audited consolidated financial statements of the MEGlobal Canada Group as of and for the years ended 31 December 2014, including the auditors' report thereon and notes thereto (the "**MEGlobal Canada 2014 Consolidated Financial Statements**"); and (iii) the audited consolidated financial statements of the MEGlobal Canada Group as of and for the years ended 31 December 2013, including the auditors' report thereon and notes thereto (the "**MEGlobal Canada 2013 Consolidated Financial Statements**" and, together with the MEGlobal Canada 2015 Consolidated Financial Statements and the MEGlobal Canada 2014 Consolidated Financial Statements, the "**MEGlobal Canada Financial Statements**"), incorporated by reference in this Base Prospectus (see "*Documents Incorporated by Reference*"). See "*—Non-Consolidation of the MEGlobal Group prior to the MEGlobal Acquisition Date*".

The Group H1 2016 Combined Financial Statements, the EQUATE Financial Statements, the TKOC Financial Statements, the MEGlobal Canada Financial Statements and the MEGlobal B.V. Financial Statements are collectively referred to in this Base Prospectus as the "**Financial Statements**".

The Group H1 2016 Combined Financial Statements have been prepared in accordance with International Accounting Standard No. 34, Interim Financial Reporting ("**IAS 34**") and, aside from the comparative combined results, changes in equity and cash flows for the six-month period ended 30 June 2015 and combined financial position as of 31 December 2015, and related notes, contained therein (which have not been audited or reviewed), have been reviewed by KPMG Safi Al-Mutawa & Partners ("**KPMG Safi**") in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" as stated in its report included elsewhere in this Base Prospectus.

The EQUATE Audited Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and have been audited by Deloitte & Touche Al-Wazzan & Co. ("**Deloitte**") (in the case of the EQUATE 2015 Financial Statements and the EQUATE 2014 Financial Statements) and KPMG Safi (in the case of the EQUATE 2013 Financial Statements) as stated in their respective audit reports appearing elsewhere in this Base Prospectus or incorporated by reference in this Base Prospectus (see "*Documents Incorporated by Reference*"), as the case may be. The EQUATE H1 2016 Financial Statements have been prepared in accordance with IAS 34 and, aside from the comparative results, changes in equity and cash flows for the six month period ended 30 June 2015 and related notes, contained therein (which have not been audited or reviewed), have been reviewed by KPMG Safi in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" as stated in its report included elsewhere in this Base Prospectus.

The TKOC Audited Financial Statements have been prepared in accordance with IFRS issued by the IASB and have been audited by Deloitte (in the case of the TKOC 2015 Financial Statements and the TKOC 2014 Financial Statements) and KPMG Safi (in the case of the TKOC 2013 Financial Statements) as stated in their respective audit reports appearing elsewhere in this Base Prospectus or incorporated by reference in this Base Prospectus (see "*Documents Incorporated by Reference*"), as the case may be. The TKOC H1 2016 Financial Statements have been prepared in accordance with IAS 34, aside from the comparative results, changes in equity and cash flows for the six month period ended 30 June 2015 and related notes, contained therein (which have not been audited or reviewed), and have been reviewed by KPMG Safi, in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" as stated in its report included elsewhere in this Base Prospectus.

The MEGlobal B.V. Financial Statements have been prepared in accordance with IFRS issued by the IASB and have been audited by KPMG Lower Gulf Limited (in the case of the MEGlobal B.V. 2015 Consolidated Financial Statements) and KPMG LLP (in the case of the MEGlobal B.V. 2014 Consolidated Financial Statements and the MEGlobal B.V. 2013 Consolidated Financial Statements) as stated in their respective audit reports incorporated by reference in this Base Prospectus (see "*Documents Incorporated by Reference*").

The MEGlobal Canada Financial Statements have been prepared in accordance with IFRS issued by the IASB and have been audited by KPMG Lower Gulf Limited (in the case of the MEGlobal Canada 2015 Consolidated Financial Statements) and KPMG LLP (in the case of the MEGlobal Canada 2014 Consolidated Financial Statements and the MEGlobal Canada 2013 Consolidated Financial Statements) as stated in their respective reports incorporated by reference in this Base Prospectus (see "*Documents Incorporated by Reference*").

Non-Consolidation of the MEGlobal Group prior to the MEGlobal Acquisition Date

The EQUATE Group completed the acquisition of the MEGlobal B.V. Group and the MEGlobal Canada Group (the "**MEGlobal Acquisition**") on 23 December 2015 (the "**MEGlobal Acquisition Date**"). The EQUATE Financial Statements therefore do not consolidate the MEGlobal Group's financial results for the periods prior to the MEGlobal Acquisition Date. Accordingly, while the EQUATE H1 2016 Financial Statements consolidate the financial results of the MEGlobal Group for the full period, the EQUATE 2015 Financial Statements only consolidate the financial results of the MEGlobal Group for the nine-day period between the MEGlobal Acquisition Date and 31 December 2015 (inclusive), and neither the EQUATE 2014 Financial Statements nor the EQUATE 2013 Financial Statements reflect any financial results for the MEGlobal Group. Additionally, the MEGlobal Canada 2015 Consolidated Financial Statements are only in respect of the nine-day period between the MEGlobal Acquisition Date and 31 December 2015 (inclusive), as full-year audited financial statements for 2015 are not available due to the application of IFRS rules in connection with the book value (before) and fair value concept (on and after) the acquisition and amalgamation of the MEGlobal Canada Group within the same financial year. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview of the Group—Certain Accounting Considerations*".

Adjustment of certain cash flow information presented in the EQUATE 2013 Financial Statements

Further to the reclassification of "*placement of short term deposits*" and "*investment in staff saving scheme*" following the completion of the EQUATE 2013 Financial Statements, the following cash flow line items in respect of investing activities for the year ended 31 December 2013, which are presented and discussed in this Base Prospectus, were adjusted: "*placement of short term deposits*", "*net cash from / (used in) investing activities*", "*net (decrease)/increase in cash and cash equivalents*", "*cash and cash equivalents at beginning of the year*" and "*cash and cash equivalents at the end of the year*". Such adjusted cash flow figures, which are included in the 2013 comparative figures presented in the EQUATE 2014 Financial Statements, are presented, and form the basis of all relevant discussions, in this Base Prospectus.

Presentation of Statistical Information and Other Data

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

The statistical information in the section entitled "*Overview of Kuwait*" has been derived from a number of different identified sources. All statistical information provided in that section may differ from that produced by other sources for a variety of reasons, including the use of different definitions and cut-off times. The data set out in the section relating to Kuwait's gross domestic product ("**GDP**") for 2015 is preliminary and subject to change and certain other historical GDP data set out in that section may also be subject to future adjustment. The Trustee and each Obligor confirms that all third party information (including statistical information) contained in this Base Prospectus has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third party information contained in this Base Prospectus is stated where such information appears in this Base Prospectus.

Certain Defined Terms

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

- references to "**Kuwait**" herein are to the State of Kuwait;
- references to the "**GCC**" herein are to the Gulf Co-operation Council;
- references to the "**Government**" herein are to the Government of Kuwait; and
- references to the "**MENA region**" herein are to the Middle East and North Africa region.

Further, the following terms are used in this Base Prospectus to identify certain companies and shall have the meanings set forth below:

- all references to "**EQUATE**" mean EQUATE Petrochemical Company K.S.C.C. and all references to the "**EQUATE Group**" mean EQUATE and its consolidated subsidiaries taken as a whole;
- all references to the "**Group**" mean the EQUATE Group and TKOC taken as a whole, as if they were a consolidated group. See "*Business—The Group's Corporate Structure*" which illustrates the common shareholding in EQUATE and TKOC;
- all references to the "**Trustee**" mean EQUATE Sukuk SPC Limited;
- all references to "**MEGlobal**" and the "**MEGlobal Group**" mean MEGlobal B.V., MEGlobal Canada and their consolidated subsidiaries taken as a whole;
- all references to the "**MEGlobal B.V. Group**" mean MEGlobal B.V. Group together with its consolidated subsidiaries;
- all references to "**MEGlobal Canada**" mean MEGlobal Canada ULC (formerly MEGlobal Canada Inc.) and all references to the "**MEGlobal Canada Group**" mean MEGlobal Canada together with its consolidated subsidiaries taken as a whole; and
- all references to "**TKOC**" mean The Kuwait Olefins Company K.S.C.C.

Use of Alternative Performance Measures

The Group has presented certain information in this Base Prospectus based on non-IFRS alternative performance measures. Such alternative performance measures are presented in this Base Prospectus to show the underlying business performance and to enhance comparability between reporting periods. Alternative performance measures should not be considered as a substitute for measures of performance in accordance with the IFRS. The alternative performance measures included in this Base Prospectus are unaudited and have not been prepared in accordance with IFRS or any other accounting standards. Such alternative performance measures include adjusted EBITDA and adjusted EBITDA margin in respect of each of the Group, the EQUATE Group, TKOC, the MEGlobal B.V. Group and the MEGlobal Canada Group and are defined as follows (see also "*Selected Financial and Other Information*"):

Adjusted EBITDA		
Group	=	profit from operations (which already excludes the impact of interest and tax) excluding the impact of depreciation, amortisation and reservation right fees
EQUATE Group	=	profit from operations (which already excludes the impact of interest and tax) excluding the impact of depreciation, amortisation and reservation right fees
TKOC	=	profit from operation (which already excludes the impact of interest and tax) excluding the impact of depreciation and amortisation
MEGlobal B.V. Group	=	income before income taxes (which already excludes the impact of tax) excluding the impact of interest income, interest expense, depreciation, amortisation and impairment
MEGlobal Canada Group	=	income before income taxes (which already excludes the impact of tax) excluding the impact of interest income, interest expense, depreciation and amortisation
Adjusted EBITDA margin		
Group	=	Adjusted EBITDA divided by sales (expressed as a percentage)
EQUATE Group	=	Adjusted EBITDA divided by sales (expressed as a percentage)
TKOC	=	Adjusted EBITDA divided by sales (expressed as a percentage)
MEGlobal B.V. Group	=	Adjusted EBITDA divided by net sales (expressed as a percentage)
MEGlobal Canada Group	=	Adjusted EBITDA divided by net sales (expressed as a percentage)

Moreover, adjusted EBITDA-based measures should not be considered in isolation or viewed as a substitute for operating profit, profit, cash flows from operating activities or other measures of performance as defined by IFRS. Adjusted EBITDA-based measures, as used herein, are not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the method of calculation. The Group's management has used, and expects to use, adjusted EBITDA-based measures to assess operating performance and to make decisions about allocating resources among the Group's various business lines. In assessing the Group's overall performance and the performance of each of the Group's business lines, management reviews adjusted EBITDA-based measures as a general indicator of performance compared to prior periods.

Historical and Current Market and Industry Data

Historical and current market data used throughout this Base Prospectus were obtained from internal company analyses, consultants' reports and industry publications. In particular, information has been provided by industry consultants PCI Wood McKenzie ("**PCI**") and IHS Markit Ltd. ("**IHS**"). Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of information contained therein is not guaranteed. While the Trustee and the Obligors accept responsibility for the accurate extraction and reproduction of this market data, the Trustee and the Obligors have not independently verified such data and cannot guarantee its accuracy or completeness.

In addition, certain statements in this Base Prospectus regarding the petrochemical industry, the Group's position in that industry and the Group's market share are based on internal company estimates, the Group's experience and investigations of market conditions and the Group's review of industry positions. Information relating to actual sales of petrochemical products by third party industry report providers is often based on estimates derived from installed capacity of a company as actual sales figures are not typically published. Accordingly, the Group regularly prepares internal estimates of the Group's market share and market position for management purposes using a combination of third party industry reports, the internal data of the Group and publicly available information relating to the Group's competitors. For example in relation to the Group's Ethylene Glycol business line, in calculating market position by sales volume the Group has taken into account its own internally produced ethylene glycol, the ethylene glycol the Group sources from Dow and the ethylene glycol the Group purchases on the spot market.

The Trustee and the Obligors cannot assure you that any of the assumptions underlying those statements are accurate or correctly reflect the Group's position in the industries. Similarly, internal company analyses, while believed by the Trustee and the Obligors to be reliable, have not been verified by any independent sources, and none of the Trustee, the Obligors, the Arrangers or Dealers makes any representation as to the accuracy of such information. While the Trustee and the Obligors are not aware of any misstatements regarding any industry or similar data presented herein, such data involve risks and uncertainties and are subject to change based on various factors, including those discussed under the "*Risk Factors*" section in this Base Prospectus. This Base Prospectus makes reference to certain information taken from reports prepared by PCI and IHS. These reports were generally not prepared specifically for the Group and in most cases relate to general industry analysis. Each of PCI and IHS conducted its analysis and prepared its reports utilizing reasonable care and skill in applying methods of analysis consistent with normal industry practice. All results are based on information available at the time of review. Changes in factors upon which the review was based could affect the results. Forecasts are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including the actions of government, individuals, third parties and competitors. There is no implied warranty of merchantability or fitness for a particular purpose to apply.

Some of the information on which the PCI and IHS reports are based has been provided by others. Each of PCI and IHS has utilised such information without verification unless specifically noted otherwise. Neither PCI nor IHS accepts any liability for errors or inaccuracies in information provided by others.

Certain Conventions

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

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

All references in this Base Prospectus to "**U.S. dollars**" and "**U.S.$**" refer to United States dollars, being the legal currency of the United States of America (the "**United States**" or "**U.S.**") and all references to "**dinar**" and "**KWD**" refer to the Kuwaiti dinar, being the legal currency of Kuwait. In addition, all references to "**A$**" refer to Australian dollars, being the legal currency of The Commonwealth of Australia; "**CAD**" refer to Canadian dollars, being the legal currency of Canada; "**CHF**" refer to Swiss Francs, being the legal currency of Switzerland; "**EUR**", "**Euro**", "**euro**" and "**€**" refer to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended; "**GBP**", "**Sterling**" and "**£**" refer to pounds sterling, being the legal currency of the United Kingdom and "**JPY**", "**Yen**" and "**¥**" refer to Japanese yen, being the legal currency of Japan.

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

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

The risks and uncertainties referred to above include:

- the cyclical nature of the petrochemical industry may reduce the Group's net sales revenue and gross margin;

- the Group is subject to global economic and financial market conditions;
- volatility in the price of oil and natural gas may adversely impact the Group's business, results of operations or financial condition;
- because the Group is dependent on a small number of suppliers for its raw materials, any disruption in its supply of raw materials may have negative consequences to its supply and production chain;
- conditions affecting transportation of materials may adversely affect the performance of the Group's logistics operations;
- the Group faces significant competition in its industry, whether through efforts of new or current competitors or through consolidation of existing customers, which may adversely affect its competitive position, sales and overall operations;
- the Group's business is exposed to the risk of product substitution;
- concerns relating to the environmental impact of plastic packaging could lead to reduced demand or legislative action;
- the customer base of the Group's Ethylene Glycol business line is concentrated;
- the Group's operations are subject to various environmental and other laws and regulations;
- the Group is required to obtain, maintain and renew governmental permits and approvals to operate its businesses. Any failure to obtain, maintain and review such permits and approvals may negatively impact the way in which the Group conducts its business;
- the Group's production facilities process some volatile and hazardous materials that subject it to operating risks;
- the Group may face unforeseen challenges in the implementation of its proposed U.S. Gulf Coast project which could result in the project failing to provide expected benefits to it;
- the Group may face challenges in integrating the acquisition of the MEGlobal Group by the EQUATE Group;
- the Group has a significant amount of indebtedness which could limit its financial flexibility and its ability to access additional financing;
- the Group may experience difficulties in raising additional capital on favourable terms or at all in the future;
- the Group may be subject to natural disasters, terrorist activities and/or disruptive geopolitical events and their consequences;
- the Group may be subject to interruptions or failures in its information technology systems;
- the Group is dependent on maintaining good relations with its employees. Any deterioration in employee relations could impact the Group's ability to supply its products;
- the Group depends on its ability to attract and retain key personnel to implement its business strategy and develop existing or new businesses;
- the Group is exposed to risks related to conducting operations in several different countries;
- each of PIC and Dow exerts a significant degree of control over the Obligors. Their interests may conflict with the interests of the relevant Obligor or the interests of the Certificateholders;
- investing in securities involving emerging markets generally involves a higher degree of risk;

- legal and regulatory systems may create an uncertain environment for investment and business activities;
- the Group's operations in Kuwait are located in a region that is subject to ongoing political and security concerns; and
- the application and enforcement of the Kuwaiti income tax regime is uncertain, and holders of the Certificates which are "non-GCC corporate entities" may become subject to the Kuwaiti income tax regime in certain limited circumstances.

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

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

SUPPLEMENTARY PROSPECTUS

Following the publication of this Base Prospectus, a supplement may be prepared by the Trustee and approved by the Central Bank in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus. The Trustee and each Obligor have given an undertaking to the Arrangers and Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Certificates and whose inclusion in or removal from this Base Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Trustee and the Obligors, and the rights attaching to the Certificates, the Trustee shall prepare an amendment or supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Certificates and shall supply to each Arranger and Dealer such number of copies of such supplement hereto as such Arranger and/or Dealer may reasonably request.

STABILISATION

In connection with the issue of any Tranche, one or more relevant Dealers (the "Stabilisation Manager(s)") (or any person acting on behalf of any Stabilisation Manager(s)) may over-allot Certificates or effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

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OVERVIEW

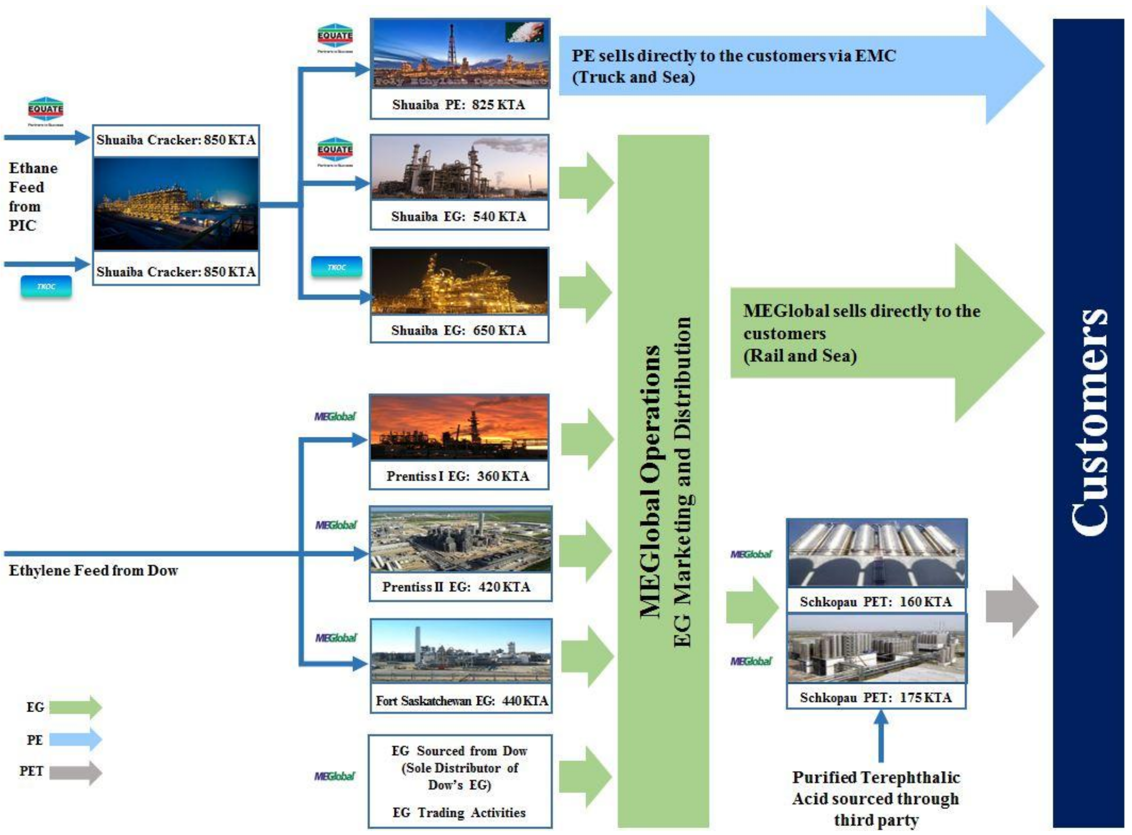
The following overview is qualified in its entirety by, and is subject to, the more detailed information and Financial Statements appearing elsewhere in this Base Prospectus or incorporated by reference in this Base Prospectus (see "Documents Incorporated by Reference"), as the case may be, including the sections, "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Description of EQUATE", "Description of TKOC" and "Business". To understand the terms of the Certificates, investors should carefully read the sections of this Base Prospectus entitled "Terms and Conditions of the Certificates" and the risks of investing in the Certificates under "Risk Factors" and the applicable Final Terms (or Pricing Supplement, as applicable).

Group Overview

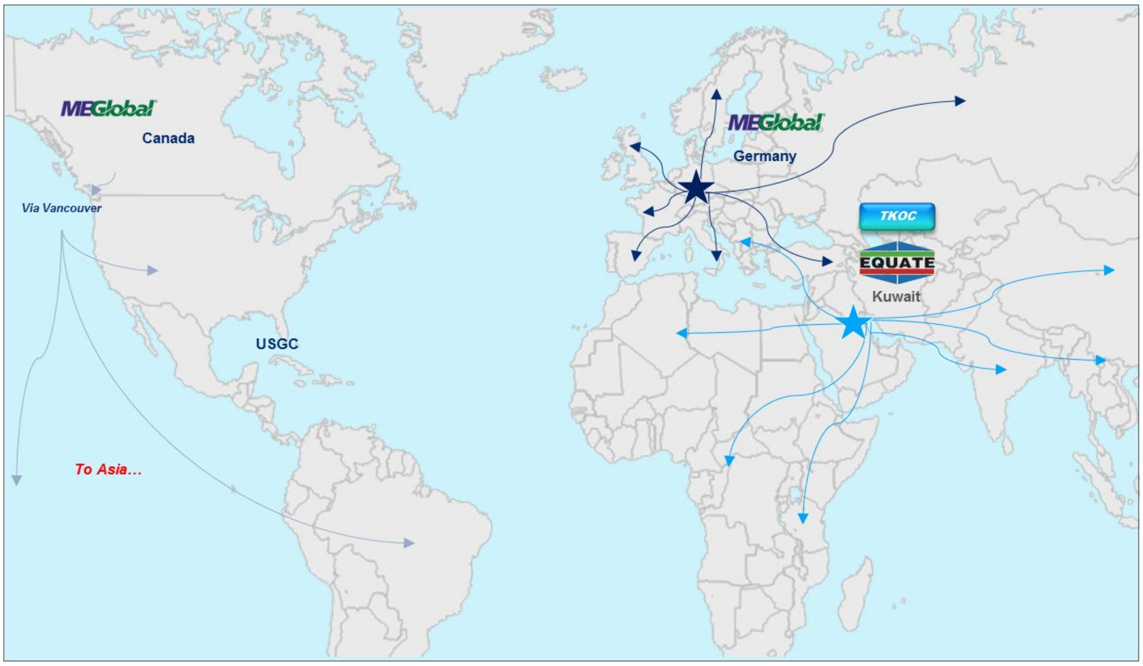
The Group is the largest producer of petrochemical products in Kuwait and one of the leading producers of petrochemical products in the Middle East by sales and production volume, according to market reports. The Group produces, distributes and markets ethylene glycol, polyethylene and their co-products globally, including to Asia, North and South America, the Middle East, Turkey, India, Pakistan and Europe, and produces, distributes and markets polyethylene terephthalate in Europe. As of and for the year ended 31 December 2015, the Group was the world's second largest producer of ethylene glycol by capacity according to PCI and the world's second largest distributor of ethylene glycol by sales volume according to the Group's internal calculations which are based on data published by PCI. See "*Presentation of Financial and Other Information—Historical and Current Market and Industry Data*".

The Group's business has vertically integrated chemical facilities and production technologies. The Group operates five manufacturing sites in three countries. As of 30 June 2016, the Group's total production capacity was approximately 3,570KTA of which 56 per cent. was in Kuwait, 34 per cent. was in Canada and 10 per cent. was in Germany.

The manufacturing process and product flow of the Group's integrated facilities are set out below:



The following map sets forth the geographical locations of the Group's production facilities and the Group's product distribution footprint around the globe:



The Group principally operates through three business lines: Ethylene Glycol, Polyethylene and Polyethylene Terephthalate. Each of EQUATE, TKOC and MEGlobal Canada manufactures ethylene glycol: EQUATE has an ethylene glycol plant in the Shuaiba Industrial Area in Kuwait with a production capacity of 540KTA; TKOC has an ethylene glycol plant in the Shuaiba Industrial Area in Kuwait with a production capacity of 650KTA; and MEGlobal Canada has three ethylene glycol plants in Prentiss and Fort Saskatchewan in Alberta, Canada with a combined production capacity of 1,220KTA. EQUATE also produces polyethylene and has a polyethylene plant in the Shuaiba Industrial Area in Kuwait with a production capacity of 825KTA. Equipolymers GmbH, a wholly-owned subsidiary of MEGlobal B.V., produces polyethylene terephthalate and has two polyethylene terephthalate plants in Schkopau, Germany with a combined production capacity of 335KTA.

The Group's Ethylene Glycol and Polyethylene business lines use ethane-based ethylene as feedstock. The Group's production facilities in Kuwait source ethane-rich gas from PIC. The ethane-rich gas is processed into ethylene by two ethane crackers each of which are owned by EQUATE and TKOC. These ethane crackers, which have production capacities of 850KTA each, are integrated into the Group's polyethylene and ethylene glycol production facilities in the Shuaiba Industrial Area in Kuwait. The Group's ethylene glycol production facilities in Canada source ethylene from Dow's ethane cracker in Fort Saskatchewan, and this ethylene is transported to MEGlobal Canada's Prentiss and Fort Saskatchewan production facilities by pipeline.

The Group benefits from low-cost, high-quality feedstock through long-term supply agreements with its principal shareholders, Dow and PIC, and based on its internal research and market reports, the Group believes that its feedstock costs are highly competitive. See further "*Business—Competitive Strengths—Low cost feedstock under long-term feedstock supply agreements*". In addition, the Group's operations in Kuwait are strategically located near the Shuaiba Industrial Area port and benefit from the competitive rates of power in the Middle East which to date have generally been significantly lower than the cost of utilities in other regions of the world.

Moreover, the Group has a global ethylene glycol distribution platform with regional business centres around the world that support the sales and marketing function of its Ethylene Glycol business line, including in Hong Kong, Shanghai, Dubai, Horgen and Houston. The Group's feedstock contracts, integrated facilities and distribution operations position it as a low-cost producer that is able to capture attractive margins across the value chain, with the benefit of certainty of feedstock supply and access to a global distribution platform.

The Group's products are used primarily by other industries as raw materials to produce or manufacture products used in end markets. A significant proportion of the Group's products sales are used in consumer-driven end markets including textiles and food and beverage packaging. The Group believes that these industries are less susceptible than other sectors to economic recessions. See "*Business—Ethylene Glycol business line—Sales, Marketing and Customers*", "*Business—Polyethylene business line—Sales, Marketing and Customers*" and "*Business—Polyethylene Terephthalate business line—Sales, Marketing and Customers*"

The following chart presents the sales generated by each of the Group's business lines for the six-month period ended 30 June 2016:

Group sales	**For the six-month period ended 30 June 2016**
	(U.S.$ million)
Ethylene Glycol	1,077
Polyethylene	389
Polyethylene Terephthalate	160
Total[(1)]	**1,626**

(1) This total does not include the limited sales that EQUATE generates from the sale of ethylene to The Kuwait Styrene Company ("**TKSC**") and managing and operating the production facilities of, and providing utilities to, TKSC, Kuwait Aromatics Company K.S.C.C. ("**KARO**") and Petrochemical Industries Company K.S.C. ("**PIC**"), which amounted to U.S.$125 million for the six-month period ended 30 June 2016. See further "*—Business lines*".

The following chart presents the adjusted EBITDA generated by each of the Group's business lines for the six-month period ended 30 June 2016:

Group Adjusted EBITDA[(1)]	**For the six-month period ended 30 June 2016**
	(U.S.$ million)
Ethylene Glycol	336
Polyethylene	155
Polyethylene Terephthalate	3
Total[(2)]	**494**

(1) See "*Presentation of Financial and Other Information—Use of Alternative Performance Measures*" and "*Selected Financial And Other Information—The Group*".

(2) This total does not include the adjusted EBITDA on limited sales that EQUATE generates from the sale of ethylene to TKSC and managing and operating the production facilities of, and providing utilities to, TKSC, KARO and PIC, which amounted to U.S.$4 million for the six-month period ended 30 June 2016. See further " *—Business lines*".

Ethylene Glycol business line. The Group's Ethylene Glycol business line produces, markets and distributes ethylene glycol. As of and for the year ended 31 December 2015, the Group was the world's second largest producer of ethylene glycol by capacity according to PCI and the world's second largest distributor of ethylene glycol by sales volume according to its internal calculations which are based on data published by PCI. See further "*Presentation of Financial and Other Information—Historical and Current Market and Industry Data*". For the year ended 31 December 2015, the Group produced 2,640KMT of ethylene glycol. Ethylene glycol and its derivatives play a significant role in the chemicals industry as they can serve as versatile intermediates in a wide range of applications due to their chemical properties. Ethylene glycol is used in the production of a wide range of products including polyester fibre, polyethylene terephthalate resins, automotive liquids, including antifreeze, and other chemical products. The primary products manufactured by the Group's Ethylene Glycol business line are monoethylene glycol ("**MEG**") and diethylene glycol ("**DEG**").

For the six-month period ended 30 June 2016, the Group's Ethylene Glycol business line generated U.S.$1,077 million in sales, which represented 63 per cent. of the Group's total sales.

The Group produces ethylene glycol at its manufacturing sites in Kuwait and Canada. The following table sets forth the Group's production volumes by product and the manufacturing facility for the periods indicated.

					Production Volume				
					For the six-month period ended 30 June		For the year ended 31 December		
Producer	Business line	Products[(1)]	Place of Production	Production capacity	2016	2015	2015	2014	2013
EQUATE............................	EGs	MEG (92%) DEG (8%)	Shuaiba Industrial Area, Kuwait	540KTA	218KMT	299KMT	586KMT	526KMT	567KMT
TKOC	EGs	MEG (92%) DEG (8%)	Shuaiba Industrial Area, Kuwait	650KTA	368KMT	378KMT	812KMT	815KMT	734KMT
MEGlobal...........................	EGs	MEG (91%) DEG (9%)	Prentiss I, Prentiss II, Fort Saskatchewan, Canada	360KTA 420KTA 440KTA	614KMT	622KMT	1,242KMT	1,203KMT	1,166KMT

(1) The product percentage split is an approximation. Higher glycols such as triethylene glycol which is a by-product of ethylene glycol production are omitted from product percentage split. Such by-products account for approximately one to two per cent. of total ethylene glycol production volume.

In addition, the Group's Ethylene Glycol business line also markets and distributes ethylene glycol and is the world's second largest distributor of ethylene glycol by sales volume for the year ended 31 December 2015 according to the Group's internal calculations which are based on data published by PCI. See "*Presentation of Financial and Other Information—Historical and Current Market and Industry Data*". The Group's global ethylene glycol distribution platform has business centres around the world that support the sales and marketing function of its Ethylene Glycol business line, including in Hong Kong, Shanghai, Dubai, Horgen and Houston. As a global ethylene glycol market leader that participates in all regions, the Group has the ability to adjust regional ethylene glycol supply and demand imbalances by adjusting ethylene glycol volume supplied to a particular region.

Polyethylene business line. The Group's Polyethylene business line produces polyethylene at its manufacturing facility in Kuwait. For the year ended 31 December 2015, the Group produced 744KMT of polyethylene. Polyethylene, including low-density polyethylene, linear low-density polyethylene and high-density polyethylene polyolefins, is the single largest category of the world's thermoplastics, representing 38 per cent. of the 232MMT global thermoplastic market in 2015 according to IHS. It is a relatively low cost and versatile polymer used in a wide range of moulded and extruded applications such as household and food containers, toys, food and non-food packaging film and sheet. The primary products manufactured by the Group's Polyethylene business line are high-density ("**HDPE**") and linear low-density ("**LLDPE**") grades of polyethylene.

For the six-month period ended 30 June 2016, the Group's Polyethylene business line generated U.S.$389 million in sales and represented 23 per cent. of the Group's total sales.

The following table sets forth the Group's productions volumes and the manufacturing facility for the periods indicated.

					Production Volume				
					For the six-month period ended 30 June		For the year ended 31 December		
Producer	Business line	Products[(1)]	Place of Production	Production capacity	2016	2015	2015	2014	2013
EQUATE............................	PE	HDPE (62%) LLDPE (38%)	Shuaiba Industrial Area, Kuwait	825KTA	379KMT	372KMT	744KMT	638KMT	775KMT

(1) The product percentage split can vary from year to year based on production mix.

Polyethylene Terephthalate business line. The Group's Polyethylene Terephthalate business line produces polyethylene terephthalate and also distributes and markets polyethylene terephthalate in Europe. For the year ended 31 December 2015, the Group produced 317KMT of polyethylene terephthalate. Polyethylene terephthalate is produced by combining modified ethylene glycol and purified terephthalic acid. It is a widely recycled plastic and comprises a high proportion of post-consumer wastes. Polyethylene terephthalate is used in the production of beverage, food and other liquid containers, and also in the production of extruded films and sheets and thermoforming applications.

For the six-month period ended 30 June 2016, the Group's Polyethylene Terephthalate business line generated U.S.$160 million in sales, which represented 9 per cent. of the Group's total sales.

The Group produces polyethylene terephthalate at its manufacturing site in Germany. The following table sets forth the Group's polyethylene terephthalate production volumes for its two polyethylene terephthalate plants located at a single production facility in Germany for the periods indicated.

				Production Volume				
				For the six-month period ended 30 June		For the year ended 31 December		
Producer	Business line	Place of Production	Production capacity	2016	2015	2015	2014	2013
Equipolymers (a subsidiary of MEGlobal B.V.)..................	PET	Schkopau, Germany	335KTA	170KMT	167KMT	317KMT	308KMT	307KMT

In addition, the Group's Polyethylene Terephthalate business line also markets and distributes polyethylene terephthalate produced by its operations in Germany, primarily to Europe.

Competitive Strengths

The Group believes that the factors set forth below provide it with a competitive advantage in the markets in which it competes:

Low-cost feedstock under long-term feedstock supply agreements. The Group uses ethane-based ethylene as feedstock for the production processes in its manufacturing sites in Kuwait and in Canada which accounts for approximately 90 per cent. of the Group's production capacity. Feedstock is the most significant direct cost associated with the production of ethylene glycol and polyethylene. As a result of the following factors and according to the Group's internal research and market reports, the Group has long-term secure access to feedstock at a cost which it believes is highly competitive (based on internal analysis and market reports).

Low-cost long-term feedstock supply agreements. The Group has access to competitively priced feedstock under long-term supply contracts with its principal shareholders, Dow and PIC. In Kuwait, the Group's production facilities receive first priority to ethane rich gas supplied by PIC from Kuwait National Petroleum Company's associated gas processing plants within the Mina Al-Ahmadi refinery, which is located adjacent to the Group's production facilities in the Shuaiba Industrial Area, under feedstock supply agreements with PIC for an indefinite term. In Canada, the Group's production facilities source 95 per cent. of its ethylene requirements from Dow's Fort Saskatchewan (Alberta) ethane cracker under a long-term supply contract with Dow which expires on 30 June 2024 with two five-year extensions exercisable at the Group's sole option (see "*Related Party Transactions—Feedstock Supply Agreements*").

Efficiency of ethane-based crackers. Ethylene is typically produced from crackers that use ethane, propane, butane or light naphtha as feedstock. The Group's cracker portfolio are all ethane-based. Ethane-based crackers are much less capital intensive compared to crackers which use products other than ethane as feedstock, and one of the advantages of ethane-based crackers is that they produce fewer by-products. The feedstock conversion to ethylene of an ethane-based cracker is approximately 20 per cent. to 30 per cent. higher than that of light naphtha because ethane-based crackers produce very few by-products.

Comparative advantage of ethane-based ethylene as feedstock. Even at the current low levels of crude oil price, producers who use ethane-based ethylene as feedstock will continue to maintain a significant cost advantage compared to naphtha-based crackers. In particular, the price of ethane-based ethylene from the Middle East is among the lowest in the world.

Fully integrated global platform for the production and distribution of petrochemicals. The Group has five manufacturing sites on three continents (with production facilities in Kuwait, Canada and Germany) with a total production capacity of approximately 3,570KTA as of 30 June 2016. Each of these sites is integrated with a major cracker which is either owned by the Group or by a third party. The Group is the largest petrochemicals producer in Kuwait. The Group's sites are located near raw materials, refineries, associated pipeline and (in the case of Kuwait) port infrastructure. As of 31 December 2015, the Group was the second largest producer of ethylene glycol by capacity in the world according to PCI.

Favourable economics across the value-chain. Based on the Group's internal research and market reports, the Group believes that its cost of production is highly competitive as a result of the following factors:

Strategic locations. The Group's ethane crackers and downstream petrochemical production units in Kuwait are located adjacent to the Kuwait National Petroleum Company's associated gas processing plant, while the feedstock for the Group's Canadian petrochemical production units are supplied by pipelines connecting the Group's petrochemical production units in Canada with Dow's Fort Saskatchewan (Alberta) ethane cracker. This allows the Group to reduce its raw material transportation cost. In addition, the Group's production units in Kuwait are strategically located near the Shuaiba Industrial Area port which reduces the Group's logistical cost associated with the export of its products.

Low-cost utilities. The Group's manufacturing facilities in Kuwait, which account for more than half of the Group's production, benefit from the competitive rates of utilities in the Middle East which to date have been generally lower than the cost of utilities in other regions of the world, thereby reducing the cost of production in the Group's Kuwaiti operations.

Global ethylene glycol market maker. As a result of the acquisition of MEGlobal Group, the Group is the world's second largest distributor of ethylene glycol by sales volume for the year ended 31 December 2015 according to its internal calculations which are based on data published by PCI. See "*Presentation of Financial and Other Information—Historical and Current Market and Industry Data*". By serving as a global ethylene glycol market maker, the Group can react quickly to market changes and adjust regional supply by redirecting its products from one region to another in order to achieve the highest net sales price (after adjusting for third party transport costs).

Strong adjusted EBITDA margin despite challenging market conditions. The prices of polyethylene and ethylene glycol tend to be correlated with crude oil prices in the long-term and recent declines in the prices of polyethylene and ethylene glycol have reflected declines in the price of oil. Market trends indicate that over the period starting from the fourth quarter of 2014 until the end of the first half of 2016, the price of Brent crude oil declined by nearly 50 per cent., and ethylene glycol prices declined by approximately 30 per cent. over the same period. Despite the price of the OPEC reference basket reaching a low of U.S.$26.01 in January 2016, the Group nonetheless posted a combined adjusted EBITDA of U.S.$521 million or a combined adjusted EBITDA margin of 31 per cent. for the six-month period ended 30 June 2016, primarily supported by the Group's competitive advantage in respect of its access to low-cost feedstock and its marketing strategy. Notwithstanding these downward price trends over the last three years and in 2016, the Group has maintained solid financial performance.

High barriers to entry. The petrochemicals industry is in general characterised by high-barriers to entry, and this is particularly so for ethylene glycol. The construction of new ethylene glycol plants requires a substantial level of capital investment and there is a shortage of engineering firms with the capacity to build new plants. In addition, there are only three major technology providers for ethylene glycol production globally giving rise to technological barriers to production know-how. Moreover, operators in the petrochemical industry face significant regulatory compliance costs associated with manufacturing processes which deal with chemical waste and emissions.

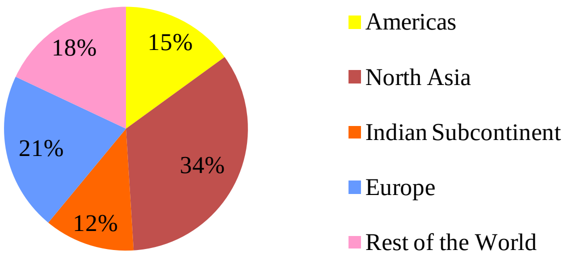
Additional growth potential as a result of the U.S. Gulf Coast project. The Group is experienced in the construction of new petrochemical facilities and was involved in the building and construction of the five production facilities that it has across three countries. The Group's new project involves the construction of a world-scale 750KTA ethylene glycol plant in the U.S. Gulf Coast which is expected to become operational in 2019. See further "*Business—Ethylene Glycol business line—Facilities—U.S. Gulf Coast Project*". This new plant in the U.S. Gulf Coast will benefit from competitively priced ethylene supply from Dow's new ethane cracker (see "*Business—Ethylene Glycol business line—Facilities—U.S. Gulf Coast Project*") and is expected to add 750KTA of gross production capacity to the Group's ethylene glycol portfolio. The Group believes that this new facility will be one of only a handful of similar new competitively priced ethylene glycol plants expected in the coming years.

Strategic importance to shareholders. The Group enjoys a high level of support from its major shareholders Dow and PIC, who are themselves important players in the global petrochemical industry.

The Group is a joint venture between Dow, one of the largest chemical companies in the world by revenue and PIC, an indirect subsidiary owned by the government of Kuwait (the "**Government**"). Each of Dow and PIC owns a 42.5 per cent. equity stake in EQUATE and TKOC. EQUATE and TKOC are important contributors to Kuwait's economy. 95 per cent. of Kuwait's export revenue is derived directly or indirectly from the oil, gas and petrochemical sector, and EQUATE contributes over 60 per cent. of Kuwait's non-oil export revenue. As a result, the Group believes that the Group's operations in Kuwait will have the continued support of the Government including by way of provision of a dedicated berth for shipping at the Shuaiba Industrial Area port and competitively priced feedstock. Dow in turn offers the Group global management expertise, access to Dow's production technology and know-how, as well as supply of competitively priced feedstock to the Group's Canadian operations (and its proposed U.S. Gulf Coast operations).

Diversified geographic end-markets. The Group's petrochemical products are sold to customers in diverse geographic locations. The following diagram sets forth the Group's third party sales by region for the six-month period ended 30 June 2016.

Six-month Period Ended 30 June 2016



The Group believes such market diversity reduces the Group's reliance on a particular economy or region.

Experienced management team. The Group's senior management team and members of its board of directors are appointed by Dow and PIC. The Group's management team has extensive experience in the chemical industry, including in leading companies such as Dow and PIC.

Business Strategy

Maintain market leading position in ethylene glycol. As a global ethylene glycol market leader that participates in all regions, the Group has the ability to react quickly to market changes and adjust regional supply by redirecting its products from one region to another in order to achieve the highest net sales price (after adjusting for third party transport costs). The Group intends to maintain its market-leading position by providing excellent customer service through reliability of supply through its multi-sourcing platform and efficient logistics operations. In addition, the Group adopts an "over-commitment" strategy whereby it commits to sell approximately 13 per cent. over its annual production volume. This helps support the Group's market leading position and secures demand for the additional ethylene glycol production capacity that it will have upon completion of its proposed U.S. Gulf Coast project, see "*Business—Ethylene Glycol business line—U.S. Gulf Coast Project* ".

Maintain direct marketing channels. The Group has its own marketing channels and distribution platforms which enables it to sell products manufactured by its Ethylene Glycol business line and Polyethylene Terephthalate business line directly to customers without using third party distributors. The Group intends to maintain such direct sales channels to ensure it captures margin across the value chain. This also enables the Group to develop and maintain long-term relationships with valued customers and allows it to exercise better control over its customer portfolio.

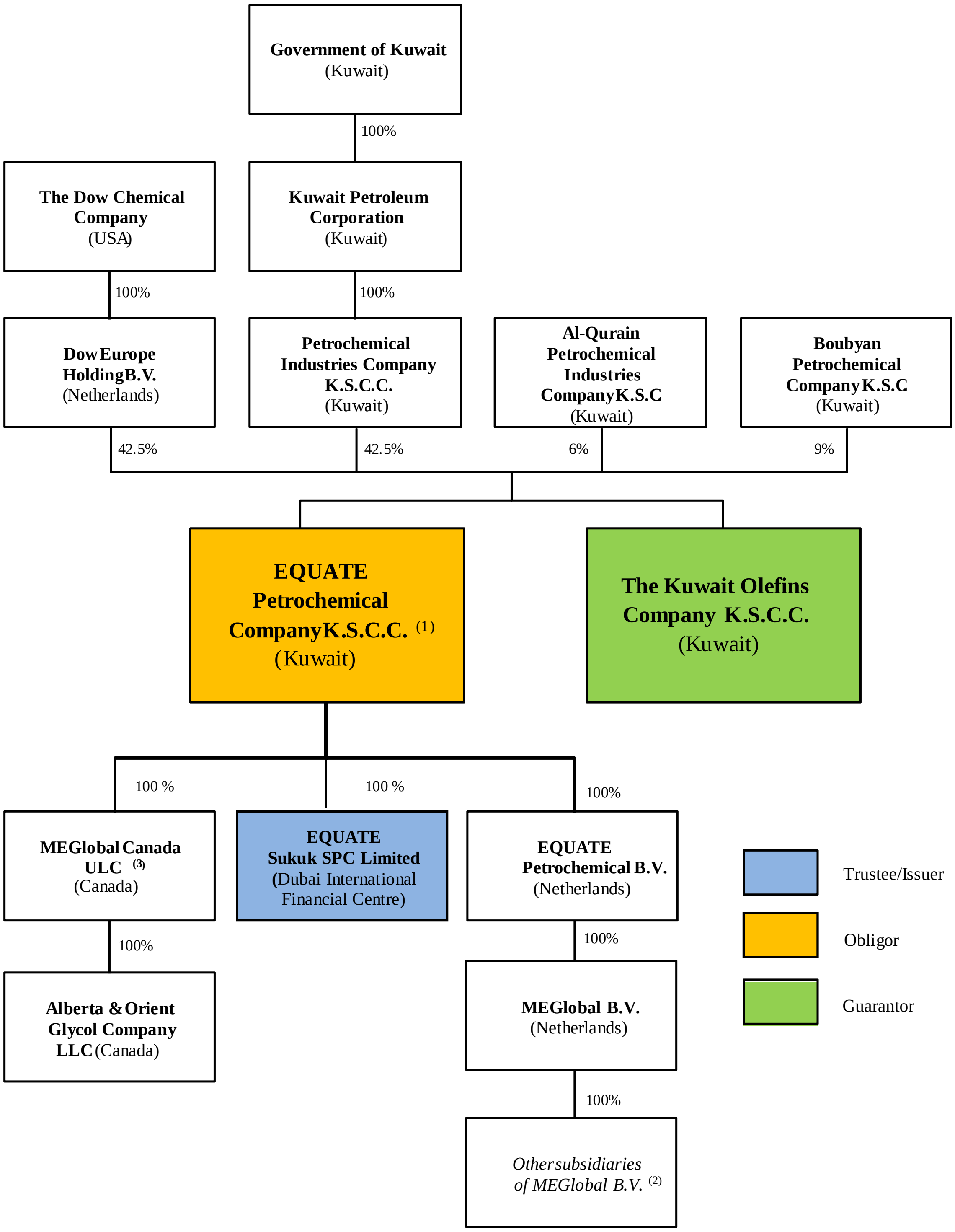
Selective customer portfolio management. The Group actively manages its customer portfolio and selects its customer base by evaluating potential customers against criteria driven by its business strategy, including but not limited to, the value contribution, strategic fit (where relevant), geographical alignment and creditworthiness of potential customers. This helps the Group effectively manage the consistency of its business, maintain its supply position, streamline its receivables as well as concentrate its sales activity on high-value customers.

Maximise utilisation of assets. The Group strives to operate its facilities at full capacity as it believes this allows it to maintain positive margins and cashflows, even during downturns in industry cycles or customer demand, more readily than some of its competitors who have higher production costs. For the year ended 31 December 2015, the Group's production facilities were operating at: a weighted average of 110 per cent. across its ethylene glycol production facilities; 90 per cent. for its polyethylene production facility; and 95 per cent. for its polyethylene terephthalate production facility. The Group seeks to achieve growth in production volume by improving utilisation rates with the defined availability of an asset, improving availability of an asset by minimising planned and unplanned facility downtime and improving capacity of an asset through de-bottlenecking projects. The Group has a strong track record of achieving continuous improvements in production capacity through de-bottlenecking and improving catalyst efficiency.

Continue to attract talented employees and foster a performance driven culture. The Group employs carefully crafted talent and performance management strategies, policies and processes to ensure that the right talent is attracted, engaged, motivated and retained to maximise its performance and contribution to the Group. The Group has long and short-term incentives programmes in place for employees which are designed to motivate individuals and teams to contribute to the Group's strategic objectives.

Maintain world-class environmental, health and safety ("EH&S") excellence. The Group is dedicated to continually improving its EH&S performance. The Group ensures that all employees receive appropriate training, thereby enabling them to effectively contribute to EH&S performance and EH&S improvement processes. It is the Group's policy to design its processes and manufacture and distribute its products in a responsible manner so that its employees, customers, the public and the environment are protected from avoidable risks. The Group's strategy is to continue achieving world-class injury and environmental compliance ratings. For example, in 2015 MEGlobal Canada received the Safety and Health Analysis, Recognition and Exchange (SHARE) Excellence in Safety Award from the Chemical Industry Association of Canada, which recognised excellent safety performance over a continuous period of five years. In 2014, MEGlobal Canada was also awarded the Best Performer (Site) Award by the Industrial Occupational Safety and Health Council for the fourth year in a row, which recognised its excellent safety record at manufacturing facilities in Fort Saskatchewan, Alberta and Prentiss, Alberta. In 2011, EQUATE was also the first company in Kuwait to earn the Responsible Care® 14001 certification.

The Group's Corporate Structure



(1) Certain treasury shares, representing 5.26 per cent. of the shareholding in EQUATE, were repurchased under a previous share buy-back program and are now held by EQUATE.

(2) The other subsidiaries of MEGlobal B.V. are MEGlobal Americas Inc. (incorporated in the United States), MEGlobal Asia Limited (incorporated in Hong Kong), MEGlobal Comercio Do Brasil Ltda (incorporated in Brazil), MEGlobal Europe GmbH (incorporated in Switzerland), MEGlobal Mexico S.A., de C.V. (incorporated in Mexico), MEGlobal Trading Group Ltd (incorporated in China), Equipolymers GmbH (incorporated in Germany), Equipolymers SrL (incorporated in Italy) and MEGlobal International FZE (incorporated in the United Arab Emirates and wholly-owned by MEGlobal Europe GmbH).

(3) As part of the pre-closing steps to the acquisition of the MEGlobal Group, MEGlobal Canada Inc. was renamed as MEGlobal Canada ULC. Several entities were subsequently amalgamated and MEGlobal Canada ULC was chosen to be the surviving entity.

Description of the Group

- Each of EQUATE and TKOC have the same shareholders and have historically operated under common management and control. See further "*Description of EQUATE*" and "*Description of TKOC*". Each of EQUATE and TKOC also have production facilities in the Shuaiba Industrial Area of Kuwait for the manufacturing of ethylene glycol and (in the case of EQUATE only) polyethylene. See further "*Business*".

- MEGlobal Canada (including its subsidiary) was acquired by EQUATE on 23 December 2015. MEGlobal Canada was previously owned by Dow Chemical Canada Inc. and PicCan Holdings Inc. MEGlobal Canada is the holding company of Alberta & Orient Glycol Company LLC which has manufacturing facilities in Canada that specialise in the production of ethylene glycol.

- MEGlobal B.V. (including its subsidiaries) was acquired by EQUATE Petrochemical B.V., which is a wholly-owned subsidiary of EQUATE and a financing vehicle for the Group, on 23 December 2015. MEGlobal B.V. was previously owned by Dow and PIC. MEGlobal B.V. primarily specialises in the sale and distribution of ethylene glycol and polyethylene terephthalate for the Group. It is the holding company of a number of subsidiaries which serve as regional business centres to support the sales and marketing of ethylene glycol and polyethylene terephthalate. It is also the holding company of Equipolymers GmbH which has a production facility in Germany that manufactures and sells polyethylene terephthalate. See further "*Business*".

OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Certificates, is completed by the applicable Final Terms. The Trustee, the Obligors and any relevant Dealer may agree that Certificates shall be issued in a form other than that contemplated in the terms and conditions of the Certificates as laid out in this Base Prospectus (the "**Conditions**"), in which event, in the case of Certificates other than Non-PD Certificates, a new Base Prospectus or a supplement to the Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Certificates.*

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

Words and expressions defined in "Terms and Conditions of the Certificates" and "Form of Certificates" shall have the same meanings in this overview.

Issuer, Trustee, Lessor and Purchaser	EQUATE Sukuk SPC Limited, as trustee for and on behalf of the Certificateholders and, in such capacity, as issuer of the Certificates, a Special Purpose Company incorporated with limited liability in the DIFC on 13 October 2016 with registered number 2286 with its registered office at c/o Maples Fund Services (Middle East) Limited, Office 616, 6th Floor, Liberty House, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates. The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party. The Trustee shall on each Issue Date issue the Certificates to the Certificateholders and act as Trustee in respect of the Trust Assets for the benefit of the Certificateholders.
Ownership of the Trustee.............	The authorised share capital of the Trustee is U.S.$100 consisting of 100 shares of U.S.$1.00 each, of which 100 shares are fully paid up and issued.
Administration of the Trustee	Maples Fund Services (Middle East) Limited, a corporate service provider incorporated in the DIFC acts as the secretary and corporate administrator of the Trustee (in such capacity, the "**Corporate Service Provider**"). Pursuant to the terms of a corporate services agreement dated 22 November 2016 entered into between the Trustee and the Corporate Service Provider (the "**Corporate Services Agreement**"), the Corporate Service Provider has agreed to provide, or procure the provision of, certain administrative functions to the Trustee, including registered office, director and alternate director, secretarial, administrative and other services until termination of the Services Agreement. The offices of the Corporate Service Provider are situated at Office 616, 6th Floor, Liberty House, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.
Seller, Lessee, Buyer and Service Agent..	EQUATE Petrochemical Company K.S.C.C., a Closed Kuwaiti Shareholding Company incorporated in the State of Kuwait with its registered office at Olympia Tower, 6th floor, Salmiya, Kuwait.
The Guarantor.............................	The Kuwait Olefins Company K.S.C.C., a Closed Kuwaiti Shareholding Company incorporated in the State of Kuwait with its registered office at 1st floor, Building 19, South Sabahiya, Kuwait.
Description	U.S.$2,000,000,000 Trust Certificate Issuance Programme.

Size	Up to U.S.$2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time (the "**Programme Limit**"). The Trustee and the Obligors may increase the Programme Limit in accordance with the terms of the Programme Agreement.
Risk Factors	There are certain factors that may affect the Trustee's ability to fulfil its obligations under Certificates issued under the Programme, EQUATE's ability to fulfil its obligations under the relevant Transaction Documents and TKOC's ability to fulfil its obligations under the Guarantee. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Certificates issued under the Programme. These include certain risks relating to the structure of a particular Series of Certificates and certain market risks. Please see "*Risk Factors*"
Arrangers	HSBC Bank plc and KFH Capital Investment Company KSCC.
Dealers	Citigroup Global Markets Limited, HSBC Bank plc, J.P. Morgan Securities plc, KFH Capital Investment Company KSCC, MUFG Securities EMEA plc, Mizuho International plc, SMBC Nikko Capital Markets Limited and Watani Investment Company K.S.C.C. and any other Dealer(s) appointed from time to time in accordance with the terms of the Programme Agreement (as defined herein) or in relation to a particular Tranche of Certificates. The Trustee may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Delegate	Citibank, N.A., London Branch (the "**Delegate**"). In accordance with the Master Trust Deed, the Trustee will, *inter alia*, unconditionally and irrevocably appoint the Delegate to be its attorney and to exercise certain future duties, powers, authorities and discretions vested in the Trustee by certain provisions in the Master Trust Deed in accordance with the terms of the Master Trust Deed. In addition, pursuant to the Master Trust Deed, certain powers will be vested solely in the Delegate.
Principal Paying Agent, Exchange Agent and Transfer Agent	Citibank, N.A., London Branch.
Registrar (in respect of Unrestricted Certificates, as defined in the Agency Agreement)	Citigroup Global Markets Deutschland AG.
Registrar (in respect of Restricted Certificates, as defined in the Agency Agreement)	Citigroup Global Markets Deutschland AG.

Method of Issue............................	The Certificates will be issued on a syndicated or non-syndicated basis. The Certificates will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of profit), the Certificates of each Series being intended to be interchangeable with all other Certificates of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of profit and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the "**Final Terms**").
Issue Price	The Certificates may be issued at their nominal amount or at a discount or premium to their nominal amount.
Status of the Certificates and Guarantee.....................................	The obligations of EQUATE under the Certificates and the relevant Transaction Documents will be unconditionally and irrevocably guaranteed by TKOC. Each Certificate will represent an undivided ownership interest in the Trust Assets of the relevant Series, is a direct, unsubordinated, unsecured and limited recourse obligation of the Trustee and will rank *pari passu*, without preference or priority, with all other Certificates of the relevant Series issued under the Programme.
Form and Delivery of Certificates	The Certificates will be issued in registered form only, one Certificate being issued in respect of each Certificateholder's entire holding of Certificates of one Series. Certificates that are registered in the name of a nominee for a common depositary for one or more clearing systems are referred to as "**Global Certificates**". Certificates sold in an "offshore transaction" within the meaning of Regulation S will initially be represented by an Unrestricted Global Certificate (an "**Unrestricted Global Certificate**").. Certificates sold in the United States to QIBs that are also QPs or to Institutional Accredited Investors that are also QPs will initially be represented by a Restricted Global Certificate (a "**Restricted Global Certificate**"). Certificates sold in the United States to Institutional Accredited Investors that are also QPs will initially be represented by an individual definitive Certificate (an "**Individual Certificate**"). Please see "*Terms and Conditions of the Certificates*" and "*Form of Certificates*".
Clearing Systems	Certificateholders must hold their interest in the relevant Global Certificate in book-entry form through Euroclear and/or Clearstream, Luxembourg and/or DTC and in relation to any Series, such other clearing system as may be agreed between the Trustee, the Obligors, the relevant Dealer(s), the Principal Paying Agent and the Delegate. Transfers within and between each of Euroclear or Clearstream, Luxembourg and/or DTC will be in accordance with the usual rules and operating procedures of the relevant clearing system.
Initial Delivery of Certificates	On or before the issue date for each Tranche, the Global Certificates may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and/or DTC (as

applicable). Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system **provided that** the method of such delivery has been agreed in advance by the Trustee, EQUATE, the Delegate and the relevant Dealer. Certificates that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

Currencies.................................... Subject to compliance with all relevant laws, regulations and directives, Certificates may be issued in any currency agreed between the Trustee, EQUATE and the relevant Dealer(s).

Redenomination, Renominalisation and/or Consolidation............................... Certificates denominated in a currency of a country that subsequently participates in the third stage of European Economic and Monetary Union may be subject to redenomination, renominalisation and/or consolidation with other Certificates then denominated in euro.

Maturities..................................... The Certificates will have such maturities as may be agreed between the Trustee, EQUATE and the relevant Dealers, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Trustee or the relevant Specified Currency.

Specified Denomination .... The Certificates will be in such denominations as may be specified in the applicable Final Terms, subject to compliance with then current laws and regulations and the provisions of the following sentence. Certificates will have a minimum denomination of €100,000 (or its equivalent in other currencies), and: (i) in case of any Certificates (including Certificates denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Trustee in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA, the minimum specified denomination shall be £100,000 (or its equivalent in other currencies), unless otherwise permitted by then current law and regulations; (ii) in the case of any Certificates to be sold in the United States to QIBs that are also QPs, the minimum specified denomination shall be U.S.$200,000 (or its equivalent in other currencies); and (iii) in the case of any Certificates to be sold in the United States to Institutional Accredited Investors that are also QPs, the minimum specified denomination shall be U.S.$500,000 (or its equivalent in other currencies).

Trust Assets.................................. Pursuant to the relevant Trust Deed for each Series, the Trustee has declared that it will hold the Trust Assets (as defined in Condition 5.1 (*Trust Assets*)) upon trust absolutely for, and on behalf of, the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder.

Limited Recourse......................... Each Certificate of a particular Series will represent an undivided ownership interest in the Trust Assets for such Series. No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available from the relevant Trust Assets.

Certificateholders have no recourse to any assets of the Trustee (other than the relevant Trust Assets), EQUATE (to the extent that it fulfils its obligations under the Transaction Documents to which it is a party), TKOC (to the extent that it fulfils its obligations under the Guarantee) or the Delegate or any of their respective affiliates in respect of any shortfall in the expected amounts from the relevant Trust Assets to the extent the relevant Trust Assets have been enforced, realised and fully discharged following which all obligations of the Trustee, EQUATE and TKOC shall be extinguished.

Periodic Distribution Amounts.... Certificateholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the Conditions.

Dissolution on the Scheduled Dissolution Date............................ Unless the Certificates are previously redeemed or purchased and cancelled, the Trustee will redeem the Series of Certificates at an amount equal to the relevant Dissolution Distribution Amount (as defined in the Conditions) and the Trust in relation to the relevant Series will be dissolved by the Trustee on the relevant Scheduled Dissolution Date specified in the applicable Final Terms for such Series.

Early Dissolution of the Trust ..... Subject to the applicable Final Terms in respect of each Series, the Trust may be dissolved prior to the Scheduled Dissolution Date upon:

(a) the occurrence of a Dissolution Event;

(b) the occurrence of a taxation event (as further specified in Condition 8.2 (*Early Dissolution for Taxation Reasons*);

(c) all of the Certificates of a relevant Series being redeemed following the exercise by EQUATE of an Optional Dissolution Right;

(d) upon all of the Certificateholders of a relevant Series exercising the Certificateholder Put Right or the Change of Control Put Right; or

(e) all of the Certificates of the relevant Series being cancelled following the purchase of such Certificates by or on behalf of EQUATE and or any of its subsidiaries.

In the case of the events described in paragraphs (a) to (d) above, the Certificates of a Series will be redeemed pursuant to the exercise of the Purchase Undertaking or the Sale Undertaking (as applicable) whereupon EQUATE will purchase from the Trustee the Lease Assets. The relevant exercise price payable under the relevant Sale Agreement upon due exercise of the Purchase Undertaking or Sale Undertaking (as applicable), together with the Deferred Sale Price, will be used to fund the redemption of the Certificates at an amount equal to the relevant Dissolution Amount.

Optional Dissolution Right, the Certificateholder Put Right and the Change of Control Put Right .... The applicable Final Terms issued in respect of each Series of Certificates will state whether such Certificates may be redeemed prior to the Scheduled Dissolution Date at the option of EQUATE (either in whole or in part) or at the option of the Certificateholders, and, if so, the terms applicable to such redemption.

For *Shari'a* reasons, the Optional Dissolution Right, the Certificateholder Put Right and the Change of Control Put Right cannot all be specified as applicable in the applicable Final Terms in respect of any single Series of Certificates.

Early Dissolution for Tax Reasons..	Where the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 10 (*Taxation*) or EQUATE has or will become obliged to pay any additional amounts in respect of amounts payable under the Transaction Documents as a result of a change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in the Conditions) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Series of the Certificates (as specified in the applicable Final Terms) and such obligation cannot be avoided by the Trustee or EQUATE, as applicable, taking reasonable measures available to it, the Trustee will, following receipt of an Exercise Notice (as defined in the Conditions) and payment of the Exercise Price (as defined in the Conditions) by EQUATE under the sale agreement upon due exercise of the Sale Undertaking redeem the Certificates, in whole but not in part, at an amount equal to the relevant Dissolution Distribution Amount on the relevant Early Tax Dissolution Date specified in the Exercise Notice. See further Condition 8.2 (*Early Dissolution for Taxation Reasons*);
Change of Control Put Option	If so specified in the applicable Final Terms, each holder will have the right to require the redemption of its Certificates if a Change of Control Event occurs. Please see Condition 8.5 (*Dissolution at the Option of Certificateholders (Change of Control Put Right*);
Dissolution Events	The Certificates will be subject to certain dissolution events as described in Condition 12 (*Dissolution Events*). Following the occurrence of a Dissolution Event, the Certificates of the relevant Series may be redeemed in full at an amount equal to the relevant Dissolution Distribution Amount.
Lease Asset Substitution	EQUATE may (at its discretion), on a periodic distribution date, substitute any Lease Asset in respect of a Series with another tangible asset. EQUATE shall only be allowed to effect such a substitution if the value of the new asset(s) is at least equal to the portion of the relevant Asset Purchase Price (as defined herein) attributable to the Lease Asset(s) to be so substituted. In the event that the substitution is of some but not all of the Lease Assets, the schedule contained in the relevant Supplemental Lease Agreement setting out the Lease Assets shall be updated to reflect such substitution and no further Supplemental Lease Agreement will need to be entered into. In the event that such substitution is of all of the Lease Assets, the existing Supplemental Lease Agreement shall terminate on the relevant periodic distribution date and a new Supplemental Lease Agreement will be entered into at that time.
Trustee Covenants........................	The Trustee has agreed to certain restrictive covenants as set out in Condition 6.1 (*Trustee Covenants*).
Withholding Tax...........................	All payments under the Transaction Documents in respect of the Certificates will be made free and clear of withholding taxes of a Relevant Jurisdiction (as defined in the Conditions).
Ratings...	Tranches of Certificates will be rated or unrated. Where a tranche of Certificates is to be rated, such rating (and the credit rating agency issuing such rating) will be specified in the applicable

Final Terms.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating.

Governing Law	The Transaction Documents (as defined below) excluding the Master Purchase Agreement and the Master Lease Agreement (each of which are governed by Kuwaiti law) are governed by English law.
Transaction Documents	The Master Trust Deed as supplemented by the relevant Supplemental Trust Deed, the Agency Agreement, the Master Purchase Agreement as supplemented by the applicable Supplemental Purchase Agreement, the Master Lease Agreement as supplemented by the applicable Supplemental Lease Agreement, the Sale Undertaking (together with each relevant sale agreement and additional purchase agreement executed upon exercise of the Sale Undertaking), the Purchase Undertaking (together with each relevant sale agreement executed upon exercise of the Purchase Undertaking), the Master Murabaha Agreement (together with all offers, acceptances and confirmations delivered pursuant to any of the foregoing in connection with the relevant Series), the Commodity Agency Agreement, the Service Agency Agreement, the Commodity Purchase Agreement, the Commodity Sale Agreement and the Settlement Deed (each a "**Transaction Document**" and, together, the "**Transaction Documents**").
Waiver of Immunity	To the extent that any of the Trustee, or either Obligor may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment proceedings, injunctions and all other legal proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, the Trustee and each Obligor has agreed in the Programme Agreement, the Master Trust Deed and the Agency Agreement not to claim and has irrevocably and unconditionally waived such immunity in relation to any legal proceedings or disputes. Further, each Obligor has irrevocably and unconditionally consented to the giving of any relief or the issue of any legal proceedings, including without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any legal proceedings or disputes. The Trustee and each Obligor agrees that in any Proceedings or Enforcement Proceedings in England this waiver shall have the fullest scope permitted by the English State Immunity Act 1978 and that this waiver is intended to be irrevocable for the purposes of the English State Immunity Act 1978.
Listing and Admission to Trading	Application has been made to list Certificates issued under the Programme (other than Non-PD Certificates) on the Official List and to admit them to trading on the Main Securities Market and references to listing shall be construed accordingly. *The Central Bank of Ireland has neither approved nor reviewed information contained in this Base Prospectus in connection with Non-PD Certificates.*

Selling Restrictions.......................	There are restrictions on the offer, sale and transfer of the Certificates in the Dubai International Financial Centre, Hong Kong, Japan, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Singapore, the State of Kuwait, the State of Qatar, the U.A.E. (excluding the Dubai International Financial Centre), the United Kingdom, the United States and the European Union. Additional restrictions may be required in connection with the offering and sale of a particular Tranche of Certificates. Please see "*Subscription and Sale and Transfer and Selling Restrictions – Selling Restrictions*".
Transfer Restrictions....................	There are restrictions on the transfer of Individual Certificates (as defined herein), Certificates represented by a Restricted Global Certificate or any Certificates issued in exchange or substitution therefor. See "*Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions*".
ERISA..	Plans and other entities subject to ERISA or Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or similar laws may not acquire Certificates (or any interest in a Certificate).

RISK FACTORS

The Trustee and each Obligor believes that the following factors may affect its ability to fulfil its obligations under the Certificates issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Trustee nor each Obligor is in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Certificates issued under the Programme are also described below. If any of the risks described below actually materialise, the Group's business, results of operations, financial condition or prospects could be materially and adversely affected. If that were to happen, the trading price of the Certificates could decline and investors could lose all or part of their investment.

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

Risks Relating to the Trustee's Ability to Fulfil its Obligations Under or in Connection with the Certificates

The Trustee has no operating history and no material assets

The Trustee is a Special Purpose Company with limited liability incorporated under the laws of the Dubai International Financial Centre on 13 October 2016 and has no operating history. The Trustee has not as at the date of this Base Prospectus, and will not, engage in any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets as described herein, acting in the capacity as Trustee and other activities incidental or related to the foregoing as required under the Transaction Documents. As the Trustee is a DIFC company, it may not be possible for Certificateholders to effect service of process on it outside the DIFC.

The Trustee's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets. Therefore, the Trustee is subject to all the risks to which EQUATE and TKOC are subject to the extent that such risks could limit EQUATE's or TKOC's ability to satisfy in full and on a timely basis their respective obligations under the Transaction Documents.

The ability of the Trustee to pay amounts due on the Certificates will be dependent upon receipt by the Trustee from EQUATE or TKOC, as applicable, of amounts to be paid under the Transaction Documents to which each of EQUATE and/or TKOC is a party (which in aggregate may not be sufficient to meet all claims under the Certificates and the Transaction Documents).

Risks Relating to the Group's Industry and Business

The cyclical nature of the petrochemical industry may reduce the Group's net sales revenue and gross margin.

The petrochemical industry behaves according to the cycles of expansion and contraction of the global economy, creating volatility in the prices of both inputs and finished products. Due to this cyclical nature, historically the international petrochemical markets have experienced alternating periods of limited supply, which have caused prices and margins to increase, followed by an expansion of production capacity, which has resulted in oversupply, lower prices and reduced margins. Prices of products are set by reference to the international market prices and international price trends of key commodities such as oil and natural gas. The petrochemical industry has been integrated into these commodities industries globally. Over the past two to three years, in line with the sharp decline in crude oil prices recorded over the period, the petrochemical industry has experienced a declining price environment. For example, the average prices of polyethylene and ethylene glycol sold by the EQUATE, decreased by 19.4 per cent. and 18.5 per cent., respectively, in the period between 31 December 2014 and 31 December 2015. As a result, there has been a general decrease in adjusted EBITDA margins across the Group's component entities in recent years. The Group cannot predict whether this downward trend will continue. Meanwhile, the

Group is currently engaged in various projects, including, in particular, the construction of an ethylene glycol plant in the U.S. Gulf coast, which are expected to result in a significant amount of additional production capacity coming on-stream by 2019. Other producers in the petrochemical industry, such as Formosa and Sasol, have announced projects to increase the capacity of their ethylene glycol production facilities which are expected to complete between 2018 and 2020. This additional capacity may have an impact on the supply-demand balance within the ethylene glycol market, and the Group cannot predict the effect that such additional capacity may have on demand for, and prices of, its products. See "—*Volatility in the price of oil and natural gas may adversely impact the Group's business, results of operations or financial condition*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Operating Results—Supply and Demand Cycle in the Petrochemical Industry*".

In addition, the Group's performance is particularly influenced by economic cycles affecting companies in the textiles, packaging (mainly soft beverages and appliances), automotive, personal care, oil and gas and agriculture sectors, among others, as its products are used as chemical intermediates in the manufacturing process of such companies.

The Group cannot predict with any measurable accuracy these pricing trends or economic cycles or the duration and dates of such trends and cycles. The Group's business, results of operations or financial condition could be adversely affected in the event of an oversupply and excess capacity in the international petrochemical market and a continuation of such trend.

The Group is subject to global economic and financial market conditions.

The Group faces risks attendant to changes in consumer demand for goods that incorporate its products, economic environments, changes in interest rates and instability in securities markets around the world, among other factors. The Group cannot predict the future effects of adverse conditions in the global economy and financial markets on the market demand for its products. In particular, a worsening economic climate can result in decreased industrial output and decreased consumer demand for products including textiles, automobiles, consumer goods, packaging, industrial goods, detergents, agricultural goods, all of which incorporate the Group's products. Adverse economic conditions can affect consumer and business spending generally, which would result in decreased demand for goods that incorporate the Group's products.

The Group's financial results are dependent upon the overall economic conditions in Asia, the European Union, North and South America, the Middle East and North Africa (the "**MENA region**"). An extended recession in any of these locations or globally—or public perceptions that result in declining economic conditions—could substantially decrease the demand for the Group's products and adversely affect its business.

An economic recession or a prolonged slowdown in growth in China in particular would affect the Group's business. For the six-month period ended 30 June 2016, 34 per cent. of the Group's revenues were from China. According to the International Monetary Fund, China's total debt was approximately 225 per cent. of gross domestic product for the first quarter of 2016, increasing the risk of a financial crisis or a prolonged slowdown in growth, which could adversely and materially affect the Group's sales volume to China. This could result in downward pricing pressure and a reduction in the margins for the Group's products.

Since the most recent global financial crisis from 2007 to 2009, the recent sovereign debt crisis in the Eurozone and the "Brexit" referendum held in the United Kingdom on 23 June 2016 in which a majority voted to leave the European Union, the global economy has continued to experience periods of slowdown, high volatility, diminished liquidity, disruptions in credit markets, reduced business activity, rising unemployment, decline in interest rates and erosion of consumer confidence. Rating agencies have established stricter requirements regarding the rating of debt instruments, which has adversely impacted the availability and cost of credit. Moreover, many of the Group's customers rely on access to credit to adequately fund their operations. The inability of the Group's customers to access credit facilities may adversely affect the Group's business by reducing its sales, increasing its exposure to accounts receivable bad debts and reducing its profitability.

Accordingly, adverse conditions in the global economy and financial markets could adversely affect the Group's business, results of operations or financial condition**.**

Volatility in the price of oil and natural gas may adversely impact the Group's business, results of operations or financial condition.

The Group's business is subject to volatility in the prices of crude oil and natural gas. International prices of oil and natural gas fluctuate due to various factors beyond the Group's control. These factors include but are not limited to:

- changes in the global supply and demand of crude oil and natural gas as well as the petrochemical and chemical products derived therefrom;
- an increase or decrease of oil or natural gas reserves;
- global petrochemical production capacity trends;
- alternative sources of energy;
- global economic trends;
- currency exchange fluctuations, inflation, local and foreign regulations and political developments in major oil and natural gas producing and consuming countries;
- actions by members of the Organisation of Petroleum Producers and Exporting Countries ("**OPEC**"), and other oil exporting countries; and
- the use of derivative financial instruments related to oil and natural gas.

Although increases in the price of oil will in general have a greater impact on the Group's competitors who use naphtha as feedstock, increases in the price of natural gas could result in increases to the cost of feedstock for the Group's Canadian operations. In addition, a decrease in oil prices may reduce the price of the Group's final petrochemical products. The price of crude oil has fluctuated significantly in the past five years. According to OPEC's website, the year-end figure for a barrel of crude oil as measured in accordance with OPEC's reference basket (which represents a weighted average of oil prices collected from various oil producing countries) rose from U.S.$107.46 in 2011 to U.S.$109.45 in 2012, before declining to U.S.$105.87 in 2013, U.S.$96.29 in 2014 and U.S.$49.49 in 2015 and reaching a low of U.S.$26.01 in January 2016. The price of the OPEC reference basket as of 30 June 2016 was U.S.$46.27 per barrel. The rapid decline in crude oil price has negatively impacted the average price of the Group's products, resulting in a 19.4 per cent. decrease in the average price of polyethylene and a 18.5 per cent. decrease in the average price of ethylene glycol for EQUATE in the period between 31 December 2014 and 31 December 2015. In the event that the price of crude oil continues to decline, this would adversely affect the price of the Group's products and its profit margins. Any or both of those events combined with a decrease in demand for the Group's petrochemical products could adversely affect its business, results of operations or financial condition.

Because the Group is dependent on a small number of suppliers for its raw materials, any disruption in its supply of raw materials may have negative consequences to its supply and production chain.

The Group's ability to achieve its strategic objectives and its overall performance and prospects depend and will continue to depend, in large part, upon the successful, timely and cost-effective acquisition of raw materials such as ethane rich gas and ethane-based ethylene. The Group's Ethylene Glycol business line and its Polyethylene business line are principally dependent on Dow Europe Holding B.V. ("**Dow**") and PIC for feedstock. Each of Dow and PIC is a major shareholder in the Group and holds a 42.5 per cent. shareholding in each of EQUATE and TKOC respectively as at the date of this Base Prospectus, see "*—Each of PIC and Dow exerts a significant degree of control over EQUATE and TKOC. Their interests may conflict with the interests of EQUATE or TKOC or the interests of the Certificateholders*".

The availability of these raw materials may be negatively affected by interruptions in production by these suppliers; industrial actions, accidents or other similar events at suppliers' premises or along the supply chain; wars and natural disasters; and the availability of transportation. For instance, supplies of ethane rich gas to our Kuwaiti production facilities by PIC were reduced in April 2016 as a result of industrial actions by PIC's employees at the Mina-Al-Ahmadi refinery. These factors could adversely affect the Group's business, results of operations or financial condition.

Conditions affecting transportation of materials may adversely affect the performance of the Group's logistics operations.

The Group's logistic operations rely on transportation of materials, including imports and exports of raw materials and finished products, in Kuwait by sea, and in Canada by railcars, by trucks using overland routes and by pipelines from Prentiss to Blackfalds. Although the Group seeks cost efficiencies by handling large volumes of raw materials, there can be no assurance that these transportation costs will not significantly increase in the future, which may reduce the Group's competitive advantage compared to regional producers.

Any issue affecting cargo transportation by sea, such as special taxes, dangerous conditions or natural disasters, among others, could adversely affect the Group's results of operations or financial condition. The Group's production facilities in Kuwait are reliant on cargo transportation from the Arabian Gulf through the Straits of Hormuz. Geopolitical issues, acts of war, trade blockades and piracy affecting this cargo route could adversely affect the Group's business, results of operation and financial condition.

The Group's logistic operations in Canada rely in part on transportation by railcars to ports in Vancouver. There are limited supplier options with respect to railcar operations in Canada with only two operators, Canadian Pacific Railway Limited and Canadian National Railway Company, available. Any interruption in the operations of these two railcar operators could adversely impact the Group's supply chain operations and delay delivery of its productions to its customers, which could adversely affect its business, results of operations or financial condition.

The Group faces significant competition in its industry, whether through efforts of new or current competitors or through consolidation of existing customers, which may adversely affect its competitive position, sales and overall operations.

The markets for most of the Group's products are highly competitive. The Group is exposed to the competitive characteristics of several different geographic markets and industries. The Group's principal competitors vary from product to product and range from large global petrochemical companies to numerous smaller regional companies. Some of the Group's competitors are larger and more vertically integrated than the Group' is (in terms of their upstream and/or downstream processes) and therefore may be able to manufacture products more economically than the Group can. In addition, some of the Group's competitors have greater financial, technical, research and technology and marketing resources than it does. As the markets for its products expand, the Group expects that existing competitors may commit more resources to the markets in which it operates, further enhancing competition. Moreover, new products and technologies may develop in the future which compete with the products manufactured and technologies utilised by the Group. All of the above could hinder the Group's ability to compete effectively in the markets in which it operates in the future and its business, results of operations or financial condition may suffer as a result.

Moreover, an increase in competition from domestic Chinese producers due to increases in local capacity from the construction or expansion of domestic chemical production facilities could lead to short-term downward pricing pressure or a reduction in demand for the Group's products in China, an important market for the Group, and could adversely affect its business, results of operations or financial condition.

The Group's business is exposed to the risk of product substitution.

There is no assurance that other types of plastic or material, based on physical properties or for economic, environmental or other reasons, would not substitute ethylene glycol, polyethylene or polyethylene terephthalate in the future. If there is significant substitution of any of its products, the Group's sales would decrease and its business, results of operation or financial condition could be adversely affected.

Concerns relating to the environmental impact of plastic packaging could lead to reduced demand or legislative action.

A large proportion of the Group's products are used as raw materials in the production of plastic packaging including in beverage packaging. Negative public perceptions relating to the use of plastic packaging material, due to environmental concerns with respect to the production and disposal of plastic packaging, could reduce demand for the Group's products, leading to a reduction in revenues. In addition, some jurisdictions may introduce legislation (or in some cases, more stringent legislation) to ban, restrict or disincentivise the use of certain types of plastic packaging or products, such as plastic bags and microbeads. A number of countries, including Italy, have introduced regulation to ban the use of polyethylene-based lightweight non-biodegradable plastic bags, while others, including the United Kingdom, have imposed taxes on their use. Further legislative action could lead to a reduction in demand for the Group's products and could adversely affect its business, results of operations or financial condition.

The customer base of the Group's Ethylene Glycol business line is concentrated.

For the six-month period ended 30 June 2016, sales to the Group's top twenty customers accounted for approximately two-thirds of its total ethylene glycol sales, and sales to the Group's top ten customers accounted for over 50 per cent. of its total ethylene glycol sales. Accordingly, the loss of all or a substantial portion of the sales volume to a significant customer or end user could adversely affect the Group's business, results of operations or financial condition.

The Group's Ethylene Glycol business line sells most of its products under annual contract including with a number of important customers in China. For the six-month period ended 30 June 2016, 40.7 per cent. of the Group's ethylene glycol sales were to customers located in China. See further "*Business Description—Ethylene Glycol—Sales, Marketing and Customers*". No assurance can be provided that all these contracts will remain in place or be renewed on similar terms (or on terms more favourable to the Group). In the event that customers decide to cancel or not renew a contract, or if any significant customer has financial difficulties or is able to integrate its operations to produce its own ethylene glycol, this could adversely affect the Group's business, results of operations or financial condition.

The Group's operations are subject to various environmental and other laws and regulations.

The Group is subject to various environmental protection and health and safety laws and regulations governing, among other things, the generation, storage, handling, use, remediation, disposal and transportation of hazardous materials, the emission and discharge of hazardous materials into the ground, air or water, and the health and safety of its employees. Changes in such laws and regulations, the enactment of new laws and regulations that are stricter than those currently in force, or a stricter interpretation of existing laws and regulations, may impose new obligations on the Group or result in the need for additional investments related to environmental controls, which could adversely affect the Group's business, results of operations or financial condition.

The Group is also required to obtain permits from governmental authorities for certain operations. Chemical producers are sometimes subject to unfavourable market perceptions as a result of the environmental impact of their business, which could adversely affect their results of operations. Thus, environmental laws are not only complex, but they change frequently and tend to become more stringent over time.

While it has budgeted for future capital and operating expenditures to maintain compliance with environmental laws, the Group cannot assure you that environmental laws will not change or become more stringent in the future, forcing it to make additional expenditures, or that it has been or will be at all times in complete compliance with environmental protection and health and safety law, regulations and permits. If it violates or fails to comply with these laws, regulations or permits, the Group could be fined or otherwise sanctioned by regulators. The Group could also be held liable for any and all consequences arising out of human exposure to hazardous substances or other environmental damage. Therefore, the Group cannot assure you that its costs of complying with current and future environmental and health and safety laws, or arising from stricter or different interpretations of such laws, and its liabilities arising from past or future releases of, or exposures to, hazardous substances will not adversely affect its business, results of operations or financial condition. See "*Business—Environment, Health and Safety*".

Set forth below is a description of the principal risks the Group faces in relation to environmental protection and health and safety laws and regulations.

Existing and proposed regulations to address climate change by limiting greenhouse gas emissions may cause the Group to incur significant additional operating and capital expenses.

The Group's operations result in emissions of greenhouse gases ("**GHG**"), such as carbon dioxide and methane. Growing concern about the sources and impacts of global climate change has led to a number of national and supranational legislative and administrative measures, both proposed and enacted, to monitor, regulate and limit carbon dioxide and other GHG emissions. In Germany, the Group's emissions are regulated under the European Union Emissions Trading Scheme ("**EU ETS**"), an EU-wide trading system for industrial GHG emissions. The EU ETS is expected to continue to become progressively more stringent over time, including by reducing the number of allowances to emit GHG that EU member states will allocate without charge to industrial facilities. Such measures could result in increased costs for the Group to: (i) operate and maintain its facilities; (ii) install new emission controls; (iii) purchase or otherwise obtain allowances to emit GHGs; and (iv) administer and manage its GHG emissions programme.

At the international level, many nations have agreed to limit emissions of GHGs pursuant to the United Nations Framework Convention on Climate Change, also known as the "Kyoto Protocol". Methane, a primary component of natural gas, and carbon dioxide, a by-product of the burning of oil, natural gas, and refined petroleum products, are GHGs addressed by the Kyoto Protocol. Each of Kuwait, Germany and Canada has ratified the Kyoto Protocol. Furthermore, in December 2009, 27 nations, including Germany (as a member of the EU) and Canada, signed the Copenhagen Accord, which includes a non-binding commitment to reduce GHG emissions. As a result of commitments made at the UN climate conference in Durban, South Africa in December 2011, the international community negotiated a binding treaty that would require reductions in GHG emissions by developed countries beginning in 2020 (the "**Paris Agreement**"). The Paris Agreement is scheduled to enter into force on 4 November 2016. Additional measures addressing GHG emissions may also be implemented, including, for example, the EU's proposal to consider raising its commitment to reduce carbon emissions by 2020 from a 20 per cent. to a 30 per cent. reduction which, if implemented, could increase the cost of compliance at the Group's production facility in Germany.

The Group's business could be adversely affected by chemical safety regulation of its products and raw materials.

The Group uses and manufactures hazardous chemicals that are subject to regulation by the EU and by many national, provincial and local governmental authorities in the countries in which the Group operates. In order to obtain regulatory approval of certain new products and production processes, the Group must, among other things, demonstrate to the relevant authorities that the product is safe for its intended uses and that the Group is capable of manufacturing the product in accordance with applicable regulations. The process of seeking such regulatory approvals can be time-consuming and subject to unanticipated and significant delays. Regulatory approvals may not be granted to the Group on a timely basis, or at all. Any delay in obtaining, or any failure to obtain or maintain, these regulatory approvals would adversely affect the Group's ability to introduce new products, to continue distributing existing products and to generate revenue from those products, which could have a material adverse effect on its business, results of operations or financial condition. In addition, new laws and regulations may be introduced in the future that could result in additional compliance costs, confiscation, recall or monetary fines, any of which could prevent or inhibit the development, distribution and sale of the Group's products.

Furthermore, some of the Group's products (including its raw materials) are subject to extensive environmental and industrial hygiene regulations governing the registration and safety analysis of their component substances. For example, in connection with the EU's Registration, Evaluation and Authorisation of Chemicals Regulation ("**REACH**") or the new EU Classification, Labelling and Packaging Regulation ("**CLP**"), any key raw material, chemical or substance, including the Group's products, could be classified as having a toxicological or health-related impact on the environment, users of the Group's products, or its employees.

In Ontario, Canada, the Toxics Reduction Act, 2009 requires reduction in the use of toxic substances. Among other things, this statute requires tracking, public toxic substance reduction plans and reporting. Similar regulations are being considered in other jurisdictions, including the United States, which could result in additional requirements, including testing and record-keeping obligations, on the Group's operations.

The regulation or reclassification of any of the Group's raw materials or products could adversely affect the availability or marketability of such products, result in a ban on its import, purchase or sale, or require the Group to incur increased costs to comply with notification, labelling or handling requirements, each of which could adversely affect the Group's business, results of operations or financial condition.

Introduction of new environmental laws and regulations in Kuwait.

New environmental laws and regulations have recently been promulgated in Kuwait which could require future investment or changes to the Group's operations to ensure compliance. These new environmental laws and regulations are framework legislation and do not aim to address every aspect relating to environmental protection. Instead, it delegates to the Environmental Public Authority the authority to pass executive by-laws and subsequent standards to implement the objectives of the Environmental Protection Law ("**EPL**"). As the Environmental Public Authority has issued a limited number of executive by-laws under the EPL, the specific content of any future executive by-laws and standards and any enforcement thereof are uncertain as of the date of this Base Prospectus. In addition, the Group cannot predict how the courts in Kuwait (the "**Kuwaiti Courts**") will interpret these new environmental laws and regulations.

While it has budgeted for capital and operating expenditure to maintain compliance with these new environmental laws, the Group has not budgeted for changes which are not anticipated. The Group cannot assure that these new environmental laws and regulations will not change or become more stringent in the future, requiring it to incur additional expenditures, or that it has been or will be at all times in complete compliance with environmental protection and health and safety law, regulations and permits, which could result in penalties being imposed on it. The consequences of each of these situations could adversely affect the Group's business, results of operations or financial condition.

The Group is required to obtain, maintain and renew governmental permits and approvals to operate its businesses. Any failure to obtain, maintain and review such permits and approvals may negatively impact the way in which the Group conducts its business.

The Group requires permits and approvals to operate its businesses and/or construct and operate its facilities. In the future, the Group may be required to renew such permits and approvals or to obtain new permits and approvals. While the Group believes that it will be able to obtain such permits and approvals and it has not experienced any difficulty in renewing and maintaining these permits and approvals in the past, as and when required, there can be no assurance that the relevant authorities will issue any such permits or approvals in the time frame anticipated by the Group, or at all. Any failure to renew, maintain or obtain the required permits and approvals and technology licenses, or the revocation or termination of existing permits and approvals, may interrupt the Group's operations or delay or prevent the implementation of any capacity expansion programmes, and could adversely affect the Group's business, results of operations or financial condition.

The Group's production facilities process some volatile and hazardous materials that subject it to operating risks.

The Group is dependent on the continued safe operation of its production facilities. The Group's operations are subject to the usual hazards associated with the manufacture of petrochemicals and the handling, storage and transportation of petrochemical materials, including:

- pipeline leaks and ruptures;
- explosions;
- fires;
- mechanical failure;
- transportation interruptions and truck accidents;
- chemical spills;
- discharges or releases of toxic or hazardous substances or gases;
- storage tank leaks; and
- other environmental risks.

These hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage. A major accident at one of the Group's facilities could force it to suspend its operations temporarily, cause production delays and result in significant remediation costs and lost profits as well as liability for workplace injuries and fatalities. For instance, in 2012, EQUATE's ethylene glycol plant in Kuwait had to suspend operations for three months as a result of a fire-related accident. Moreover, as all of its manufacturing plants in Kuwait are located in a single site, any major accident at one of the Group's manufacturing plants in the Shuaiba Industrial Area could also affect its other manufacturing plants therein. The Group cannot assure you that its insurance will be sufficient to cover fully all potential hazards incident to its business. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially and, in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. If it were to incur a significant liability for which it was not fully insured, this could result in significant additional capital expenditure for the Group and could have a material adverse effect on its business, results of operations or financial condition.

The Group may face unforeseen challenges in the implementation of its proposed U.S. Gulf Coast project (the "Project") which could result in the project failing to provide expected benefits to it.

The Group is in the process of constructing a world-scale 750KTA ethylene glycol plant on the U.S. Gulf Coast which is expected to be operational in 2019. See further "*Business—Ethylene Glycol business line—Facilities—U.S. Gulf Coast Project*". This will require the Group to undertake significant capital expenditure as it is estimated that the Project will cost approximately U.S.$2 billion. The Group's ability to achieve its strategic objectives relating to this Project will depend on, in large part, the successful, timely and cost-effective implementation of the Project. Factors that could affect its implementation include the following:

- the outcome of negotiations with customers or others (including, for example, the Group's ability to negotiate favourable long-term contracts with certain suppliers and customers);
- difficulties in obtaining necessary licenses and/or complying with applicable regulations;
- the occurrence of unforeseen technical difficulties (including technical problems that may delay the start-up of, or interrupt production from, the Project or lead to unexpected downtime of the plans);
- delays in the delivery of third-party equipment or services by the Group's vendors;
- the failure of the equipment supplied by these vendors to comply with the expected capabilities of the equipment; and
- delays resulting from the failure of third-party suppliers or contractors to meet their obligations in a timely and cost-effective manner.

Although it believes that the cost estimates and the implementation schedules of the Project are reasonable, the Group cannot assure you that the actual costs or time required to complete the implementation of the Project will not substantially exceed the Group's current estimates. Any significant overrun or delay could hinder or prevent the implementation of the Group's business plan, as originally conceived, and result in revenues and net income being less than expected. In addition, the Group currently expects to fund the Project using the Group's operational cash flows and existing cash balances. However, there is a risk that these sources may not be sufficient to fund the full cost of the Project which would require the Group to seek additional capital. See further"*—The Group may experience difficulties in raising additional capital on favourable terms or at all in the future*". A failure to successfully implement the Project could adversely affect the Group's prospects, business, results of operations or financial condition.

The Group may face challenges in integrating the acquisition of the MEGlobal Group by the EQUATE Group.

The EQUATE Group acquired the MEGlobal Group in December 2015. For this acquisition to be successful, the Group may need to integrate the operations of MEGlobal Group's businesses into EQUATE's operations, including centralising certain functions to achieve cost savings and pursuing programmes and processes that leverage the Group's sales and growth opportunities. The integration of the management, operations and facilities of the MEGlobal Group's businesses with EQUATE's could involve difficulties, which could adversely affect the Group's growth rate and operating results. The MEGlobal Group may be unable to achieve effectively EQUATE's operating, growth, and performance goals for the MEGlobal Group's businesses; to achieve additional sales as a result of the Group's expanded operations; or to achieve operating efficiencies or otherwise realise cost savings as a result of anticipated acquisition synergies. The Group may also be unable to migrate effectively information from Dow's IT platform to the EQUATE Group's IT platform. In addition, management's attention may be diverted from the Group's other businesses. The Group's inability to overcome these risks could adversely affect its business, results of operations or financial condition.

The Group has a significant amount of indebtedness which could limit its financial flexibility and its ability to access additional financing.

As of 30 June 2016, the Group's total indebtedness was U.S.$4,948 million and its shareholders' equity was U.S.$1,411 million.

On 3 November 2016, EQUATE Petrochemical B.V. issued U.S.$2,250 million in aggregate principal amount of notes which are guaranteed by EQUATE and TKOC under a U.S.$4,000,000,000 global medium term note programme (the "**GMTN Programme**").

As a result of the notes issuance and the repayment of the Group's Bridge Loan Facilities using (i) the proceeds of the notes issuance and (ii) U.S.$500 million drawn under a combination of the Murabaha Facility, Conventional Onshore Facility and Conventional Offshore Facility, as at the date of the Base Prospectus, the Group's current loans and borrowings are nil and non-current loans and borrowings amount to U.S.$4,750 million. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness and Financing Strategy of the Group*".

The Group's level of debt may have important consequences. Among other things, it may:

- make it more difficult for the Group to generate sufficient cash flow to satisfy its obligations to make payment on the Certificates, particularly if an event of default arises under the Group's existing debt instruments;
- limit the Group's ability to use its cash flow, or obtain additional financing, for future working capital, capital expenditures, acquisitions or other general corporate purposes;
- require a substantial portion of the Group's cash flow from operations to make debt service payments;
- limit the Group's flexibility to plan for, or react to, changes in its business and industry conditions;
- limit the Group's ability to undertake additional acquisitions;
- place the Group at a competitive disadvantage compared to its competitors with lower levels of indebtedness; and
- increase the Group's vulnerability to the impact of adverse economic and industry conditions and, to the extent of its outstanding debt under its floating rate debt facilities, the impact of increases in interest rates.

The Group cannot assure you that it will continue to generate sufficient cash flow in amounts that enable it to service its debt, meet its working capital and capital expenditure requirements or undertake its expansion plans. To the extent that it is unable to generate sufficient cash flows from operations, or if it is unable to borrow additional funds, it may be required to sell assets, reduce capital expenditures, refinance all or a portion of its existing debt, or obtain additional financing through equity or debt financings. The Group cannot assure you that it will be able to refinance its debt, sell assets or obtain additional financing on terms acceptable to it, if at all. Additionally, the Group's existing loan agreements contain financial and other covenants, including relating to the maintenance of leverage ratios. Such covenants may be restrictive and limit the Group's possibility to engage in future transactions, thereby limiting its growth capability. A breach of any of these covenants could give rise to a default, which could entitle the Group's lenders to accelerate the loans provided under these agreements and/or refuse to provide it with any additional funds under the facilities. There can be no assurance that the Group will be able to comply with its financial covenants in the future or that lenders will grant waivers to these covenants or that lenders would not seek to enforce any remedies following any breach of covenants.

Any of the foregoing events could adversely affect its business, results of operations or financial condition.

The Group may experience difficulties in raising additional capital on favourable terms or at all in the future.

In the event that its existing cash balances and cash generated from its operations, together with financings, are insufficient to make investments, acquisitions, expand its activities, achieve its growth objectives or provide the working capital it needs in the future, the Group may find it necessary to obtain additional financing from other sources. The Group's ability to obtain such additional financing on favourable terms or at all will depend in part on the prevailing situation in the international capital and banking markets, the situation of the global petrochemical industry and the Group's results of operations. Moreover, any downgrade in EQUATE's credit ratings could adversely affect the Group's cost of borrowing and the Group's access to the international capital and banking markets. In the event that it is unable to obtain additional financing on acceptable terms or at all, the Group's ability to make investments, acquire companies, expand its activities, achieve its growth objectives or obtain working capital could be adversely affected which would, in turn, adversely impact its business, results of operations or financial condition.

The Group may be subject to natural disasters, terrorist activities and/or disruptive geopolitical events and their consequences.

Natural disasters, such as earthquakes, hurricanes, storms, floods or tornadoes, have not previously disrupted the Group's business, but they have disrupted the businesses of its suppliers and customers in the past and such events could disrupt the Group's or their respective businesses in the future. In particular, the U.S. Gulf Coast, where the Group's new ethylene glycol plant will be constructed, has experienced a number of hurricanes in the past. If severe weather-related events and other natural disasters occur in the future, the Group may suffer business interruption or shutdown or damage to its production facilities and other infrastructure, which could adversely and materially affect its business, results of operations or financial condition.

Terrorist attacks or the continued threat of terrorism in the jurisdictions in which the Group operates, and the potential for military action and heightened security measures in response to such threats may cause significant disruptions to commerce throughout the world, including restrictions on cross-border transport and trade, which may adversely affect the Group. In addition, related political events may cause a lengthy period of uncertainty that may adversely affect the Group's business. Political and economic instability in other regions of the world could adversely affect the Group's business, results of operations or financial condition.

The Group may be subject to interruptions or failures in its information technology systems.

The Group relies on sophisticated information technology systems and infrastructure to support its business, including process control technology. Any of these systems may be susceptible to outages due to fire, floods, power loss, telecommunications failures and similar events. Information technology system failures, network disruptions and breaches of data security could disrupt the Group's operations by causing delays or cancellation of customer orders, impeding the manufacture or shipment of products, processing transactions and reporting financial results, resulting in the unintentional disclosure of customer or the Group's information, or damage to its reputation. Such failures would adversely affect its business, results of operations or financial condition, and the Group cannot assure you that its business continuity plans will be completely effective during an information technology failure or interruption.

The Group is dependent on maintaining good relations with its employees. Any deterioration in employee relations could impact the Group's ability to supply its products.

As of 31 December 2015, the Group employed approximately 1,500 people (measured as full-time equivalents) in its operations around the world. Approximately 500 of the Group's employees in Kuwait are members of a trade union. The Group's management and human resources department regularly negotiate collective bargaining agreements with the relevant trade union. Any significant increase in labour costs, deterioration of employee relations, slowdowns or work stoppages at any of the Group's locations, whether due to union activities, employee turnover or otherwise, could have a material adverse effect on the Group's business, results of operations or financial condition. A strike, work slowdown or other labour unrest could, in some cases, impair the Group's ability to supply its products to customers, which could result in reduced revenues.

The Group depends on its ability to attract and retain key personnel to implement its business strategy and develop existing or new businesses.

The Group's success is dependent upon its ability to attract and retain key personnel. In particular, the Group's senior managers have considerable experience and knowledge of the industry, and the loss of any of them, or the inability to attract and retain enough additional qualified staff, could adversely affect the ability to implement the Group's business strategy or develop existing or new businesses.

In addition, the Group's future success also depends on its continued ability to identify, hire, train and retain qualified personnel in sales, marketing, operations and administration positions, among others. Competition for such qualified personnel is intense and the Group's business, results of operations or financial condition could be adversely affected if it fails to attract and retain the necessary personnel.

The Group is exposed to risks related to conducting operations in several different countries.

The Group currently has manufacturing facilities located in Kuwait, Canada and Germany. Notwithstanding the benefits of geographic diversification, the Group's business is subject to risks related to the differing legal, political, social and regulatory requirements and economic conditions of many jurisdictions.

Risks inherent in international operations include the following:

- general economic, social or political conditions in the countries in which the Group operates could adversely affect its earnings from operations in those countries;
- compliance with a variety of laws and regulations in various jurisdictions may be burdensome;
- unexpected or adverse changes in laws or regulatory requirements in various jurisdictions may occur;
- the imposition of withholding taxes or other taxes or royalties on the Group's income, or the adoption of other restrictions on foreign trade or investment, including currency exchange controls;
- adverse changes in export duties, quotas and tariffs and difficulties in obtaining export licenses;
- intellectual property rights may be more difficult to enforce;
- transportation and other shipping costs may increase;
- staffing difficulties, national or regional labour strikes or other labour disputes;
- the imposition of any price controls; and
- difficulties in enforcing agreements and collecting receivables.

Each of PIC and Dow exerts a significant degree of control over EQUATE and TKOC. Their interests may conflict with the interests of the EQUATE or TKOC or the interests of the Certificateholders.

Each of Dow and PIC indirectly owns 42.5 per cent. of the share capital in each of EQUATE and TKOC as at the date of the Base Prospectus and there is no assurance that it would not decrease its shareholding in the future.

Dow and PIC are able to exercise control over, among other things:

- election of the board of directors of each of EQUATE and TKOC;

- each of EQUATE's and TKOC's business policies and strategies;
- budget approval, including personnel costs;
- the issuance of securities;
- mergers, acquisitions and disposals of each of EQUATE's and TKOC's assets or businesses; and
- amendments to each of EQUATE's and TKOC's constitutional documents.

See further "*Description of EQUATE*" and "*Description of TKOC*" for a description of the respective rights of Dow and PIC as major shareholders of each of EQUATE and TKOC. There can be no assurance that the resolution of any matter that may involve the interests of Dow or PIC will be resolved in what Certificateholders would consider to be their best interests.

In certain circumstances, the interests of Dow and PIC may conflict with the interests of EQUATE, TKOC or the Group generally. Dow and PIC together effectively have the power to influence the outcome of any vote of shareholders, including for example amending the articles of association, due to the percentage of shares they own in each of EQUATE and TKOC.

Furthermore, PIC and Dow may have different views on important matters such as those that concern EQUATE's and TKOC's objectives, strategy, operations, investments or financing and such persons may not act in EQUATE and/or TKOC's best interest. Consequently, any significant disagreement between PIC and Dow, any failure to approve matters as a result of such disagreement, or any negative development in their mutual relationship could adversely affect the Group's business, results of operations or financial condition.

Risks Relating to Kuwait and the Gulf Cooperation Council ("GCC") and MENA region.

The Group operates in a number of jurisdictions including Kuwait. As at 30 June 2016, 56 per cent. of the Group's total installed production capacity was located in production facilities in Kuwait and for the six-month period ended 30 June 2016, 9 per cent. of the Group's revenues were generated from the MENA region. The specific risks which the Group is exposed to as a result of its connection with Kuwait and the GCC and MENA region are set out below.

Investing in securities involving emerging markets generally involves a higher degree of risk.

Investors in emerging markets, such as Kuwait, should be aware that these markets are subject to greater risks than more developed markets, including, but not limited to, higher volatility, limited liquidity and changes in the political and economic environment. In addition, there can be no assurance that the market for securities bearing emerging market risk, such as the Certificates, will not be affected negatively by events elsewhere, especially in the emerging markets.

The economies of most of the countries in the GCC region are mainly driven by revenues from oil exports and therefore exposed to volatility in oil prices. The national economies of most of the countries in the GCC region have expanded significantly in recent years, in large part as a result of historically high oil prices. A sustained deterioration in the economies of these countries or political upheaval in the region could have a material adverse effect on the Group's business, results of operations or financial condition.

In addition, although economic conditions are different in each country in the GCC and MENA region, investors' reactions to developments in one country may affect the price of securities of issuers in other countries in the GCC and MENA region, including Kuwait. Accordingly, the market price of the Certificates may be subject to significant fluctuations, which may not necessarily be related to the financial performance of EQUATE and TKOC.

Specific risks in Kuwait and the GCC and MENA region that could have a material adverse effect on the Group's business and operations in Kuwait and the GCC and MENA region include, without limitation, the following:

- political, economic or social instability;
- external acts of warfare, civil clashes or other hostilities or conflict;

- domestic unrest or violence;
- increases in inflation and the cost of living;
- changing tax regimes and tax laws, including the imposition of taxes in tax-free jurisdictions or the increase of taxes in low-tax jurisdictions;
- government interventions and protectionism;
- potential adverse changes in laws and regulatory practices, including legal structures and tax laws;
- difficulties in staffing and managing operations;
- legal systems which could make it difficult for the Group to enforce its intellectual property and contractual rights;
- restrictions on the right to convert or repatriate currency or export assets;
- greater risk of uncollectible accounts and longer collection cycles; and
- logistical and communications challenges.

Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must determine for themselves whether, in light of those risks, an investment in the Certificates is appropriate.

Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

Legal and regulatory systems may create an uncertain environment for investment and business activities.

Kuwait is in the process of developing governing institutions and legal and regulatory systems, which are not yet as firmly established as they are in Western Europe and the United States. Kuwait, along with other countries in the GCC region, has enacted measures to promote greater efficiency and certainty within their legal and regulatory systems. Among those measures, Kuwait and countries within the GCC region have assumed obligations under the General Agreement on Tariffs and Trade (the "**GATT**") (as administered by the World Trade Organisation (the "**WTO**")) and Kuwait has already enacted legislation, *inter alia*, to extend foreign ownership. However, Kuwait may experience changes in its economy and government policies (including, without limitation, policies relating to the continued extension of the rights of foreign ownership pursuant to Kuwait's GATT/WTO obligations) that may affect the Group's business in Kuwait.

The legal system in Kuwait may not provide the same degree of protection or require the levels of disclosure of information that would be the case in Western Europe or the United States. No assurance can be given that the government will not implement regulation or fiscal or monetary policies, including policies, regulations, or new legal interpretations of existing regulations, relating to or affecting expropriation, nationalisation, taxation, interest rates or exchange controls, or otherwise take actions which could have a material adverse effect on EQUATE's and TKOC's business, results of operations or financial condition.

The Group's operations in Kuwait are located in a region that is subject to ongoing political and security concerns.

A number of countries located in the MENA region are either experiencing, or have in the recent past experienced, political and social instability, domestic turmoil and violence and armed conflict. For example, there has been significant political change in Iraq, Tunisia and Egypt, armed conflict in Libya and Syria and protests and related activities in a number of other countries in the MENA region. The situation has caused significant disruption to the economies of affected countries and has had a destabilising effect on oil and gas prices. These recent and ongoing developments, along with terrorist acts, acts of maritime piracy and other forms of instability in the MENA region, such as tensions between the United States, Israel and Iran, that may or may not directly involve Kuwait, could adversely affect

Kuwait's economy and its ability to engage in international trade which, in turn, could adversely affect the Group's business, results of operations or financial condition.

Risk Factors Relating to Taxation in Kuwait

The application and enforcement of the Kuwaiti income tax regime is uncertain, and holders of the Certificates which are "non-GCC corporate entities" may become subject to the Kuwaiti income tax regime in certain limited circumstances.

Article 150 (bis) of Law No. 7 of 2010 Concerning the Establishment of the Capital Markets Authority and the Regulating of Securities Activities (which was introduced pursuant to Law No. 22 of 2015) ("**Article 150 (bis)**") provides that, without prejudice to the exemptions prescribed on capital gains tax arising from the disposal of securities issued by companies listed on the Kuwait Stock Exchange, the returns from bonds, finance sukuk and other similar securities, regardless of the nature of the issuer, are exempt from Kuwaiti tax.

While the Kuwait Ministry of Finance has issued Administrative Order No. 2028 of 2015 which essentially endorses the provisions of Article 150 (bis), it has not provided any further guidance regarding the interpretation of both Article 150 (bis) and Administrative Order No. 2028/2015. Similarly, the Kuwaiti courts (who will be the final arbiters on the matter) have not been required to interpret such provisions to date.

Furthermore, the Kuwait Ministry of Finance's Department of Income Tax has to date not always adopted consistent rulings on Kuwaiti tax matters more generally. Accordingly, to the extent that the exemption afforded by Article 150 (bis) is held not to apply to the Certificates, or to a particular Certificateholder, such Certificateholder(s), which are non-GCC corporate entities, and/or the Certificateholder(s) may become subject to income tax in Kuwait (see "*Taxation — Kuwait*" for further details).

In addition, neither Article 150 (bis) nor Ministry of Finance Administrative Order No. 2028 of 2015 endorsing the provisions thereof, address the issue of whether or not there remains an obligation, as described under "*Taxation –Kuwait –Retention*", to make a deduction of five per cent. of the amount of any payments made by the Guarantor to the Certificateholder(s). In the event of any such deduction, the Master Trust Deed provides that the Guarantor will pay such additional amounts in order that the net amounts received by the Certificateholder(s) shall equal the amount which would have been receivable in the absence of such deduction.

Prospective purchasers of the Certificates are advised to consult their tax advisers as to the consequences under Kuwaiti and other applicable tax laws of acquiring, holding and disposing of the Certificates and receiving payments under the Certificates.

Risks Related to the Certificates

The Certificates are limited recourse obligations

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent an undivided ownership interest solely in the Trust Assets. Recourse to the Trustee in respect of each Series is limited to the Trust Assets of that Series and proceeds of such Trust Assets are the sole source of payments on the relevant Certificates. Upon the occurrence of a Dissolution Event, or any early redemption of the Certificates at the option of the Certificateholders pursuant to Conditions 8.4 (*Dissolution at the Option of Certificateholders (Certificateholder Put Right)*) and 8.5 (*Dissolution at the Option of Certificateholders (Change of Control Put Right)*), the sole rights of each of the Delegate and, through the Trustee and/or the Delegate, the Certificateholders of the relevant Series will be against EQUATE (failing which the Guarantor in accordance with the Guarantee) to perform their respective obligations under the Transaction Documents to which they are a party. Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets), EQUATE or the Guarantor (to the extent that each of the Obligors fulfils all of its respective obligations under the Transaction Documents) in respect of any shortfall in the expected amounts due under the relevant Trust Assets, other than what is agreed under the Transaction Documents. EQUATE (failing which the Guarantor in accordance with the Guarantee) is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee and/or the Delegate. The Delegate will (in the name of the Trustee) have recourse against EQUATE (failing which the Guarantor in accordance with the Guarantee) to recover such payments due to the Trustee pursuant to the Transaction Documents to which it is a party. In the absence of default by the Delegate, investors have no direct recourse to EQUATE or the Guarantor, through the Trustee and there is no assurance that the net proceeds of any enforcement action with respect to the Trust Assets (which, as described above, will be by way of enforcing each of EQUATE's, the Guarantor's and the Trustee's respective obligations under the Transaction Documents to which they are a party) will be sufficient to make all payments due in respect of the relevant Certificates. After enforcing or realising the rights in respect of the Trust Assets of a Series (in the manner described above) and the distribution of the net proceeds of such Trust Assets in accordance with Condition 5.2 (*Application of Proceeds from Trust Assets*), the obligations of the Trustee in respect of the Certificates of the relevant Series shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Trustee to recover any further sums in respect of such Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee, the Delegate or any Certificateholder be entitled in respect thereof to petition or take any steps for the winding up of the Trustee nor have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents. The sole right of the Trustee, the Delegate (acting in the name of the Trustee) and the Certificateholders (acting through the Delegate) against EQUATE and the Guarantor shall be to enforce the obligation of each of EQUATE and the Guarantor to perform its obligations under the Transaction Documents to which it is a party. As a result, the obligations of EQUATE or the Guarantor under the Transaction Documents are unsecured and rank pari passu with the other unsecured indebtedness of EQUATE and the Guarantor.

The terms of the Certificates may be modified by a majority of Certificateholders without the consent of, or notice to, all Certificateholders

The Conditions of the Certificates contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Certificateholders, including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

The Master Trust Deed and the Conditions also provide that, if in the opinion of the Delegate it is not materially prejudicial to the interests of the Certificateholders, the Delegate may, without the consent of Certificateholders, agree to: (i) any modification of any of the provisions of the Master Trust Deed, any Supplemental Trust Deed and any other Transaction Document that is, in the opinion of the Delegate, of a formal, minor or technical nature or is made to correct a manifest error; (ii) waive or authorise any breach or proposed breach of, any of the provisions of the Certificates; or (iii) determine without the consent of the Certificateholders that any Dissolution Event shall not be treated as such, as described in Condition 16 (*Meetings of Certificateholders, Modification and Waiver*).

The transferability of the Certificates may be limited under applicable securities and tax laws, which may adversely affect the value of the Certificates

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

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

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Prospective investors should consult their legal advisers to determine whether and to what extent: (1) the Certificates are legal investments for such prospective investors; (2) the Certificates can be used as collateral for various types of borrowing; and (3) other restrictions apply to their purchase or pledge of any Certificates. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk based capital or similar rules.

The Trustee is a "covered fund" for purposes of the Volcker Rule, which could negatively affect the liquidity and the value of the Certificates

Under Section 619 of the U.S. Dodd-Frank Act and the corresponding implementing regulations (the "**Volcker Rule**"), relevant "banking entities" (as defined under the Volcker Rule) are generally prohibited from, among other things, acquiring or retaining any equity, partnership, or other "ownership interest" in, or in "sponsoring", any "hedge fund" or "private equity fund", together "covered funds" (each as defined under the Volcker Rule). An "ownership interest" in a covered fund is broadly defined. In addition, in certain circumstances, the Volcker Rule restricts banking entities from entering into certain credit related transactions with covered funds.

A "hedge fund" and a "private equity fund" are defined widely, and include any issuer which would be required to register as an investment company under the Investment Company Act but for section 3(c)(1) or 3(c)(7) of that Act. As the Trustee is exempt from registration under the Investment Company Act in reliance on the exemption provided by section 3(c)(7) thereof, the Trustee will be a "covered fund" and acquisition of the Certificates is likely to be considered an acquisition of an "ownership interest" in a "covered fund" (as those terms are used in the Volcker Rule). In the absence of an available exemption, it is expected that the provisions of the Volcker Rule will severely limit the ability of U.S. banking entities (including controlled affiliates of U.S. banking institutions outside the United States) to hold an ownership interest in the Trustee. The marketability and liquidity of the Certificates may be significantly impaired if there is no available exemption.

Any entity that is a "banking entity" as defined under the Volcker Rule and is considering an investment in ownership interests (for purposes of the Volcker Rule) of the Trustee should consult its own legal advisers and consider the potential impact of the Volcker Rule in respect of such investment. Each investor is responsible for analysing its own position under the Volcker Rule and any similar measures and none of the Trustee, EQUATE, the Arrangers or the Dealers makes any representation regarding such position, including with respect to the ability of any investor to acquire or hold the Certificates, now or at any time in the future.

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

If Certificates are issued under the Programme which are denominated in the currency of a country which, at the time of issue, is not a member of the European Monetary Union which has adopted the euro as its sole currency and, before the relevant Certificates are redeemed, the euro becomes the sole currency of that country, a number of consequences may follow, including, but not limited to, any or all of the following: (i) all amounts payable in respect of the relevant Certificates may become payable in euro; and (ii) applicable law may allow or require such Certificates to be re-denominated into euro and additional measures to be taken in respect of such Certificates. The introduction of the euro in such a country could be accompanied by a volatile interest rate and/or economic environment which could adversely affect investors in the Certificates. Any of these or any other consequences could materially and adversely affect the holders of the relevant Certificates.

Certificates where denominations involve integral multiples: Individual Certificates

In relation to any issue of Certificates which have denominations consisting of a minimum Specified Denomination (as specified in the applicable Final Terms) plus one or more higher integral multiples of another smaller amount, it is possible that such Certificates may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination.

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

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

If Individual Certificates are issued, holders should be aware that Individual Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

There is no assurance that the Certificates will be compliant with the principles of Islamic finance

The Executive Shariah Committee of HSBC Saudi Arabia and KFH Capital Sharia Committee have each issued a *fatwa* in respect of the Certificates and the related structure and mechanism described in the Transaction Documents and their compliance with *Shari'a* principles. However, a *fatwa* is only an expression of the view of the relevant *Shari'a* advisory board based on its experience in the subject and is not a binding opinion. There can be no assurance as to the *Shari'a* permissibility of the structure or the issue and the trading of the Certificates and neither the Trustee, the Obligors, the Delegate nor the Dealers makes any representation as to the same. Investors are reminded that, as with any *Shari'a* views, differences in opinion are possible. Investors are advised to obtain their own independent *Shari'a* advice as to whether the structure meets their individual standards of compliance and make their own determination as to the future tradeability of the Certificates on any secondary market. Questions as to the *Shari'a* permissibility of the structure or the issue and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties would be, if in dispute, the subject of arbitration under the Arbitration Rules of the London Court of International Arbitration (the "**LCIA Rules**") or proceedings in the courts of the DIFC. The Obligors have also agreed to submit to the jurisdiction of the courts of England, at the option of the Delegate. In such circumstances, the arbitrator or judge, as the case may be, will first apply the relevant law of the relevant Transaction Document in determining the obligations of the parties.

Shari'a requirements in relation to interest awarded by a court

In accordance with applicable *Shari'a* principles, each of the parties thereto will waive all and any entitlement it may have to interest awarded in its favour by any court in connection with any dispute under any of the Transaction Documents to which it is a party. Should there be any delay in the enforcement of a judgment given against the Obligors, judgment interest may accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest.

Investors in the Certificates must rely on DTC, Euroclear and Clearstream, Luxembourg procedures to exercise certain rights under the Certificates

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

While the Certificates are represented by Global Certificates, the Trustee will discharge its payment obligations under the Certificates by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the Certificates. Neither the Trustee nor each Obligor has any responsibility or liability for the records relating to, or payments made in respect of, ownership interests in any Global Certificate.

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

A secondary market may not develop for any Certificates and there may be limited liquidity for Certificateholders

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

- the method of calculating the dissolution and periodic distribution amounts in respect of the Certificates of the relevant Series;
- the time remaining to the maturity of the Certificates of the relevant Series;
- the outstanding amount of the Certificates of the relevant Series;
- the redemption features of the Certificates of the relevant Series; and
- the level, direction and volatility of market interest rates generally.

Therefore, investors may not be able to sell their Certificates easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. A lack of liquidity may have a material and adverse effect on the market value of Certificates.

The Certificates may be subject to exchange rate risk and exchange controls

The Trustee will pay Periodic Distribution Amounts and Dissolution Amounts on the Certificates in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. The Trustee does not have any control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and volatility between such currencies or with other currencies may be expected in the future. However, fluctuations between currencies in the past are not necessarily indicative of fluctuations that may occur in the future. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency-equivalent yield on the Certificates; (ii) the Investor's Currency-equivalent value of the principal payable on the Certificates; and (iii) the Investor's Currency equivalent market value of the Certificates.

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

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Certificates. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed in this Base Prospectus and other factors that may affect the value of the Certificates. There is no assurance that the ratings will remain in effect for any given period of time or that the ratings will not be lowered or withdrawn entirely if circumstances in the future so warrant.

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

A change of law may materially adversely affect the Certificates

The Transaction Documents (excluding the Master Purchase Agreement and the Master Lease agreement) and the Conditions are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of any Certificates nor whether any such change could adversely affect the ability of the Trustee to make payments under the Certificates or of EQUATE to comply with its obligations under the Transaction Documents.

The Certificates may be subject to early dissolution

In certain circumstances the Certificates may be subject to early dissolution. In the event that the Trustee or EQUATE would be obliged to increase the amounts payable in respect of any Series of Certificates due to certain changes affecting taxation in the UAE, the Emirate of Dubai, the DIFC or Kuwait or any political subdivision or authority therein or thereof having the power to tax as provided or referred to in Condition 10 (*Taxation*), or in either case any change in the application of official interpretation of such laws or regulations, of which a which change or amendment becomes effective on or after the date of issuance of the first Tranche of the relevant Series of Certificates, and in connection therewith, EQUATE delivers an exercise notice to the Trustee in accordance with the relevant provisions of the Sale Undertaking, the Trustee may redeem all but not some only of the outstanding Certificates of such Series in accordance with Condition 8.2 (*Early Dissolution for Taxation Reasons*).

If so provided in the applicable Final Terms, a Series may be redeemed early at the option of EQUATE. In the case of Certificates with an additional optional dissolution feature, EQUATE may choose to redeem such Certificates when its cost of borrowing is lower than the profit rate on the Certificates. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Certificates being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time. In addition, such an optional dissolution feature could limit the market value of Certificates prior to or during any period when EQUATE may elect to redeem Certificates as the market value of those Certificates generally would not rise substantially above the Dissolution Amount at which they can be redeemed.

Risks Relating to Enforcement

Investors may experience difficulties in enforcing arbitration awards and foreign judgments in Kuwait

The insolvency regime in Kuwait is relatively untested with limited guidance as to how the legislative framework will be applied in practice by the courts in Kuwait

In the event of the insolvency of any of the Obligors, Kuwaiti bankruptcy law will apply and such law may adversely affect each Obligor's ability to perform its obligations under the Master Trust Deed or TKOC's ability to perform its obligations under the Guarantee, and obtaining a final bankruptcy judgment in Kuwait may take several years. There is little precedent to predict how any claims by holders of the Certificates against either of the Obligors would be resolved in the event of the insolvency of either Obligor and therefore there can be no assurance that holders of the Certificates will receive payment of their claims under the Guarantee (in the case of TKOC) or the Master Trust Deed in full or at all in these circumstances.

Enforcing foreign judgments and arbitral awards in Kuwait

The Programme Agreement, the Master Trust Deed, the Agency Agreement and the Certificates (the "**Documents**") each contain a provision to the effect that disputes arising under the Documents will, unless the option to litigate set out therein is exercised, be referred to arbitration under the London Court of International Arbitration Rules. If such option to litigate is exercised, the Trustee and each Obligor has agreed to the courts of England (the "**Courts of England**") and the DIFC Courts each having exclusive jurisdiction to settle any such disputes and has undertaken not to argue to the contrary.

Foreign Judgments

Although the choice of submission to the jurisdiction of the Courts of England and the DIFC Courts in the Documents is valid and binding as a matter of Kuwaiti law, if a claim is brought before the Kuwait Courts, the Kuwaiti Courts may still accept jurisdiction in any suit, action or proceedings in the situations identified in Articles 23, 24 and 26 of Kuwaiti Law No. 38 of 1980 (the Code of Civil and Commercial Procedure), as amended (the "**Code**"). These situations include (a) where the defendant in the proceedings expressly or impliedly accepted the jurisdiction of the Kuwaiti Courts, (b) where the defendant is a Kuwaiti national or is resident, domiciled or has a place of business or a chosen domicile in Kuwait or (c) if such legal proceedings relate to property (movable or immovable) located in Kuwait, an obligation is created, executed or required to be performed in Kuwait or a bankruptcy is declared in Kuwait.

There can therefore be no assurance that the Kuwaiti Courts will decline jurisdiction to adjudicate any dispute under the Documents, notwithstanding that the Documents provide that the Courts of England and the DIFC Courts shall each have exclusive jurisdiction to settle any disputes arising thereunder. The Kuwaiti Courts could be influenced when deciding whether or not to decline jurisdiction by the existence of proceedings relating to such dispute in another jurisdiction.

The enforcement of a monetary judgment (not involving the payment of taxes or the like) obtained in the Courts of England by the Kuwaiti Courts would require the filing of an enforcement action in the Kuwaiti Courts. Such action does not involve either a re-trial or an examination of the merits of the case; its sole purpose is to establish whether the judgment is compliant with the provisions of Article 199 of the Code which require that: (a) the courts of the jurisdiction by which the judgment was rendered must afford reciprocal treatment to judgments rendered in Kuwait; (b) the judgment must be rendered by a competent authority according to the law of the jurisdiction in which it was rendered; (c) the parties must have been duly summoned to appear and were duly represented at the proceedings; (d) the judgment must be final and non-appealable (*res judicata*) according to the law of the jurisdiction in which it was rendered; (e) the judgment must not contradict any prior judgment rendered by a Kuwaiti Court; and, finally (f) the judgment must not contain anything in conflict with the general morals or public order of Kuwait.

In respect of the requirement that the courts of the jurisdiction in which the judgment was issued must afford reciprocal treatment to judgments issued by the Kuwaiti Courts, there is currently no treaty between Kuwait and the United Kingdom that affords such required reciprocal treatment and there are no known instances of the Courts of England enforcing Kuwaiti judgments. There are, however, differing decisions issued by the Court of Cassation (the highest court in Kuwait) with regard to the enforcement in Kuwait of a monetary judgment issued by the Courts of England. In 2004 and again in 2005, the Court of Cassation had to consider applications for the enforcement in Kuwait of an English judgment. In the 2004 case, the Court of Cassation was satisfied that, on the facts, the criteria for enforcement set out in Article 199 of the Code had been satisfied and therefore approved enforcement. In the 2005 case, however, the Court of Cassation concluded that the criteria had not been satisfied and therefore did not approve enforcement. It should be noted that precedents are not binding on but only of persuasive value to the Kuwaiti Courts.

As described above, the Trustee and each Obligor has agreed under the Documents to which each is a party, to submit to the exclusive jurisdiction of the DIFC Courts (and the Courts of England) in respect of any dispute, claim, difference or controversy arising out of or in connection with such Documents. Dubai Law No. 16 of 2011 on Amending Some Provisions of Law No. 12 of 2004 Concerning the Dubai International Financial Centre Courts ("**Law No. 16 of 2011**") was issued, and came into force in Dubai, on 31 October 2011 and extends the jurisdiction of the DIFC Courts to include all civil and commercial disputes where the parties to the relevant dispute have expressly agreed to submit to the jurisdiction of the DIFC Courts, even where those parties are unconnected to the DIFC. Under Article 7 of Law No. 12 of 2004 as amended by Law No. 16 of 2011, any final and unappealable judgment, order or award issued by the DIFC Courts that is appropriate for enforcement in favour of the relevant Certificateholders shall, upon application by the relevant Certificateholders to the Dubai courts, be enforced by the Dubai courts against the Trustee and each Obligor without such courts re-examining the merits of the judgment, order or award. Investors should note, however, that as at the date of this Base Prospectus, there has been very limited case law relating to Law No. of 16 2011 and therefore it is not certain as to how the DIFC Courts intend to exercise their jurisdiction under the new law should any party dispute the right of the DIFC Courts to hear a particular dispute where such parties are unconnected to the DIFC.

*Enforcing DIFC judgments directly (or such judgments which have been ratified by the Dubai courts) in Kuwait under the GCC Convention for the Execution of Judgments, Delegations and Judicial Notifications (the "**GCC Convention**") and/or the Riyadh Convention on Judicial Cooperation between States of the Arab League (the "**Riyadh Convention**")*

A judgement issued by a court of, (a) GCC member state (in the case of the GCC Convention), or (b) a signatory state to the Riyadh Convention, will be capable of being executed in Kuwait by virtue of the relevant execution of judgement provisions of the GCC Convention or the Riyadh Convention (as the case may be). It would however not be possible to directly enforce in Kuwait a judgement issued by the DIFC Courts (the "**DIFC Court Judgement**") without such DIFC Court Judgement first being recognised by the Kuwaiti courts as one having the equivalent status of a judgement which has been issued by the Dubai Courts (i.e. from court of a GCC member state under the GCC Convention or a signatory to the Riyadh Convention). Where a DIFC Court Judgement has been processed for enforcement outside of the DIFC in accordance with all relevant enforcement procedures, protocols and/or applications in the Dubai Courts, then the Kuwaiti Courts should, *prima facie*, recognise the DIFC Court Judgement as one which is equivalent in status to that of a judgement issued by the Dubai Courts. Such DIFC Court Judgement would then be capable of being processed in Kuwait for enforcement as the Kuwait Courts will recognise and enforce as a valid judgment, a final and conclusive judgment obtained in the DIFC Courts (and as sanctioned by the Dubai Courts), and a judgment based thereon could be given (without re-trial or examination of the merits of the case), **provided that** the procedural requirements under Article 199 of the Code are complied with as described further above under the heading "*Foreign Judgments*". Investors should note, however, that the foregoing is untested as at the date of this Base Prospectus. Moreover, as at the date of this Base Prospectus, there is no publicly available legal precedent on the issue of whether the Kuwaiti Courts would treat a DIFC Court Judgement (as ratified for enforcement by the Dubai Courts) as a judgement rendered by a GCC member state or a signatory to the Riyadh Convention within the meaning of article 3 of the GCC Convention, or article 31 of the Riyadh Convention.

Arbitral awards

Kuwait is a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"). A foreign arbitral award will be recognised and enforced in Kuwait (without re-trial or examination of the merits of the case) in accordance with the Code. Article 200 of the Code provides that foreign arbitral awards are to be recognised and enforced under the same conditions (applied *mutatis mutandis* to foreign arbitral awards) as are applied in respect of the enforcement of foreign judgments under Article 199 of the Code (as detailed above) save that, in addition, the subject matter of the award must be considered arbitrable under Kuwaiti law and the arbitral award must be enforceable in the jurisdiction in which it was rendered. The requirement to establish reciprocal enforcement under Article 199 of the Code with respect to the recognition and enforcement of arbitral awards issued in England is satisfied as England and Kuwait are both signatories to the New York Convention.

As noted above, enforcement of a foreign arbitral award or foreign judgment in Kuwait requires the filing of an enforcement action in the Kuwaiti Courts. Proceedings before the Kuwaiti Courts, including enforcement actions, can take a relatively long time before a final and non-appealable judgment is issued.

There have not been many occasions in which the Kuwaiti Courts have been asked to consider the enforcement of foreign arbitral awards (notwithstanding that on those occasions when they have been asked to do so they have shown that they will follow the provisions of the Code and enforce an arbitral award) and so there is not a large body of decided cases in which the practical implications of complying with Article 199 of the Code have been analysed

Each Obligor's waiver of immunity may not be effective under the laws of Kuwait

Kuwaiti law provides that public or private assets owned by Kuwait may not be confiscated. Since each Obligor is indirectly-owned by the Government, there is a risk that the assets of each Obligor may fall within the ambit of government assets and as such cannot be attached or executed upon. Each Obligor has waived its rights in relation to sovereign immunity, however, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it under the Agency Agreement, the Master Trust Deed and the Programme Agreement are valid and binding under the laws of Kuwait.

Guarantees under the laws of Kuwait

Provisions in a guarantee that a guarantor will remain liable for the underlying obligations of an obligor (the "**Underlying Obligations**") may not be enforceable in the event where such Underlying Obligations are invalid and/or unenforceable under the laws of Kuwait. Provisions in a guarantee which would serve to provide that a guarantor will nonetheless indemnify a creditor notwithstanding the invalid and/or unenforceable nature of any Underlying Obligation(s), may not necessarily be enforced by a Kuwaiti Court or an arbitral panel applying Kuwaiti law.

Under Kuwaiti law, the obligations of a guarantor may not exceed the liabilities of the obligor. Provisions in a guarantee that a guarantor will remain liable for the Underlying Obligations notwithstanding the release or discharge of the obligor from the Underlying Obligations may therefore not necessarily be enforced by a Kuwaiti Court or an arbitral panel applying Kuwaiti law.

If the obligations of an obligor pursuant to the contractual documentation to which it is a party are interpreted as a gratuitous act under the laws of Kuwait (such as there being no corporate benefit to the obligor in providing a guarantee), such obligations may under Kuwaiti law, be declared void at the request of a third party creditor. According to the laws of Kuwait, any creditor whose claim has fallen due and whose debtor has entered into an act of alienation prejudicial to the creditor, may demand that such an act be declared void so far as the creditor is concerned, if such act has either diminished the debtor's rights or increased its obligations, and has in consequence resulted in, or increased, its insolvency.

Risks Relating to the DIFC

The Trustee is incorporated in the DIFC and the legal framework applicable remains largely untested

The legal and regulatory regimes applicable to the Trustee and other companies domiciled in the DIFC, including the relevant companies laws, remain largely untested. Consequently, it is not clear how some of these laws and regulations will be interpreted and implemented by the DIFC courts and bodies in practice. These uncertainties could affect the ability of the Delegate to enforce Certificateholders' rights or the Trustee's ability to defend itself against claims by others, including regulators, judicial authorities and third parties who may challenge the Trustee's compliance with applicable laws, decrees and regulations.

Risks Relating to Tax

Taxation risks on payments

Payments made by EQUATE to the Trustee under the Transaction Documents, by TKOC under the Guarantee or by the Trustee in respect of the Certificates could become subject to withholding or deduction for or on account of taxation. The Service Agency Agreement, the Master Murabaha Agreement and the Purchase Undertaking and the Sale Undertaking each require EQUATE to pay additional amounts in the event that any withholding or deduction is required by applicable law to be made in respect of payments made by it to the Trustee under those documents which are intended to fund Periodic Distribution Amounts and Dissolution Amounts. Condition 10 (*Taxation*) provides that, subject to certain exceptions, the Trustee is required to pay additional amounts in respect of any such withholdings or deductions imposed by the UAE, Dubai or the DIFC in certain circumstances. In the event that the Trustee fails to gross-up for any such withholding or deduction on payments due in respect of the Certificates to Certificateholders, each Obligor has, pursuant to the Master Trust Deed, unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Trustee (for the benefit of the Certificateholders) an amount equal to the liabilities of the Trustee in respect of any and all additional amounts required to be paid in respect of the Certificates pursuant to Condition 10 (*Taxation*) in respect of any withholding or deduction in respect of any tax as set out in that Condition.

The circumstances described above may entitle EQUATE and the Trustee to redeem the Certificates pursuant to Condition 8.2 (*Early Dissolution for Taxation Reasons*). See "*Risks Relating to the Structure of a Particular Series of Certificates – The Certificates may be subject to early dissolution*" for a description of the consequences thereof.

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

1. the audited financial statements of the EQUATE Group as of and for the year ended 31 December 2014, including the auditors' report thereon and notes thereto, an electronic copy of which is available at:

   http://www.equate.com/pdf/2014/EQUATE%20K.S.C.C.%20YE%202014%20(standalone).pdf;

2. the audited financial statements of the EQUATE Group as of and for the year ended 31 December 2013, including the auditors' report thereon and notes thereto, an electronic copy of which is available at:

   http://www.equate.com/pdf/2013/EQUATE%20K.S.C.C.%20YE%202013%20(standalone).pdf;

3. the audited financial statements of TKOC as of and for the year ended 31 December 2014 including the auditors' report thereon and notes thereto, an electronic copy of which is available at:

   http://www.equate.com/pdf/2014/TKOC%20K.S.C.C.%20YE%202014%20(standalone).pdf;

4. the audited financial statements of TKOC as of and for the year ended 31 December 2013, including the auditors' report thereon and notes thereto, an electronic copy of which is available at:

   http://www.equate.com/pdf/2013/TKOC%20K.S.C.C.%20YE%202013%20(standalone).pdf;

5. the audited consolidated financial statements of the MEGlobal B.V. Group as of and for the year ended 31 December 2015 including the auditors' report thereon and notes thereto, an electronic copy of which is available at:

   http://www.equate.com/pdf/2015/MEGlobal%20B.V.%20YE%202015%209%20days%20only%20(consolidated).pdf;

6. the audited consolidated financial statements of the MEGlobal B.V. Group as of and for the year ended 31 December 2014 including the auditors' report thereon and notes thereto, an electronic copy of which is available at:

   http://www.equate.com/pdf/2014/MEGlobal%20B.V.%20YE%202014%20(consolidated).pdf;

7. the audited consolidated financial statements of the MEGlobal B.V. Group as of and for the year ended 31 December 2013 including the auditors' report thereon and notes thereto, an electronic copy of which is available at:

   http://www.equate.com/pdf/2013/MEGlobal%20B.V.%20YE%202013%20(consolidated).pdf;

8. the audited special purpose consolidated financial statements of the MEGlobal Canada Group as of and for the nine-day period ended 31 December 2015 including the auditors' report thereon and notes thereto, an electronic copy of which is available at:

   http://www.equate.com/pdf/2015/MEGlobal%20Canada%20YE%202015%209%20days%20only%20(consolidated).pdf;

9. the audited consolidated financial statements of the MEGlobal Canada Group as of and for the year ended 31 December 2014 including the auditors' report thereon and notes thereto, an electronic copy of which is available at:

   http://www.equate.com/pdf/2014/MEGlobal%20Canada%20YE%202014%20(consolidated).pdf; and

10. the audited consolidated financial statements of the MEGlobal Canada Group as of and for the year ended 31 December 2013 including the auditors' report thereon and notes thereto, an electronic copy of which is available at:

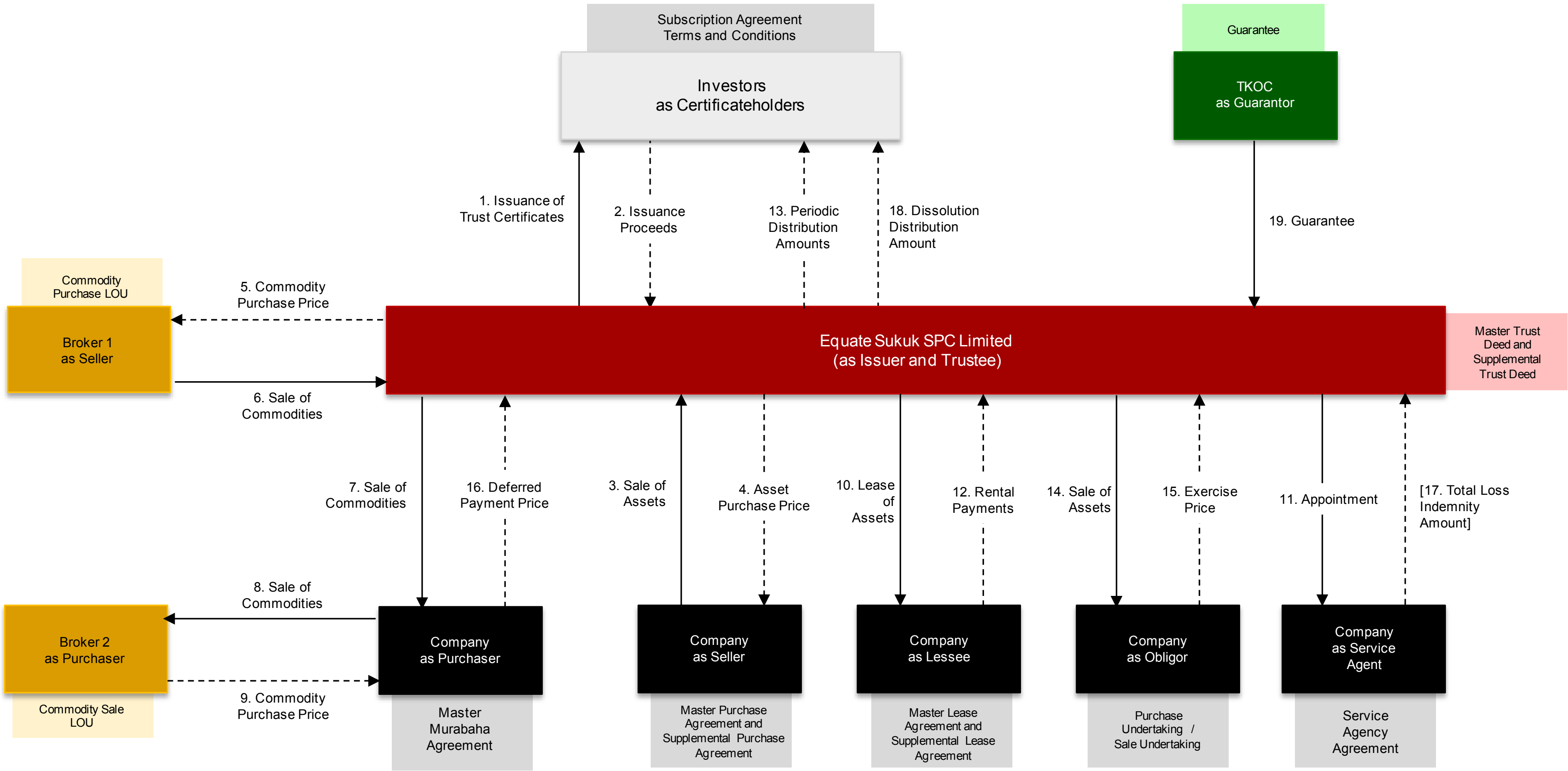
http://www.equate.com/pdf/2013/MEGlobal%20Canada%20YE%202013%20(consolidated).pdf.

Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is included elsewhere in this Base Prospectus.

STRUCTURE DIAGRAM AND CASH FLOWS

Set out below is a simplified structure diagram and description of the principal cash flows relating to the Certificates. This does not purport to be complete and is qualified in its entirety by reference to, and must be read in conjunction with, the more detailed information appearing elsewhere in this Base Prospectus. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Base Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below. Potential investors should read this entire Base Prospectus carefully, especially the risks of investing in Certificates issued under the Programme discussed under "Risk Factors".

[*Please see next page*]


Subscription Agreement
Terms and Conditions
Investors
as Certificateholders
Guarantee
TKOC
as Guarantor
1. Issuance of
Trust Certificates
2. Issuance
Proceeds
13. Periodic
Distribution
Amounts
18. Dissolution
Distribution
Amount
19. Guarantee
Commodity
Purchase LOU
Broker 1
as Seller
5. Commodity
Purchase Price
6. Sale of
Commodities
Equate Sukuk SPC Limited
(as Issuer and Trustee)
Master Trust
Deed and
Supplemental
Trust Deed
7. Sale of
Commodities
16. Deferred
Payment Price
3. Sale of
Assets
4. Asset
Purchase Price
10. Lease
of
Assets
12. Rental
Payments
14. Sale of
Assets
15. Exercise
Price
11. Appointment
[17. Total Loss
Indemnity
Amount]
8. Sale of
Commodities
Broker 2
as Purchaser
Commodity Sale
LOU
9. Commodity
Purchase Price
Company
as Purchaser
Master
Murabaha
Agreement
Company
as Seller
Master Purchase
Agreement and
Supplemental Purchase
Agreement
Company
as Lessee
Master Lease
Agreement and
Supplemental Lease
Agreement
Company
as Obligor
Purchase
Undertaking /
Sale Undertaking
Company
as Service
Agent
Service
Agency
Agreement

Payments by the Certificateholders and the Trustee

On the issue date of each Tranche of Certificates under a Series (the "**Issue Date**"), the Certificateholders will pay the issue price in respect of the Certificates (the "**Issue Price**") to the Trustee.

The Trustee will use the Issue Price of the first Tranche of each Series as follows:

(a) an amount as specified in the applicable Final Terms, which shall be no more than 48 per cent. of the Issue Price (the "**Murabaha Investment Amount**"), will be used to purchase certain *Shari'a*-compliant commodities (the "**Commodities**") through the Commodity Agent and the Trustee will sell such Commodities to EQUATE (in its capacity as buyer, the "**Buyer**") on a deferred payment basis for a sale price equal to the aggregate of the relevant Murabaha Investment Amount and an amount equal to one per cent. of the face amount of the relevant Certificates (the "**Deferred Sale Price**") pursuant to a murabaha contract (the "**Murabaha Contract**") (such sale of *Shari'a*-compliant commodities by the Trustee to EQUATE and all of the Trustee's rights and entitlements against EQUATE (in its capacity as buyer) in connection therewith being the "**Commodity Murabaha Investment**"); and

(b) the remaining portion of the Issue Price (the "**Asset Purchase Price**") will be used to purchase and accept the transfer from EQUATE (in its capacity as "**Asset Seller**") of the Asset Seller's interests, rights, title, benefits and entitlements, present and future, in, to and under certain tangible immoveable assets (including, but not limited to, fixed plant and machinery and infrastructure) that are free and clear of all encumbrances, are legally and beneficially owned by the Asset Seller and are capable of being sold and leased (each an "**Eligible Asset**") specified in the relevant Supplemental Purchase Agreement (the "**Initial Assets**").

The Trustee will use the Issue Price of any subsequent Tranche of each Series as follows:

(c) an amount equal to the face amount of the Certificates of that Tranche less the value of the Additional Assets, as specified in the applicable Final Terms (and being the Murabaha Investment Amount for such Tranche), will be used to purchase certain Commodities through the Commodity Agent and the Trustee will sell such Commodities to the Buyer on a deferred payment basis for a sale price equal to the aggregate of the Murabaha Investment Amount and an amount equal to one per cent. of the face amount of the relevant Certificates pursuant to a Murabaha Contract (such arrangement constituting a Commodity Murabaha Investment in respect of that Tranche); and

(d) the remaining portion of the Issue Price (the "**Additional Exercise Price**") will be used to purchase and accept the transfer from EQUATE of the EQUATE's interests, rights, title, benefits and entitlements, present and future, in, to and under additional Eligible Assets (the "**Additional Assets**") in accordance with the terms of the Sale Undertaking.

Periodic Distribution Payments

The Trustee (as lessor, in such capacity, the "**Lessor**") shall lease the Initial Assets (as may be substituted from time to time in accordance with the Sale Undertaking) and any Additional Assets acquired by the Trustee from time to time in accordance with the Sale Undertaking (but excluding any such assets title to which has been sold or transferred to EQUATE under the terms of the Purchase Undertaking and/or the Sale Undertaking (as applicable)) (together, the "**Lease Assets**") of each Series to EQUATE (as lessee, in such capacity, the "**Lessee**") pursuant to the terms of a Master Lease Agreement and Supplemental Lease Agreement in consideration for the payment of Rental on the Business Day immediately preceding each Periodic Distribution Date (each such date being a "**Rental Payment Date**").

The Rental due on a Rental Payment Date shall be an amount equal to the Periodic Distribution Amount payable under the relevant Certificates in respect of the corresponding Periodic Distribution Period. Such Rental shall be sufficient to fund the Periodic Distribution Amounts payable by the Trustee in respect of the relevant Certificates.

Distribution Payments

On the Business Day prior to the relevant Scheduled Dissolution Date in relation to each Series:

(a) the outstanding Deferred Sale Price under each Murabaha Contract relating to that Series shall be due and payable; and

(b) the Trustee will have the right under the Purchase Undertaking to require EQUATE to purchase all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the relevant Lease Assets in consideration for payment by EQUATE of the Exercise Price.

The outstanding Deferred Sale Prices payable by EQUATE under the Master Murabaha Agreement and the Exercise Price payable by EQUATE under the Purchase Undertaking, are intended to fund the Dissolution Distribution Amount payable by the Trustee under the relevant Certificates.

The Certificates in relation to any Series may be redeemed in whole prior to the relevant Scheduled Dissolution Date for the following reasons:

(a) redemption following a Dissolution Event; and

(b) an early redemption for taxation reasons.

In each case, the amounts payable by the Trustee on the due date for dissolution will be funded in the same manner as for the payment of the Dissolution Distribution Amount on the Scheduled Dissolution Date.

The Certificates in relation to any Series may also be redeemed in whole following the occurrence of a Total Loss Event. On the business day prior to the relevant Total Loss Event Dissolution Date in relation to each Series the outstanding Deferred Sale Price under each Murabaha Contract relating to that Series shall be due and payable. In addition EQUATE, in its capacity as Service Agent, under the Service Agency Agreement shall be required to (i) pay all Takaful/Insurance Proceeds to the Transaction Account no later than close of business in Kuwait on the 30th day after the occurrence of a Total Loss Event; and (ii) pay any Total Loss Shortfall Amount (unless the Service Agent proves beyond any doubt that any shortfall in the Takaful/Insurance Proceeds is not attributable to its negligence or its failing to comply with the terms of Service Agency Agreement relating to insurance) to the Transaction Account no later than close of business in Kuwait on the 31st day after the occurrence of a Total Loss Event.

The outstanding Deferred Sale Prices payable by EQUATE under the Master Murabaha Agreement, the Takaful/Insurance Proceeds paid by the Service Agent under the Service Agency Agreement (if any) and the Total Loss Shortfall Amount payable by the Service Agent under Service Agency Agreement (unless the Service Agent proves beyond any doubt that any shortfall in the Takaful/Insurance Proceeds is not attributable to its negligence or its failing to comply with the terms of Service Agency Agreement relating to insurance), are intended to fund the Dissolution Distribution Amount payable by the Trustee under the Certificates on the Total Loss Event Dissolution Date.

The Certificates in relation to any Series may also be redeemed in whole or in part prior to the relevant Scheduled Dissolution Date for the following reasons:

(a) if so specified in the applicable Final Terms, at the option of the Certificateholders;

(b) if so specified in the applicable Final Terms, at the option of EQUATE; and

(c) if so specified in the applicable Final Terms, at the option of the Certificateholders on the occurrence of a Change of Control Event.

Upon the exercise of such right, the Trustee shall redeem the relevant Certificates for an amount equal to the sum of the outstanding face amounts and any accrued but unpaid Periodic Distribution Amounts of such Certificates and the Periodic Distribution Amounts on such Certificates (if any) accrued and unpaid to the date of redemption, together with any amounts specified in the applicable Final Terms. Such redemption of the Certificates will be funded in a similar manner to that described above for the payment of the Dissolution Distribution Amount through: (i) a proportionate amount of the outstanding Deferred Sale Price under each Murabaha

Contract relating to the relevant Series becoming immediately due and payable; and (ii) the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under a proportionate amount of the Lease Assets being sold by the Trustee to EQUATE pursuant to the Purchase Undertaking or the Sale Undertaking at an Exercise Price such that the aggregate amounts received by the Trustee are sufficient to pay the amount payable in respect of the Certificates being redeemed.

FORM OF THE CERTIFICATES

The Certificates of each Series will be in registered form. The Certificates will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or otherwise in private transactions that are exempt from the registration requirements of the Securities Act.

Global Certificates

Form of Certificates

The Certificates of each Series offered and sold in reliance on Regulation S, which will be sold to persons who are not U.S. persons outside the United States, will initially be represented by beneficial interests in a global certificate in registered form (an "**Unrestricted Global Certificate**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Series of Certificates, beneficial interests in a Unrestricted Global Certificate may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 (*Form, Denomination and Title)* and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Unrestricted Global Certificate will bear a legend regarding such restrictions on transfer.

The Certificates of each Series offered and sold in the United States or to U.S. persons may only be offered and sold in private transactions to (i) QIBs who are also QPs, in each case acting for their own account or for the account of one or more QIBs who are also QPs, or (ii) Institutional Accredited Investors who are also QPs and who execute and deliver an IAI Investment Letter in which they agree to subscribe for the Certificates for their own account and not with a view to the distribution thereof. The Certificates of each Series sold to QIBs who are also QPs in reliance on Rule 144A will initially be represented by a global certificate in registered form (a "**Restricted Global Certificate**", the Restricted Global Certificate and the Unrestricted Global Certificate, each a "**Global Certificate**"). By the acquisition of a beneficial interest in such certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and also a QP and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Restricted Global Certificate.

No beneficial interest in an Unrestricted Global Certificate may be transferred to a person who takes delivery in the form of a beneficial interest in a Restricted Global Certificate unless: (i) the transfer is to a person that is both a QIB and a QP, (ii) such transfer is made in reliance on Rule 144A, and (iii) the transferor provides the Registrar with a written certification to the effect that the transferor reasonably believes that the transferee is a QIB that is also a QP, that the transfer is being made in a transaction meeting the requirements of Rule 144A and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. No beneficial interest in the Restricted Global Certificates may be transferred to a person who takes delivery in the form of a beneficial interest in an Unrestricted Global Certificate unless the transfer is to a non-U.S. person in an offshore transaction in reliance on Regulation S and the transferor provides the Registrar with a written certification to the effect that the transfer is being made to a person who is a non-U.S. person in accordance with Regulation S.

The Certificates of each Series offered and sold in the United States to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof ("**Individual Certificates**"). Individual Certificates will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under "*Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions*". Institutional Accredited Investors that hold Individual Certificates may not elect to hold such Certificates through DTC, Euroclear, Clearstream, Luxembourg or NASDAQ Dubai CSD, but transferees acquiring such Certificates in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144A under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under "*Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions*". The Global Certificates and the Individual Certificates will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Global Certificates will either: (i) be deposited with a custodian for, and registered in the name of a nominee of, DTC; or (ii) be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms. Persons holding beneficial interests in Global Certificates will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Certificates in fully registered form.

Payments

Each payment in respect of the Global Certificates will be made to the person shown as the holder in the relevant Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Certificates are being held is open for business. None of the Trustee, EQUATE, TKOC, the Delegate, the Principal Paying Agent, any Paying Agent or any Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Exchange for Individual Certificates

Interests in a Global Certificates will be exchangeable (free of charge), in whole but not in part, for definitive Certificates of a particular Series only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that: (i) a Dissolution Event (as defined in Condition 12 (*Dissolutions Events*) has occurred and is continuing; (ii) in the case of Certificates registered in the name of a nominee for DTC, either DTC has notified the Trustee that it is unwilling or unable to continue to act as depository for the Certificates or DTC has ceased to constitute a clearing agency registered under the Exchange Act and, in either case, no alternative clearing system is available; (iii) in the case of Certificates registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, the Trustee has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of fourteen (14) days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available; or (iv) the Trustee has or will become subject to adverse tax consequences which would not be suffered were the Certificates represented by the Global Certificates in definitive form and a certificate to that effect signed by two Directors of the Trustee is given to the Delegate. The Trustee will promptly give notice to Certificateholders in accordance with Condition 18 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Global Certificates) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) and (iii) above, the Trustee may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten (10) days after the date of receipt of the first relevant notice by the Registrar. Individual Certificates issued in exchange for a beneficial interest in the Restricted Global Certificate shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under "*Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions*".

Delivery

Upon the transfer, exchange, or replacement of a definitive Certificate bearing the legend referred to under "*Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions*", or upon specific request for removal of the legend on a definitive Certificate, the Trustee will deliver only definitive Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Trustee and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Trustee, that neither the legend nor the restrictions on transfer set out therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act. The same transfer restrictions outlined herein and in "*Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions*" are applicable to any definitive Certificates.

Meetings

The holder of Certificates represented by a Global Certificate shall (unless such Global Certificate represents only one Certificate) be treated as being two persons for the purposes of any quorum requirements of a meeting of Certificateholders. All Certifiacteholders are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Certificates comprising such Certificateholder's holding, whether or not represented by a Global Certificate.

Cancellation

Cancellation of any Certificate represented by a Global Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the aggregate face amount of the relevant Global Certificate in the relevant register of the Certificateholders, whereupon the face amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Put options

If the Optional Dissolution Right (Put Option) or the Change of Control Put Option is specified as applicable in the applicable Final Terms, the Optional Dissolution Right (Put Option) or the Change of Control Put Option, as the case may be, may be exercised by the holder of the Global Certificate giving notice to the relevant Registrar or the relevant Transfer Agent of the face amount of Certificates in respect of which the option is exercised and presenting the Global Certificate within the time limits specified in Condition 8.4 (*Dissolution at the Option of the Certificateholders (Certificateholder Put Right)*) or Condition 8.5 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*), as the case may be.

Notices

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

Transfer of Interests

Interests in a Global Certificates may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Global Certificate. No beneficial owner of an interest in a Global Certificates will be able to transfer such interest, except in accordance with the applicable procedures of DTC and/or Euroclear and/or Clearstream, Luxembourg, in each case to the extent applicable.

The Certificates are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see "*Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions*".

General

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Trustee, EQUATE and the Principal Paying Agent.

No Certificateholder shall be entitled to proceed directly against, or provide instructions to the Delegate to proceed against the Trustee, EQUATE or TKOC under any Transaction Document to which either of them is party unless the Delegate, having become bound so to proceed, fails so to do within a reasonable period and such failure is continuing. In addition, holders of interests in such Global Certificate credited to their accounts with DTC may require DTC to deliver definitive Certificate in registered form in exchange for their interest in such Global Certificate in accordance with DTC's standard operating procedures. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets and the sole right of the Delegate and the

Certificateholders against the Trustee, EQUATE and TKOC shall be to enforce their respective obligations under the Transaction Documents.

The Trustee may agree with any Dealer that relevant Certificates may be issued in a form not contemplated by the Terms and Conditions of the Certificates in which event a new Base Prospectus or a supplement to the Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Certificates.

APPLICABLE FINAL TERMS

Final Terms dated [•]

EQUATE Sukuk SPC Limited
Issue of [Aggregate face amount of Series] [Title of Certificates]

under the U.S.$2,000,000,000 Trust Certificate Issuance Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Certificates set forth in the base prospectus dated 15 December 2016 (the "**Base Prospectu**s") [and the supplement(s) to it dated [•]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC), as amended (the "Prospectus Directive"). This document constitutes the Final Terms of the Certificates described herein [for the purposes of Article 5.4 of the Prospectus Directive]* and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Trustee, EQUATE, TKOC and the offer of the Certificates is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement(s) to it dated [•]] [and these Final Terms]** [is][are] available for viewing on the website of the Central Bank of Ireland (*www.centralbank.ie*) and copies may be obtained during normal business hours from the registered office of the Fiscal Agent at [•].]

1.	Trustee:		EQUATE Sukuk SPC Limited
2.	Seller, Lessee, Buyer and Service Agent:		EQUATE Petrochemical Company K.S.C.C. ("**EQUATE**")
3.	Guarantor:		The Kuwait Olefins Company K.S.C.C. ("**TKOC**")
4.	(a)	Series Number:	[•]
	(b)	Tranche Number:	[•]/[Not Applicable]
	(c)	Date on which the Certificates will be consolidated and form a single Series:	[The Certificates will be consolidated and form a single Series with [•] on [the Issue Date]/[the date that is 40 days after the Issue Date]/[Not Applicable]
5.	Specified Currency or Currencies:		[•]
6.	Aggregate Face Amount of:		
	(a)	Series:	[•]
	(b)	Tranche:	[•]/[Not Applicable]
7.	(i)	Issue Price:	[100] per cent. of the Aggregate Face Amount
	(ii)	Murabaha Investment Amount:	[•]

* *To be included only if the Certificates are to be admitted to listing on the official list, and to trading on the regulated market, of the Irish Stock Exchange or other regulated market for the purposes of the Prospectus Directive.*

** *To be included only if the Certificates are to be admitted to listing on the official list, and to trading on the regulated market, of the Irish Stock Exchange or other regulated market for the purposes of the Prospectus Directive.*

	(iii)	Murabaha Profit:	[•]
	(iv)	Asset Purchase Price for Initial Lease Assets:	[•]
8.	(a)	Specified Denominations:	[•]
	(b)	Calculation Amount:	[•]
9.	(a)	Issue Date:	[•]
	(b)	Profit Commencement Date:	[•]/[Issue Date][Not Applicable]
10.	Scheduled Dissolution Date:		[•]
11.	Dissolution Basis:		The Certificates will be redeemed at [100] per cent. of their aggregate face amount
12.	Put/Call Options:		[Not Applicable] [Certificateholder Put Right] [Optional Dissolution Right] [Change of Control Put Right]
13.	(a)	Status:	The Certificates are direct, unsecured and limited recourse obligations of the Trustee The payment obligations of EQUATE (in any capacity) under the Transaction Documents are direct, unsecured and unsubordinated obligations, and are guaranteed by TKOC in the manner described in Condition 4.2 (*Status, Guarantee and Limited Recourse*)
	(b)	Date of Trustee board approval for issuance of Certificates and entry into the related Transaction Documents obtained:	[•]
	(c)	Date of EQUATE and TKOC board approval for entry into the related Transaction Documents to which it is a party obtained:	[•] and [•], respectively

PROVISIONS RELATING TO PERIODIC DISTRIBUTIONS PAYABLE

14.	Fixed Rate Certificate Provisions:		[Applicable]/[Not Applicable]
	(a)	Profit Rate[(s)]:	[•] per cent. per annum
	(b)	Periodic Distribution Date(s):	[•] [and [•]] in each year up to and including the Scheduled Dissolution Date
	(c)	Fixed Amount(s):	[•] per Calculation Amount

	(d)	Broken Amount(s):	[[•] per Calculation Amount, payable on the Periodic Distribution Date falling [in]/[on] [•]]/[Not Applicable]
	(e)	Day Count Fraction:	[Actual/Actual (ICMA)] [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/360] [30/360] [30E/360] [Eurobond Basis] [30E/360 (ISDA)]
	(f)	Profit Rate Determination Date(s):	[[•] in each year]/[Not Applicable]
15.	Floating Rate Certificate Provisions:		[Applicable]/[Not Applicable]
	(a)	Specified Period(s)/Specified Periodic Distribution Dates:	[[•] [, [•] and [•]] in each year up to and including the Scheduled Dissolution Date]/[,[in each case] subject to adjustment in accordance with the Business Day Convention set out in (c) below/, not subject to adjustment, as the Business Day Convention in (c) below is specified to be Not Applicable]
	(b)	Business Day Convention:	[Following Business Day Convention]/[Modified Following Business Day Convention]/[Modified Business Day Convention]/[Preceding Business Day Convention]/[FRN Convention]/[Floating Rate Convention]/[Eurodollar Convention]/[Not Applicable]
	(c)	Additional Business Centre(s):	[Not Applicable]/[•]
	(d)	Screen Rate Determination:	[Applicable]/[Not Applicable]
		(i) Reference Rate:	[•] [*currency*][*number*] months(s) [LIBOR/LIBID/LIMEAN/EURIBOR/KIBOR/HIBOR/SIBOR/AUD LIBOR/JPY LIBOR/CNH HIBOR/GBP LIBOR/CHF LIBOR/CAD LIBOR]
		(ii) Profit Rate Determination Date(s):	[•]
		(iii) Relevant Screen Page:	[•]
		(iv) Relevant Time:	[•]
	(f)	ISDA Determination:	[Applicable]/[Not Applicable]
		(i) Floating Rate Option:	[•]
		(ii) Designated Maturity:	[•]
		(iii) Reset Date:	[•]

(g)	Linear Interpolation:	[Not Applicable]/[Applicable] – [The Profit Rate for the [[long][short]][[first][last]] Return Accumulation Period shall be calculated using Linear Interpolation]
(h)	Margin(s):	[•] per cent. per annum
(i)	Minimum Profit Rate:	[[•] per cent. per annum]/[Not Applicable]
(j)	Maximum Profit Rate:	[[•] per cent. per annum]/[Not Applicable]
(k)	Day Count Fraction:	[Actual/Actual (ICMA)] [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/360] [30/360] [30E/360] [Eurobond Basis] [30E/360 (ISDA)]
(l)	Calculation Agent (party responsible for calculating the Profit Rate(s) and/or Periodic Distribution Amount(s)):	[Principal Paying Agent]/[•]

PROVISIONS RELATING TO DISSOLUTION

16.	Optional Dissolution Right:		[Applicable]/[Not Applicable]
	(a)	Dissolution Distribution Amount(s) of each Certificate:	[Dissolution Distribution Amount][•] per Calculation Amount]
	(b)	Optional Dissolution Date(s):	[Any Periodic Distribution Date]/[•]
	(c)	If redeemable in part:	
		(i) Minimum Optional Dissolution Amount:	[•]/[Not Applicable]
		(ii) Maximum Optional Dissolution Amount:	[•]/[Not Applicable]
17.	Certificateholder Put Right:		[Applicable]/[Not Applicable]
	(a)	Certificateholder Put Right Date(s):	[Any Periodic Distribution Date]/[•]
	(b)	Dissolution Distribution Amount(s) of each Certificate:	[Dissolution Distribution Amount][•] per Calculation Amount]
18.	Change of Control Put Right:		[Applicable]/[Not Applicable]

	(a)	Dissolution Distribution Amount(s) of each Certificate:	[Dissolution Distribution Amount][•] per Calculation Amount]
19.	Dissolution following a Tax Event:		
	(a)	Dissolution Distribution Amount(s) of each Certificate:	[Dissolution Distribution Amount][•] per Calculation Amount]
20.	Dissolution Distribution Amount on Scheduled Dissolution Date or following the occurrence of a Dissolution Event:		[Dissolution Distribution Amount][•] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE CERTIFICATES

21.	Form of Certificates:	Registered Form Certificates Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Global Certificate Reg S Compliance Category [2]; TEFRA Not Applicable
22.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable]/[•]

PROVISIONS IN RESPECT OF THE TRUST ASSETS

23.	Details of Transaction Account:		Transaction Account No: [•] with [*bank*] for Series No.: [1]/[2]/[3]
24.	Other Transaction Document Information:		
	(a)	Supplemental Trust Deed:	Supplemental Trust Deed dated [•] between the Trustee, EQUATE and the Delegate
	(b)	Supplemental Purchase Agreement:	Supplemental Purchase Agreement dated [•] between the Purchaser and EQUATE
	(c)	[•]:	[•]

SIGNED on behalf of

EQUATE SUKUK SPC LIMITED

By: ....
Duly authorised

By: ....
Duly authorised

SIGNED on behalf of

EQUATE PETROCHEMICAL COMPANY K.S.C.C.:

By: ....
Duly authorised

SIGNED on behalf of

THE KUWAIT OLEFINS COMPANY K.S.C.C.:

By: ....
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(a)	Listing and admission to trading:	[Application has been made by the Trustee (or on its behalf) for the Certificates to be admitted to trading on the Irish Stock Exchange's Main Securities Market with effect from [•].] [Application is expected to be made by the Trustee (or on its behalf) for the Certificates to be admitted to trading on the Irish Stock Exchange's Main Securities Market) with effect from [•].] [Not Applicable]
(b)	Estimate of total expenses related to admission to trading:	[•]

2. **RATINGS** [[•]][The Certificates to be issued are unrated.]

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

[Save for any fees payable to the [Manager[s]]/[Dealer[s]], so far as the Trustee, EQUATE and TKOC are aware, no person involved in the issue of the Certificates has an interest material to the offer. The [Manager[s]]/[Dealer[s]] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for the Trustee, EQUATE or TKOC or their affiliates in the ordinary course of business for which they may receive fees.]

4. [**PROFIT OR RETURN**

Indication of profit or return:	[•] per cent. per annum The profit or return is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future profit or return.]/[Not Applicable]

5. **HISTORIC RATES**

Details of historic [LIBOR/LIBID/LIMEAN/EURIBOR/KIBOR/HIBOR/SIBOR/AUD LIBOR/JPY LIBOR/CNH HIBOR/GBP LIBOR/CHF LIBOR/CAD LIBOR] rates can be obtained from [Reuters.]/[Not Applicable]

6. **OPERATIONAL INFORMATION**

(a)	ISIN:	[•]
(b)	Common Code:	[•]
(c)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s):	[Not Applicable]/[•]
(d)	Delivery:	Delivery [against]/[free of] payment
(e)	Names and addresses of additional Paying Agent(s) (if any):	[•]/[Not Applicable]

7. **THIRD PARTY INFORMATION**

[[•] has been extracted from [•]. The Trustee, EQUATE and TKOC each confirm that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced information inaccurate or misleading.]/[Not Applicable]

TERMS AND CONDITIONS OF THE CERTIFICATES

The following is the text of the terms and conditions that, subject to completion and as modified in accordance with the provisions of the applicable Final Terms, will apply to each Global Certificate and shall be applicable to the Certificates in definitive form (if any) issued in exchange for the Global Certificate representing each Series. The applicable Final Terms will be endorsed upon, or attached to, each Global Certificate and each Certificate in definitive form (if any). Reference should be made to the "applicable Final Terms" for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Certificates.

1. Introduction

1.1 ***Programme***: EQUATE Sukuk SPC Limited (in its capacities as issuer and as trustee, the "**Trustee**"), has established a trust certificate issuance programme (the "**Programme**") for the issuance of trust certificates (the "**Certificates**"), from time to time representing obligations of EQUATE Petrochemical Company K.S.C.C. ("**EQUATE**"), in a maximum aggregate face amount of U.S.$2,000,000,000 (or the equivalent in other currencies calculated as described in the programme agreement between the Trustee, EQUATE, TKOC and the Dealers (as defined and named therein) dated 15 December 2016 (the "**Programme Agreement**")), or such other maximum aggregate face amount as increased in accordance with the terms of the Programme Agreement. The Kuwait Olefins Company K.S.C.C. ("**TKOC**") shall enter into a guarantee (contained in the Master Trust Deed) in favour of the Trustee and the Delegate pursuant to which TKOC will guarantee the payment and performance obligations of EQUATE under each of the Transaction Documents to which it is a party.

As used herein, "**Tranche**" means Certificates which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Certificates together with any further Tranche or Tranches of Certificates which: (a) are expressed to be consolidated and form a single series; and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of Periodic Distribution Amounts (as defined below) thereon and the date from which Periodic Distribution Amounts start to accrue.

In these Conditions, references to "**Certificates**" shall be references to the Certificates (whether in global form as a Restricted Global Certificate (as defined herein) and/or an Unrestricted Global Certificate (as defined herein), as the context may require (each a "**Global Certificate**") or in definitive form as definitive Certificates (each an "**Individual Certificate**")) which are the subject of the applicable Final Terms.

1.2 ***Final Terms***: Certificates issued under the Programme are issued in Series. Each Series is the subject of final terms (the "**Final Terms**") which supplements these terms and conditions (the "**Conditions**"). Each Series may comprise one or more Tranches issued on different Issue Dates (as defined below). The terms and conditions applicable to any particular Series of Certificates are these Conditions as supplemented by the applicable Final Terms.

1.3 ***Trust Deed***: The Certificates are constituted by a master trust deed dated 15 December 2016 between the Trustee, EQUATE, TKOC and Citibank, N.A., London Branch in its capacity as donee of certain powers and as the Trustee's delegate (the "**Delegate**", which expression shall include all persons for the time being the delegate or delegates under such master trust deed) (the "**Master Trust Deed**") as supplemented by a supplemental trust deed entered into on the date of issue of the relevant Certificates (the "**Issue Date**") in respect of the relevant Series (the "**Supplemental Trust Deed**" and, together with the Master Trust Deed, the "**Trust Deed**").

1.4 ***Agency Agreement***: An agency agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 15 December 2016 has been entered into in relation to the Programme between the Trustee, EQUATE, TKOC, the Delegate, Citibank, N.A., London Branch as initial principal paying agent, paying agent, transfer agent and calculation agent, Citigroup Global Markets Deutschland AG as registrar and the other agents named in it.

1.5 ***Other Transaction Documents***: These Conditions are subject to the detailed provisions of the Trust Deed, the Agency Agreement and the other Transaction Documents (as defined below).

The Certificateholders (as defined below) are bound by, and are deemed to have notice of, all the provisions applicable to them in the Transaction Documents. Copies of the Transaction Documents are available for inspection, on prior notice, during normal business hours at the Specified Office of the Principal Paying Agent.

1.6 ***Authorisation***: Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders: (i) to apply the proceeds of the issue of the Certificates towards the purchase of the relevant Lease Assets and the entry into of a Commodity Murabaha Investment (in the proportions to be determined prior to the relevant Issue Date and otherwise in accordance with the provisions of the Transaction Documents); and (ii) to enter into each Transaction Document to which it is a party, subject to the terms and conditions of the Trust Deed and these Conditions.

2. **Definitions and Interpretation**

2.1 ***Definitions***: Unless defined herein or the context otherwise requires, capitalised words and expressions used but not defined herein shall have the meaning given to them in the Trust Deed and the Agency Agreement. In addition, for the purposes of these Conditions, the following expressions have the following meanings:

"**Additional Business Centre(s)**" means the city or cities specified as such in the applicable Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the applicable Final Terms;

"**Agents**" means the Principal Paying Agent, the Calculation Agents, the Registrars and the Transfer Agents or any of them and shall include such Agent or Agents as may be appointed from time to time under the Agency Agreement;

"**Authorised Signatory**" has the meaning given to it in the Master Trust Deed;

"**Broken Amount**" has the meaning given in the applicable Final Terms;

"**Business Day**" means:

(a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre and London; and

(b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre and London;

"**Business Day Convention**" has the meaning given to it in Condition 7.7 (*Business Day Convention*);

"**Calculation Agent**" means, in relation to any Series of Certificates, the institution appointed as calculation agent for the purposes of such Certificates and named as such in the applicable Final Terms, in the case of the Principal Paying Agent pursuant to the Agency Agreement, in the case of a Dealer, pursuant to the Programme Agreement;

"**Calculation Amount**" has the meaning given to in the applicable Final Terms;

"**Cancellation Notice**" means a cancellation notice given pursuant to the terms of the Sale Undertaking;

"**Certificateholder**" has the meaning given in Condition 3.2 (*Title to Certificates*);

"**Certificateholder Put Exercise Notice**" has the meaning given to it in Condition 8.4 (*Dissolution at the Option of Certificateholders (Certificateholder Put Right)*);

"**Certificateholder Put Right**" means the right specified in Condition 8.4 (*Dissolution at the Option of Certificateholders (Certificateholder Put Right)*);

"**Certificateholder Put Right Date**" means, in relation to any exercise of the Certificateholder Put Right, (i) in the case of Fixed Rate Certificates, any date, or the date(s) specified as such in the applicable Final Terms; and (ii) in the case of Floating Rate Certificates, any Periodic Distribution Date, or the Periodic Distribution Dates specified as such in the applicable Final Terms;

"**Change of Control Event**" shall occur: if Dow Europe Holding B.V. and Petrochemicals Industries Company K.S.C.C. cease to hold (directly or indirectly) beneficially more than 50 per cent. of the issued share capital of either EQUATE or TKOC, respectively;

"**Change of Control Exercise Notice**" has the meaning given to it in Condition 8.5 (*Dissolution of the Option of Certificateholders (Change of Control Put Right)*);

"**Change of Control Put Date**" shall be the date which is 10 Business Days after the expiry of the Change of Control Put Period;

"**Change of Control Put Event Notice**" has the meaning given to it in Condition 8.5 (*Dissolution of the Option of Certificateholders (Change of Control Put Right)*);

"**Change of Control Put Period**" has the meaning given to it in Condition 8.5 (*Dissolution of the Option of Certificateholders (Change of Control Put Right)*);

"**Change of Control Put Right**" means the right exercisable by Certificateholders pursuant to Condition 8.5 (*Dissolution of the Option of Certificateholders (Change of Control Put Right)*);

"**Clearstream, Luxembourg**" means Clearstream Banking S.A.;

"**Commodities**" means any of the commodities traded over the counter, which comprise any *Shari'a* compliant London Metal Exchange approved non-ferrous base metals, platinum group metals, or other *Shari'a* compliant commodities acceptable to EQUATE and the Trustee, which, in each case, must be kept in London Metal Exchange approved, non-United Kingdom bonded warehouses or secure vaults;

"**Commodity Agency Agreement**" means the commodity agency agreement dated 15 December 2016 between the Trustee and Citibank, N.A., London Branch;

"**Commodity Murabaha Investment**" means, in relation to a Series, the sale of certain Commodities by the Trustee to EQUATE (in its capacity as the Buyer (as defined in the Master Murabaha Agreement)), which Commodities were initially purchased by the Trustee using a proportion of the proceeds of the issue of the Certificates, pursuant to the Master Murabaha Agreement;

"**Commodity Purchase Agreement**" means the commodity purchase agreement dated 15 December 2016 between Citi Islamic Investment Bank E.C. and DD&CO Limited;

"**Commodity Sale Agreement**" means the commodity sale agreement dated 15 December 2016 between EQUATE and Condor Trade Limited;

"**Corporate Services Agreement**" means the corporate services agreement dated 22 November 2016 between the Trustee and the Corporate Service Provider;

"**Corporate Service Provider**" means Maples Fund Services (Middle East) Limited;

"**Day Count Fraction**" means, in respect of the calculation of an amount of profit on any Certificates for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting a Return Accumulation Period, the "**Calculation Period**"), such day count fraction as specified in the applicable Final Terms and:

(a) if "**Actual/Actual (ICMA)**"is so specified, means:

(i) where the Calculation Period is equal to or shorter than the Determination Period during which it falls, the actual number of days in the Calculation Period divided by the product of: (1) the actual number of days in such Determination Period; and (2) the number of Determination Periods in any year; and

(ii) where the Calculation Period is longer than one Determination Period, the sum of:

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

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

where:

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

"**Determination Date**" means the date(s) specified as such in the applicable Final Terms or, if none is so specified, the Periodic Distribution Date(s);

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

(c) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(d) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(e) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{\left[360 \times \left(Y_2 - Y_1\right)\right] + \left[30 \times \left[\left(M_2 - M_1\right)\right] + \left(D_2 - D_1\right)\right]}{360}$$

where:

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

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

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

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

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

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

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

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times [(M_2 - M_1)] + (D_2 - D_1)]}{360}$$

where:

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

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

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

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

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

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

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

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times [(M_2 - M_1)] + (D_2 - D_1)]}{360}$$

where:

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

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

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

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

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

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

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Deferred Sale Price**" means the deferred sale price payable by EQUATE to the Trustee in respect of the Commodity Murabaha Investment as further described in the Master Murabaha Agreement;

"**Delegation**" has the meaning given to it in Condition 17.1 (*Delegation of powers*);

"**Designated Maturity**" means the period of time specified as such in the applicable Final Terms;

"**Dissolution Date**" means, in relation to a particular Series, as the case may be:

(a) the Scheduled Dissolution Date;

(b) any Early Tax Dissolution Date;

(c) any Optional Dissolution Date;

(d) any Certificateholder Put Right Date;

(e) any Change of Control Put Date;

(f) any Dissolution Event Redemption Date;

(g) any Total Loss Event Dissolution Date; or

(h) such other date as specified in the applicable Final Terms for the redemption of Certificates and dissolution of the Trust in whole or in part prior to the Scheduled Dissolution Date;

"**Dissolution Distribution Amount**" means, in relation to each Certificate to be redeemed on the relevant Dissolution Date:

(a) the sum of:

  (i) the outstanding face amount of such Certificate; and

  (ii) any accrued but unpaid Periodic Distribution Amounts for such Certificate; or

(b) such other amount specified in the applicable Final Terms as being payable upon any Dissolution Date;

"**Dissolution Event**" means a Trustee Event, an EQUATE Event or a TKOC Event;

"**Dissolution Event Redemption Date**" has the meaning given to it in Condition 12.1 (*Dissolution Event*);

"**Dissolution Notice**" has the meaning given to it in Condition 12.1 (*Dissolution Event*);

"**DTC**" means The Depository Trust Company;

"**Early Tax Dissolution Date**" has the meaning given to it in Condition 8.2 (*Early Dissolution for Taxation Reasons*);

"**EQUATE Event**" means, with respect to any Series, any of the following events:

(a) *Non-Payment*: EQUATE fails to pay any amount in the nature of principal (corresponding to the Dissolution Distribution Amount payable by the Trustee under the Certificates) or profit (corresponding to the Periodic Distribution Amounts payable by the Trustee under the Certificates) payable by it pursuant to any Transaction Document to which it is a party on the due date for payment thereof and such failure has continued for a period of seven days in the case of principal or 14 in the case of payments in the nature of profit; or

(b) *Breach of Other Obligations*: EQUATE fails to perform, comply or observe any of its other obligations under the Transaction Documents to which it is a party which default is, in the opinion of the Delegate, incapable of remedy or, if in the opinion of the Delegate is capable of remedy, is not in the opinion of the Delegate remedied within 45 days after written notice of such default shall have been given to EQUATE by the Trustee (or the Delegate acting on behalf of the Trustee) requiring the same to be remedied; or

(c) *Cross-Acceleration*: (i) any Indebtedness or Sukuk Obligation of EQUATE or any Material Subsidiary for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any event of default or the like (howsoever described); or (ii) any such Indebtedness or Sukuk Obligation is not paid when due or, as the case may be, within any applicable grace period; or (iii) EQUATE or any Material Subsidiary fails to pay when due or, as the case may be, within any applicable grace period any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, save in each case where the liability in respect of the relevant Indebtedness or Sukuk Obligation, guarantee or indemnity is being contested by EQUATE or any Material Subsidiary, as the case may be, in good faith and by all appropriate means and **provided that** the aggregate amount of the relevant Indebtedness or Sukuk Obligation, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.$25,000,000 (or its equivalent in any other currency or currencies (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates)); or

(d) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or a substantial part of the property, assets or revenues of EQUATE or any Material Subsidiary and is not discharged, withdrawn or stayed within 60 days; or

(e) *Security Enforced*: any Security Interest, present or future, created or assumed by EQUATE or any Material Subsidiary and securing an amount which equals or exceeds U.S.$25,000,000 (or its equivalent in any other currency or currencies (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates)) becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person, but excluding the issue of any notification to EQUATE or any Material Subsidiary, as the case may be, that such Security Interest has become enforceable) unless the full amount of the debt which is secured by the relevant Security Interest is discharged within 30 days of the first date on which a step is taken to enforce the relevant Security Interest; or

(f) *Insolvency*: (i) EQUATE or any Material Subsidiary is (or is deemed by a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends (or is granted a suspension) or threatens to stop or suspend payment of all or a substantial part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of EQUATE or any Material Subsidiary; or (ii) any expropriation, attachment, sequestration, distress or execution (including by way of executory attachment or interlocutory attachment) affects any asset or assets of EQUATE or any Material Subsidiary having an aggregate value of U.S.$25,000,000 or more (or its equivalent in another currency or currencies) and is not discharged within 30 days; or

(g) *Winding-up*: an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of EQUATE or any Material Subsidiary, EQUATE or any Material Subsidiary shall apply or petition for a winding-up or administration order in respect of itself, which in each case (other than the appointment of an administrator) is not discharged within 30 days, or it ceases or through an official action of its board of directors threatens to cease to carry on all or a substantial part of its business or operations, and except for the purpose of and followed by: (i) a Permitted Reorganisation; or (ii) any other reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Certificateholders; or

(h) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable EQUATE to lawfully to enter into, exercise its rights and perform and comply with its respective obligations under the Certificates; (ii) to ensure that those obligations are legally binding and enforceable; and (iii) to make the Certificates admissible in evidence in the courts of the State of Kuwait (the "**Kuwaiti Courts**"), is not taken, fulfilled or done; or

(i) *Repudiation*: EQUATE repudiates or challenges, or does or causes to be done any act or thing evidencing an intention to repudiate or challenge, the Certificates or the relevant Transaction Document to which it is a party; or

(j) *Expropriation*: The authority or ability of EQUATE to conduct its business is limited or wholly or substantially curtailed by any seizure, expropriation, nationalisation, compulsory acquisition, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority or other person in relation to EQUATE or any of its assets or the shares in EQUATE (including without limitation the displacement of all or part of the management of EQUATE), if such acts or such curtailment has or is reasonably likely to adversely affect the interests of the Certificateholders in any material respect;

(k) *Illegality*: it is or will become unlawful for EQUATE to perform or comply with any one or more of its respective obligations under any of the Certificates or the Transaction Documents, **provided that** such unlawfulness has or is reasonably likely to affect the interests of the Certificateholders in any material respect; or

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

Pursuant to the Master Trust Deed, EQUATE has irrevocably undertaken to, upon the occurrence of a Permitted Reorganisation, assume, and to perform at the relevant time, any and all of the obligations of TKOC under the Master Trust Deed and each other Transaction Document to which TKOC is a party, and references in each Transaction Document to "TKOC", shall be to EQUATE;

"**Euroclear**" means Euroclear Bank SA/NV;

"**Exercise Notice**" means an exercise notice given pursuant to the terms of the Purchase Undertaking or the Sale Undertaking (as the case may be);

"**Extraordinary Resolution**" has the meaning given to it in the Trust Deed;

"**Finance Lease**" means any lease or hire purchase contract which would, in accordance with generally accepted accounting principles, be treated as a finance or capital lease;

"**Fixed Amount**" means the amount specified as such in the applicable Final Terms;

"**Fixed Rate Certificates**" means a Series in respect of which "Fixed Rate Certificate Provisions" are specified as applicable in the applicable Final Terms;

"**Floating Rate Certificates**" means a Series in respect of which "Floating Rate Certificate Provisions " are specified as applicable in the applicable Final Terms;

"**Global Certificate**" means a certificate in global form representing Certificates of the same Series that are registered in the name of a nominee for a common depository for Euroclear and/or Clearstream, Luxembourg;

"**Group**" collectively, the Trustee, TKOC and EQUATE and any of their consolidated subsidiaries and associates;

"**Holder**" has the meaning given in Condition 3.2 (*Title to Certificates*);

"**IFRS**" means International Financial Reporting Standards;

"**Indebtedness**" means any debt or other financing arrangement issued (or intended to be issued) in compliance with the principles of *Shari'a*, whether entered into directly or indirectly by the Trustee or either Obligor, as the case may be;

"**Individual Certificate**" means a certificate in definitive registered form issued by the Trustee in accordance with the provisions of the Master Trust Deed in exchange for a Global Certificate;

"**Initial Lease Assets**" means, in relation to each Series, the Lease Assets specified as such in the relevant supplemental purchase agreement;

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the Certificates of the relevant Series (as specified in the applicable Final Terms) as published by the International Swaps and Derivatives Association, Inc.) unless otherwise specified in the applicable Final Terms;

"**Issue Date**" has the meaning given to it in Condition 1.3 (*Trust Deed*);

"**Lease Assets**" has the meaning given to it in the Master Purchase Agreement;

"**Liability**" means any loss, damage, cost, charge, claim, demand, expense, fee, judgment, action, proceeding or other liability whatsoever (including, without limitation in respect of taxes) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis and references to "**Liabilities**" shall mean all of these;

"**Linear Interpolation Designated Maturity**" means the period of time designated in the relevant Reference Rate;

"**Local Banking Day**" means a day (other than a Saturday or a Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the city in which the Principal Paying Agent has its Specified Office;

"**Margin**" has the meaning given in the applicable Final Terms;

"**Master Lease Agreement**" means the master lease agreement dated 15 December 2016 between the Trustee (as lessor) and EQUATE (as lessee);

"**Master Murabaha Agreement**" means the master murabaha agreement dated 15 December 2016 and made between the Trustee and EQUATE (as buyer);

"**Master Purchase Agreement**" means the master purchase agreement dated 15 December 2016 between the Trustee (as purchaser) and EQUATE (as seller);

"**Material Subsidiary**" has the meaning given to it in Condition 6.2 (*Negative Pledge*);

"**Maximum Optional Dissolution Amount**" means the amount specified as such in the applicable Final Terms;

"**Minimum Optional Dissolution Amount**" means the amount specified as such in the applicable Final Terms;

"**Optional Dissolution Date**" means, in relation to any exercise of the Optional Dissolution Right, (i) in the case of Fixed Rate Certificates, any date, or the date(s) specified as such in the applicable Final Terms; and (ii) in the case of Floating Rate Certificates, any Periodic Distribution Date, or the Periodic Distribution Dates specified as such in the applicable Final Terms;

"**Optional Dissolution Right**" means the right specified in Condition 8.3 (*Dissolution at the Option of EQUATE (Optional Dissolution Right)*);

"**outstanding**" shall have the meaning given to it in the Trust Deed;

"**Paying Agents**" means the Principal Paying Agent and such further or other paying agent or agents as may be appointed from time to time under the Agency Agreement;

"**Payment Business Day**" means:

(a) if the currency of payment is euro, any day which is: (i) a TARGET Settlement Day; and (ii) a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(b) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Periodic Distribution Amount**" has the applicable meanings given to it in Condition 7 (*Periodic Distribution Amounts*);

"**Periodic Distribution Date**" means the date or dates specified as such in the applicable Final Terms;

"**Permitted Reorganisation**" means the merger of TKOC into EQUATE, or the solvent liquidation of TKOC so long as any payments or assets distributed as a result of that liquidation are distributed to EQUATE;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency **provided, however, that**:

(a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"**Principal Paying Agent**" means Citibank, N.A.., London Branch or any successor appointed as principal paying agent under the Programme pursuant to the Agency Agreement in respect of each Series of Certificates in its capacities: as (i) principal paying agent for such Series; and (ii) as the account bank with which the Transaction Account for each such Series is established;

"**Proceedings**" has the meaning given to it in Condition 22.5(c) (*Court Proceedings*);

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

"**Profit Period Date**" means each Periodic Distribution Date unless otherwise specified in the applicable Final Terms;

"**Profit Rate**" means the profit rate payable from time to time in respect of the Certificates and that is either specified in the applicable Final Terms or calculated or determined in accordance with the provisions hereof;

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

"**Purchase Undertaking**" means the purchase undertaking dated 15 December 2016 and granted by EQUATE for the benefit of the Trustee and the Delegate;

"**Record Date**" has the meaning given to it in Condition 9.4 (*Record Date*);

"**Reference Banks**" has the meaning given in the applicable Final Terms or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the applicable Final Terms;

"**Reference Rate**" means one of the following benchmark rates (as specified in the applicable Final Terms) in respect of the currency and period specified in the applicable Final Terms:

(a) Euro-Zone interbank offered rate ("**EURIBOR**");

(b) London interbank bid rate ("**LIBID**");

(c) London interbank offered rate ("**LIBOR**");

(d) London interbank mean rate ("**LIMEAN**");

(e) Hong Kong interbank offered rate ("**HIBOR**");

(f) Singapore interbank offered rate ("**SIBOR**");

(g) Australian dollar LIBOR ("**AUD LIBOR**")

(h) Japanese Yen LIBOR ("**JPY LIBOR**")

(i) CNH Hong Kong interbank offered rate ("**CNH HIBOR**");

(j) Tokyo interbank offered rate ("**TIBOR**");

(k) British pound sterling LIBOR ("**GBP LIBOR**");

(l) Swiss franc LIBOR ("**CHF LIBOR**"); and

(m) Canadian dollar LIBOR ("**CAD LIBOR**");

"**Register**" has the meaning given to it in Condition 3.3 (*Ownership*);

"**Registered Office Agreement**" means the registered office agreement dated 22 November 2016 between the Trustee and the Corporate Service Provider;

"**Registrar**" means, in respect of each Series of Certificates, Citigroup Global Markets Deutschland AG or any successors thereto in each case as registrar under the Agency Agreement (or such other registrar as may be appointed from time to time either generally in relation to the Programme or in relation to a specific Series);

"**Relevant Date**" means, in relation to any payment, whichever is the later of: (a) the date on which the payment in question first becomes due; and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Certificateholders;

"**Relevant Jurisdictions**" means: (i) in the case of the Trustee, the Dubai International Financial Centre (the "**DIFC**") or any political subdivision or any authority thereof or therein having power to tax; or (ii) in the case of each of EQUATE and TKOC, the State of Kuwait ("**Kuwait**") or any political subdivision or any authority thereof or therein having the power to tax;

"**Relevant Powers**" has the meaning given to it in Condition 17.1 (*Delegation of powers*);

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the applicable Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the applicable Final Terms;

"**Reserved Matter**" has the meaning given to it in Condition 16.1 (*Meetings of Certificateholders*);

"**Restricted Global Certificate**" means the Certificates of each Series sold to QIBs who are also QPs in reliance on Rule 144A in registered form;

"**Return Accumulation Period**" means the period beginning on (and including) the Profit Commencement Date and ending on (but excluding) the first Periodic Distribution Date and each successive period beginning on (and including) a Periodic Distribution Date and ending on (but excluding) the next succeeding Periodic Distribution Date;

"**Sale Undertaking**" means the sale undertaking dated 15 December 2016 and granted by the Trustee for the benefit of EQUATE;

"**Scheduled Dissolution Date**" means the date specified as such in the applicable Final Terms;

"**Security Interest**" has the meaning given to it in Condition 6.2 (*Negative Pledge*);

"**Service Agency Agreement**" means the service agency agreement dated 15 December 2016 between the Trustee and the Service Agent;

"**Service Agent**" means EQUATE acting in its capacity as service agent under the Service Agency Agreement;

"**Specified Currency**" means the currency specified as such in the applicable Final Terms or, if none is specified, the currency in which the Certificates are denominated;

"**Specified Denominations**" means the amount(s) specified as such in the applicable Final Terms;

"**specified office**" has the meaning given in the Agency Agreement;

"**TARGET Business Day**" means a day on which TARGET2 is operating;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 or any successor thereto;

"**TKOC Event**" means, with respect to any Series, any of the following events:

(a) *Non-Payment*: TKOC fails to pay any amount in the nature of principal (corresponding to the Dissolution Distribution Amount payable by the Trustee under the Certificates) or profit (corresponding to the Periodic Distribution Amounts payable by the Trustee under the Certificates) payable by it pursuant to any Transaction Document to which it is a party on the due date for payment thereof and such failure has continued for a period of seven days in the case of principal or 14 days in the case of payments in the nature of profit; or

(b) *Breach of Other Obligations*: TKOC fails to perform, comply or observe any of its other obligations under the Transaction Documents to which it is a party which default is, in the opinion of the Delegate, incapable of remedy or, if in the opinion of the Delegate is capable of remedy, is not in the opinion of the Delegate remedied within 45 days after written notice of such default shall have been given to TKOC by the Trustee (or the Delegate acting on behalf of the Trustee) requiring the same to be remedied; or

(c) *Cross-Acceleration*: (i) any Indebtedness or Sukuk Obligation of TKOC or any Material Subsidiary for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any event of default or the like (howsoever described); or (ii) any such Indebtedness or Sukuk Obligation is not paid when due or, as the case may be, within any applicable grace period; or (iii) TKOC or any Material Subsidiary fails to pay when due or, as the case may be, within any applicable grace period any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, save in each case where the liability in respect of the relevant Indebtedness or Sukuk Obligation, guarantee or indemnity is being contested by TKOC or any Material Subsidiary, as the case may be, in good faith and by all appropriate means and **provided that** the aggregate amount of the relevant Indebtedness or Sukuk Obligation, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.$25,000,000 (or its equivalent in any other currency or currencies (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates)); or

(d) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or a substantial part of the property, assets or revenues of TKOC or any Material Subsidiary and is not discharged, withdrawn or stayed within 60 days; or

(e) *Security Enforced*: any Security Interest, present or future, created or assumed by TKOC or any Material Subsidiary and securing an amount which equals or exceeds U.S.$25,000,000 (or its equivalent in any other currency or currencies (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates)) becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person, but excluding the issue of any notification to TKOC or any Material Subsidiary, as the case may be, that such Security Interest has become enforceable) unless the full amount of the debt which is secured by the relevant Security Interest is discharged within 30 days of the first date on which a step is taken to enforce the relevant Security Interest; or

(f) *Insolvency*: (i) TKOC or any Material Subsidiary is (or is deemed by a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends (or is granted a suspension) or threatens to stop or suspend payment of all or a substantial part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of TKOC or any Material Subsidiary; or (ii) any expropriation, attachment, sequestration, distress or execution (including by way of executory attachment or interlocutory attachment) affects any asset or assets of TKOC or any Material Subsidiary having an aggregate value of

U.S.$25,000,000 or more (or its equivalent in another currency or currencies) and is not discharged within 30 days; or

(g) *Winding-up*: an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of TKOC or any Material Subsidiary, TKOC or any Material Subsidiary shall apply or petition for a winding-up or administration order in respect of itself, which in each case (other than the appointment of an administrator) is not discharged within 30 days, or it ceases or through an official action of its board of directors threatens to cease to carry on all or a substantial part of its business or operations, and except for the purpose of and followed by: (i) a Permitted Reorganisation; or (ii) any other reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Certificateholders; or

(h) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable TKOC to lawfully to enter into, exercise its rights and perform and comply with its respective obligations under the Certificates; (ii) to ensure that those obligations are legally binding and enforceable; and (iii) to make the Certificates admissible in evidence in the Kuwaiti Courts, is not taken, fulfilled or done; or

(i) *Repudiation*: TKOC repudiates or challenges, or does or causes to be done any act or thing evidencing an intention to repudiate or challenge, the Certificates or the relevant Transaction Documents to which it is a party; or

(j) *Expropriation*: The authority or ability of TKOC to conduct its business is limited or wholly or substantially curtailed by any seizure, expropriation, nationalisation, compulsory acquisition, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority or other person in relation to TKOC or any of its assets or the shares in the TKOC (including without limitation the displacement of all or part of the management of TKOC), if such acts or such curtailment has or is reasonably likely to adversely affect the interests of the Certificateholders in any material respect; or

(k) *Illegality*: it is or will become unlawful for TKOC to perform or comply with any one or more of its respective obligations under any of the Certificates or the Transaction Documents, **provided that** such unlawfulness has or is reasonably likely to affect the interests of the Certificateholders in any material respect; or

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

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

"**Total Loss Event**" means, in relation to each Series: (i) the total loss or destruction of, or damage to the whole of, the Lease Assets of that Series or any event or occurrence which renders the whole of the Lease Assets of that Series permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted by any third party in respect of the Lease Assets of that Series) the repair or remedial work in respect thereof is wholly uneconomical; or (ii) the expropriation, nationalisation, requisition, confiscation, attachment, sequestration or execution of any legal process in respect of the whole of the Lease Assets of that Series;

"**Total Loss Event Dissolution Date**" has the meaning given to it in Condition 8.6 (*Dissolution following a Total Loss Event*);

"**Total Loss Event Notice**" has the meaning given to it in Condition 8.6 (*Dissolution following a Total Loss Event*);

"**Total Loss Shortfall Amount**" has the meaning given to it in the Master Lease Agreement;

"**Transaction Account**" means, in relation to a particular Series, the non-interest bearing transaction account established by the Trustee and held with Citibank, N.A., London Branch denominated in the Specified Currency, details of which are set out in the applicable Final Terms into which, among other things, EQUATE will deposit all amounts due to the Trustee under the Transaction Documents;

"**Transaction Documents**" means, in relation to each Series:

(a) the Master Trust Deed as supplemented by the relevant Supplemental Trust Deed;

(b) the Agency Agreement;

(c) the Master Purchase Agreement as supplemented by the applicable supplemental purchase agreement;

(d) the Master Lease Agreement as supplemented by the applicable supplemental lease agreement;

(e) the Sale Undertaking (together with each relevant sale/transfer agreement executed upon exercise of the Sale Undertaking);

(f) the Purchase Undertaking (together with each relevant sale/transfer agreement executed upon exercise of the Purchase Undertaking);

(g) the Master Murabaha Agreement;

(h) the Service Agency Agreement;

(together with all offers, acceptances and confirmations delivered pursuant to any of the foregoing in connection with the relevant Series);

(i) the Commodity Agency Agreement;

(j) the Commodity Sale Agreement; and

(k) the Commodity Purchase Agreement;

"**Transfer Agent**" means, in respect of each Series of Certificates, Citibank, N.A., London Branch or any successors thereto in each case as transfer agent under the Agency Agreement (and such further or other transfer agents as may be appointed from time to time either generally in relation to the Programme or in relation to a specific Series);

"**Trust**" means, in respect of a Series, the trust created by the Trustee over the Trust Assets pursuant to the Trust Deed;

"**Trust Assets**" has the meaning given to it in Condition 5.1 (*Trust Assets*);

"**Trustee Event**" means any of the following events:

(a) *Non-payment*: the Trustee fails to pay any Dissolution Distribution Amount, any Periodic Distribution Amount or any other amount (whether in the nature of principal or profit or otherwise) in respect of the Certificates on the due date for payment thereof and such failure has continued for a period of seven days in the case of any Dissolution Distribution Amount or 14 days in the case of any Periodic Distribution Amount; or

(b) *Breach of other obligations*: the Trustee does not perform, comply with or observe any one or more of its other duties, obligations or undertakings in respect of the Transaction Documents which default is, in the opinion of the Delegate, incapable of remedy, or, if in the opinion of the Delegate is capable of remedy is not, in the opinion of the Delegate, remedied within the period of 45 days after written notice of such default shall have been given by the Delegate to the Trustee requiring the same to be remedied; or

(c) *Enforcement Proceedings*: any distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Trustee and is not discharged or stayed within 60 days; or

(d) *Insolvency*: the Trustee is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or any part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Trustee; or

(e) *Winding-up*: an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Trustee, or the Trustee shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved by an Extraordinary Resolution of the Certificateholders or the Delegate; or

(f) *Illegality*: it is or will become unlawful for the Trustee to perform or comply with any one or more of its respective obligations under any of the Certificates or the Transaction Documents, **provided that** such unlawfulness has or is reasonably likely to affect the interests of the Certificateholders in any material respect; or

(g) *Analogous Events*: any event occurs which under the laws of the DIFC has an analogous effect to any of the events referred to in paragraphs (c) to (e) (inclusive) above.

For the purpose of paragraph (a) (*Non-payment*) above of this definition, all amounts payable in respect of the Certificates shall be considered due and payable (including any amounts expressed to be payable under Condition 7 (*Periodic Distribution Amounts*)) notwithstanding that the Trustee has at the relevant time insufficient funds or relevant Trust Assets to pay such amounts (whether as a result of the application of Condition 5.2 (*Application of Proceeds from Trust Assets*) or otherwise) subject always to Condition 4.3 (*Limited Recourse*); and

"**Unrestricted Global Certificate**" means the Certificates of each Series offered and sold in reliance on Regulation S, which will be sold to persons who are not U.S. persons outside the United States, in registered form.

2.2 **Interpretation**

In these Conditions:

(a) all references to "**Euroclear**" and/or "**Clearstream, Luxembourg**" and/or "**DTC**" shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms;

(b) all references to the "**face amount**" of a Certificate shall be deemed to include the relevant Dissolution Distribution Amount, any additional amounts (other than relating to Periodic Distribution Amounts) which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of face amounts payable pursuant to these Conditions;

(c) all references to "**Periodic Distribution Amounts**" shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of a profit distribution payable pursuant to these Conditions;

(d) all references to "**ISDA**" and related terms are only included for the purposes of benchmarking;

(e) if an expression is stated in Condition 2.1 (*Definitions*) to have the meaning given in the applicable Final Terms, but the applicable Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Certificates; and

(f) any reference to any "**Transaction Document**" shall be construed as a reference to such Transaction Document as amended and/or supplemented up to and including the Issue Date of the Certificates.

3. Form, Denomination, Title and Transfer

3.1 ***Certificates***: The Certificates are issued in registered form in the Specified Denomination(s), which may include a minimum denomination specified in the applicable Final Terms and higher integral multiples of a smaller amount specified in the applicable Final Terms, and, in the case of Certificates in definitive form, are serially numbered.

These Conditions are modified by certain provisions contained in the Global Certificate. Except in limited circumstances, owners of interests in the Global Certificate will not be entitled to receive definitive certificates representing their holdings of Certificates. In the case of Certificates in definitive form, an Individual Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates.

3.2 ***Title to Certificates***: Upon issue, the Certificates will be represented by a Global Certificate which will be deposited with, and registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg in the case of the Unrestricted Global Certificate or DTC in the case of a Restricted Global Certificate, as the case may be. For so long as any of the Certificates are represented by a Global Certificate held on behalf of Euroclear, Clearstream, Luxembourg and/or DTC ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear, Clearstream, Luxembourg and/or DTC and their respective participants. Each person (other than the relevant clearing system) who is for the time being shown in such records as the holder of a particular face amount of Certificates (in which regard any certificate or other document issued by the relevant clearing system as to the face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of such face amount of such certificates for all purposes other than with respect to payment in respect of such Certificates, for which purpose the registered holder of the Global Certificate shall be treated as the holder of such face amount of such Certificates in accordance with and subject to the terms of the relevant Global Certificate and the expressions "**Holder**" and "**Certificateholder**" in relation to any Certificates and related expressions shall be construed accordingly.

3.3 ***Ownership***: The Registrar will maintain a register of Certificateholders outside the United Kingdom in accordance with the provisions of the Agency Agreement (the "**Register**"). The Trustee, EQUATE, TKOC, the Delegate and the Agents may (to the fullest extent permitted by applicable laws) deem and treat the person in whose name any outstanding Certificates are for the time being registered (as set out in the Register) as the Holder of such certificates or of a particular face amount of the Certificates for all purposes (whether or not such Certificates or face amount shall be overdue and notwithstanding any notice of ownership thereof or of trust or other interest with regard thereto, and any notice of loss or theft or any writing thereon), and the Trustee, EQUATE, TKOC, the Delegate and the Agents shall not be affected by any notice to the contrary. All payments made to such registered Holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for monies payable in respect of such Certificates or face amount.

No person shall have any right to enforce any term or condition of any Certificates under the Contracts (Rights of Third Parties) Act 1999. The Holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

3.4 ***Transfers of Certificates***:

Subject to Conditions 3.7 (*Closed periods*) and 3.8 (*Regulations Concerning Transfers and Registration*) below:

(a) *Transfers of beneficial interests in the Global Certificate*: Transfers of beneficial interests in the Global Certificate will be effected by Euroclear, Clearstream, Luxembourg and/or DTC (as applicable) and in turn by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in the Global Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Certificates in definitive form only in the Specified Denomination or integral multiples thereof and only in accordance with the rules and operating procedures for the time being of Euroclear, Clearstream, Luxembourg and/or DTC (as applicable) and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

(b) *Transfers of Certificates in definitive form*: Upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Certificate in definitive form may be transferred in whole or in part (in the Specified Denomination or an integral multiple thereof). In order to effect any such transfer the Holder or Holders must: (i) surrender the Individual Certificate for registration of the transfer thereof (or the relevant part thereof) at the Specified Office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the Holder or Holders thereof or his or their attorney or attorneys duly authorised in writing; and (ii) complete and deposit such other evidence to prove the title of the transferor and the authority of the individuals who have executed the form of transfer as may be reasonably required by the Registrar or (as the case may be) the relevant Transfer Agent. Any such transfer will be subject to such reasonable regulations as the Trustee, EQUATE, the Delegate and the Registrar may from time to time prescribe.

Subject as provided above, the Registrar or (as the case may be) the relevant Transfer Agent will, as soon as reasonably practicable, and in any event within three business days (being for this purpose a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), and following receipt of a signed new Individual Certificate from the Trustee, deliver at its Specified Office to the transferee or (at the risk of the transferee) send by regular uninsured first class mail (airmail if overseas) to such address as the transferee may request a new Individual Certificate of a like aggregate face amount to the Certificates (or the relevant part of the Certificates) transferred. In the case of the transfer of part only of an Individual Certificate, a new Individual Certificate in respect of the balance of the Certificates not transferred will be so delivered or (at the risk of the transferor) sent to the transferor.

3.5 ***Exercise of Options or Partial Dissolution in Respect of Certificates***: In the case of an exercise of the Trustee's, EQUATE's or a Certificateholder's option in respect of, or a partial redemption of, a holding of Certificates, the Registrar will update the entries on the Register accordingly and, in the case of Individual Certificates, new Individual Certificates shall be issued to the Holders to reflect the exercise of such option or in respect of the balance of the holding for which no payment was made. New Individual Certificates shall only be issued against surrender of the existing Individual Certificates to the Registrar or any Transfer Agent.

3.6 ***No Charge***: The transfer of a Certificate, exercise of an option or partial dissolution will be effected without charge by or on behalf of the Trustee, EQUATE or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer. Certificateholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured first class mail (airmail if overseas).

3.7 *Closed Periods*: Certificateholders may not require transfers to be registered:

(a) during the period of 15 days ending on (and including) the due date for payment of any Dissolution Distribution Amount or Periodic Distribution Amount or any other date on which any payment of the face amount or payment of any profit in respect of the relevant Certificates falls due;

(b) during the period of 15 days ending on (and including) any date on which the relevant Certificates may be called for redemption by the Trustee or EQUATE at its option pursuant to Condition 8.2 (*Early Dissolution for Taxation Reasons*) or Condition 8.3 (*Dissolution at the Option of EQUATE (Optional Dissolution Right)*); or

(c) after a Certificateholder Put Exercise Notice has been delivered in respect of the relevant Certificate(s) in accordance with Condition 8.4 (*Dissolution at the Option of Certificateholders (Certificateholder Put Right)*) or, as the case may be, after a Change of Control Exercise Notice has been delivered in respect of the relevant Certificate(s) in accordance with Condition 8.5 (*Dissolution at the Option of Certificateholders (Change of Control Put Right)*).

3.8 ***Regulations Concerning Transfers and Registration***: All transfers of Certificates and entries on the Register are subject to the detailed regulations concerning the transfer of Certificates scheduled to the Agency Agreement. The regulations may be changed by the Trustee, with the prior written approval of the Registrar and the Delegate or by the Registrar with the prior written approval of the Delegate, **provided that** any such change is not materially prejudicial to the interests of the Certificateholders. A copy of the current regulations will be mailed (free of charge to the Certificateholder by uninsured first class mail (airmail if overseas)) by the Registrar to any Certificateholder who requests in writing a copy of such regulations.

4. **Status, Guarantee and Limited Recourse**

4.1 ***Status***: The Certificates represent an undivided beneficial ownership interest in the relevant Trust Assets and are direct, unsecured and limited recourse obligations of the Trustee. Each Certificate shall, save for such exceptions as may be provided by applicable legislation that is both mandatory and of general application, at all times rank *pari passu* and without any preference or priority with all other Certificates of the relevant Series.

4.2 ***Guarantee***: The obligations of EQUATE under the relevant Transaction Documents are direct, unsecured and unsubordinated, and are unconditionally and irrevocably guaranteed by TKOC pursuant to the Master Trust Deed. The proceeds received by or on behalf of the Trustee (or the Delegate, as applicable) upon enforcement of TKOC's obligations under the Master Trust Deed shall be paid into the Transaction Account for distribution to the Certificateholders in accordance with these Conditions.

4.3 ***Limited Recourse***: Save as provided in this Condition 4.3, the Certificates do not represent an interest in or obligation of any of the Trustee, the Delegate, EQUATE (acting in any capacity), TKOC, any of the Agents or any of their respective affiliates. The proceeds of the relevant Trust Assets are the sole source of payments on the Certificates of each Series. The net proceeds of the realisation of, or enforcement with respect to, the relevant Trust Assets may not be sufficient to make all payments due in respect of the Certificates. Subject to Condition 12 (*Dissolution Events*), Certificateholders, by subscribing for or acquiring the Certificates, acknowledge that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

(a) no payment of any amount whatsoever shall be made by the Trustee, EQUATE (acting in any capacity), TKOC or the Delegate or any directors, officers, employees or agents on their behalf except: (i) in the case of the Trustee, to the extent funds are available therefor from the relevant Trust Assets; (ii) in the case of EQUATE (acting in any capacity), to the extent that it fulfils all of its obligations under the Transaction Documents; or (iii) in the case of TKOC, to the extent that it fulfils all of its obligations under the Master Trust Deed. The Certificateholders further acknowledge and agree that no recourse shall be had for the payment of any amount due and payable hereunder or under any Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee or the Delegate to the extent the relevant Trust Assets have been exhausted, following which all obligations of the Trustee, EQUATE and TKOC shall be extinguished;

(b) the Trustee may not sell, transfer, assign or otherwise dispose of the Trust Assets or any part thereof (save as permitted pursuant to the Sale Undertaking and the Purchase Undertaking) to a third party, and may only realise its interests, rights, title, benefits and entitlements, present and future, in, to and under the Trust Assets in the manner expressly provided in the Transaction Documents;

(c) if the proceeds of the Trust Assets are insufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (other than the relevant Trust Assets), EQUATE (acting in any capacity) (to the extent it fulfils its obligations under the Transaction Documents to which it is a party), TKOC (to the extent it fulfils its obligations under the Transaction Documents to which it is a party) or the Delegate or the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates, in respect of any shortfall or otherwise and any unsatisfied claims of the Certificateholders shall be extinguished;

(d) no Certificateholders will be able to petition for, institute, or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee, EQUATE (acting in any capacity) (to the extent it fulfils its obligations under the Transaction Documents to which it is a party), TKOC (to the extent it fulfils its obligations under the Transaction Documents to which it is a party) (and/or each of their respective directors), the Delegate, the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates as a consequence of such shortfall or otherwise;

(e) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee, EQUATE (acting in any capacity) (to the extent it fulfils its obligations under the Transaction Documents to which it is a party), TKOC (to the extent it fulfils its obligations under the Transaction Documents to which it is a party) or the Delegate arising under or in connection with the Transaction Documents by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, employee, agent, director or corporate services provider of the Trustee, EQUATE (acting in any capacity) (to the extent it fulfils its obligations under the Transaction Documents to which it is a party), TKOC (to the extent it fulfils its obligations under the Transaction Documents to which it is a party) or the Delegate in their capacity as such for any breaches by the Trustee, EQUATE (acting in any capacity) (to the extent it fulfils its obligations under the Transaction Documents to which it is a party), TKOC (to the extent it fulfils its obligations under the Transaction Documents to which it is a party) or Delegate and any and all personal liability of every such shareholder, officer, employee, agent, director or corporate services provider in their capacity as such for any breaches by the Trustee, EQUATE (acting in any capacity) (to the extent it fulfils its obligations under the Transaction Documents to which it is a party), TKOC (to the extent it fulfils its obligations under the Transaction Documents to which it is a party) or the Delegate of any such duty, obligation or undertaking is expressly waived and excluded to the extent permitted by law. The obligations of the Trustee, EQUATE (acting in any capacity), TKOC and the Delegate under the Transaction Documents are corporate or limited liability obligations of the Trustee, EQUATE (acting in any capacity), TKOC and no personal liability shall attach to or be incurred by the shareholders, members, officers, employees, agents (excluding those appointed or employed pursuant to the Agency Agreement), directors or corporate services provider of the Trustee, EQUATE (acting in any capacity), TKOC, save in the case of their wilful default or actual fraud (and in the case of the shareholders, members, officers, employees of the Delegate or Agents appointed or employed pursuant to the Agency Agreement in any circumstance).

Reference in this Condition 4.3 to wilful default, fraud or actual fraud (as applicable) means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and

(f) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Certificates. No collateral is or will be given for the payment obligations of the Trustee under the Certificates (without prejudice to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*)).

5. **The Trust**

5.1 ***Trust Assets***: Pursuant to the Trust Deed, the Trustee holds the Trust Assets for each Series upon trust absolutely for and on behalf of the Certificateholders of such Series *pro rata* according to the face amount of Certificates held by each holder. The term "**Trust Assets**" in respect of each Series means the following:

(a) the cash proceeds of the issue of the Certificates, pending the application thereof in accordance with the terms of the Transaction Documents;

(b) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Trust Assets from time to time (excluding any representations given by EQUATE to the Trustee and/or the Delegate under any documents constituting the Trust Assets from time to time);

(c) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding: (i) any representations given by EQUATE to the Trustee and/or the Delegate pursuant to any of the Transaction Documents or the covenant given to the Trustee pursuant to Clause 12.3 of the Master Trust Deed; and (ii) the Guarantee given by TKOC for the obligations of EQUATE under the Transaction Documents);

(d) all moneys standing to the credit of the Transaction Account from time to time; and

(e) all proceeds of the foregoing.

5.2 ***Application of Proceeds from Trust Assets***: On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the relevant Transaction Account in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

(a) *first*, (to the extent not previously paid) to the Delegate in respect of all amounts payable to it under the Transaction Documents in its capacity as Delegate (including any amounts payable to the Delegate in respect of its Appointees (as defined in the Master Trust Deed)) and to any receiver, manager or administrative receiver or any other analogous officer appointed in respect of the Trust by the Delegate in accordance with the Trust Deed;

(b) *second*, only if such payment is due on a Periodic Distribution Date (to the extent not previously paid) to pay *pro rata* and *pari passu*: (i) the Trustee in respect of all properly incurred and documented amounts payable to it under the Transaction Documents in its capacity as Trustee; (ii) each Agent in respect of all amounts payable to such Agent on account of its fees, costs, indemnities, charges and expenses and the payment or satisfaction of any Liability incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent; and (iii) the Corporate Service Provider in respect of all amounts payable to it on account of its fees, costs, charges and expenses and the payment or satisfaction of any Liability incurred by the Corporate Service Provider pursuant to the Corporate Services Agreement and the Registered Office Agreement;

(c) *third*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;

(d) *fourth*, only if such payment is due on a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the relevant Dissolution Distribution Amount; and

(e) *fifth*, only on the Scheduled Dissolution Date (or any earlier date on which the Certificates are redeemed in full) and **provided that** all amounts required to be paid on the Certificates hereunder have been discharged in full, in payment of any residual amount to EQUATE in its capacity as Service Agent as an incentive fee for its performance under the Service Agency Agreement.

5.3 ***Transaction Account***: The Trustee will establish a Transaction Account in respect of each Series prior to the relevant Issue Date. The Transaction Account shall be operated by the Principal Paying Agent on behalf of the Trustee for the benefit of Certificateholders into which EQUATE will deposit all amounts payable by it to the Trustee pursuant to the terms of the Transaction Documents. In addition, any amounts due from TKOC under the relevant Trust Deed will be paid into the Transaction Account.

6. Covenants

6.1 ***Trustee Covenants***: In addition to the Trustee's covenants contained in clause 12.3 (*Trustee Covenants*) of the Master Trust Deed, the Trustee covenants that for so long as any Certificates are outstanding, it shall not (without the prior written consent of the Delegate):

(a) incur any Indebtedness (including any Sukuk Obligation) in respect of financed, borrowed or raised money whatsoever (whether structured (or intended to be structured) in accordance with the principles of *Shari'a* or otherwise), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;

(b) secure any of its present or future Indebtedness by any lien, pledge, charge or other Security Interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) and other than under or pursuant to any of the Transaction Documents);

(c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by Security Interest, preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interests in any of the Trust Assets except pursuant to any of the Transaction Documents;

(d) except as provided in Condition 16 (*Meetings of Certificateholders, Modification and Waiver*), amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;

(e) except as provided in the Trust Deed, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;

(f) have any subsidiaries or employees;

(g) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;

(h) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;

(i) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or

(j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or as expressly contemplated, permitted or required thereunder or engage in any business or activity other than:

(i) as contemplated, provided for or permitted in the Transaction Documents;

(ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and

(iii) such other matters which are incidental thereto.

6.2 ***Negative Pledge***:

So long as any Certificate remains outstanding (as defined in the Master Trust Deed), none of TKOC or EQUATE will, and each of TKOC or EQUATE shall procure that no Material Subsidiary will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**"), other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or Sukuk Obligation, or any guarantee or indemnity in respect of any Relevant Indebtedness or Sukuk Obligation, without at the same time or prior thereto according to the Certificates the same Security Interest as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other Security Interest as shall be approved by an Extraordinary Resolution (as defined in the Master Trust Deed) of the Certificateholders.

In addition, each of EQUATE and TKOC have agreed in Clause 4.1 of the Master Trust Deed that, so long as any Certificate remains outstanding, each of EQUATE and TKOC will not, and shall procure that no member of the Group shall, enter into any Asset Sale, other than a Permitted Asset Sale, in respect of an asset with a book value that exceeds 10 per cent. of the consolidated total assets of EQUATE and TKOC (as determined by reference to the Joint Accounts unless the net proceeds of such sale are at least equal to the fair value (as determined by the board of directors of the relevant company) of such asset). For this purpose:

*"**Accounting Principles**" means IFRS (or, in the case of the Joint Accounts, IFRS in relation to the consolidated accounts of EQUATE and TKOC used to compile such Joint Accounts).*

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

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

*"**Financial Year**" means the annual accounting period of the Group and the TKOC Group ending on 31 December in each year.*

*"**Joint Accounts**" means the unaudited joint combined financial statements of EQUATE and TKOC (which shall be prepared in accordance with the Accounting Principles by any reputable international firm of qualified accountants with appropriate expertise and experience to perform the role of auditor for either EQUATE or TKOC, using EQUATE's and TKOC's respective audited consolidated (in the case of TKOC only, to the extent it has any Subsidiaries) financial data for the relevant period) for that Financial Year.*

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

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

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

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

(d) *or such Asset Sale as approved by Extraordinary Resolution; and*

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

In these Conditions:

(a) "**Accounting Principles**" means IFRS (or, in the case of the Joint Accounts, IFRS in relation to the consolidated accounts of EQUATE and TKOC used to compile such Joint Accounts);

(b) "**Financial Year**" means the annual accounting period of the EQUATE Group and TKOC ending on 31 December in each year;

(c) "**Group**" means, collectively, the Trustee, TKOC and EQUATE and any of their consolidated subsidiaries and associates;

(d) "**IFRS**" means International Financial Reporting Standards issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time);

(e) "**Joint Accounts**" means:

  (i) prior to the occurrence of a Permitted Reorganisation, the unaudited joint combined financial statements of EQUATE and TKOC (which shall be prepared in accordance with the Accounting Principles by any reputable international firm of qualified accountants with appropriate expertise and experience to perform the role of auditor for either of EQUATE and TKOC, using EQUATE's and TKOC's respective audited consolidated (in the case of TKOC only, to the extent it has any Subsidiaries) financial data for the relevant period) for that Financial Year; and

  (ii) following the occurrence of a Permitted Reorganisation, if available, the audited consolidated financial statements of EQUATE that consolidates the financial statements of TKOC (which shall be prepared in accordance with the Accounting Principles by any reputable international firm of qualified accountants with appropriate expertise and experience to perform the role of auditor for EQUATE) for that Financial Year;

(f) "**Material Subsidiary**" means, at any time, any Subsidiary of the Trustee or of either EQUATE or TKOC (but for the avoidance of doubt, does not include MEGlobal International FZE):

  (i) whose gross assets are more than 10 per cent. of the consolidated total assets of EQUATE and TKOC; or

  (ii) whose gross revenues are more than 10 per cent. of the consolidated total revenues of EQUATE and TKOC.

For the purposes of this definition, the assets and revenue of the relevant Subsidiary will be determined by reference to the most recent Joint Accounts. If there is a dispute as to whether or not a Subsidiary is a Material Subsidiary, a certificate of the auditors of the relevant company will be, in the absence of manifest error, conclusive;

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

(i) any Security Interest given by the Trustee or either EQUATE or TKOC in connection therewith is limited solely to the assets of the project;

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

(iii) there is no other recourse to the Trustee or either EQUATE or TKOC in respect of any default by any person under the financing;

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

(i) any Security Interest created or outstanding with the approval of an Extraordinary Resolution of the Certificateholders;

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

(iii) any Security Interest arising by operation of law;

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

(v) any Security Interest existing on any property or assets prior to the acquisition thereof by the Trustee or either EQUATE or TKOC and not created in contemplation of such acquisition;

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

(vii) any Security Interest created by, or outstanding in respect of, the Trustee or either EQUATE or TKOC, **provided that** the amount of any Relevant Indebtedness secured by such Security Interest (when aggregated with the amount (if any) of Relevant Indebtedness secured by other Security Interests created by, or outstanding in respect of, the Trustee or either EQUATE or TKOC (but ignoring for these purposes any Relevant Indebtedness secured by any Security Interest under subparagraphs (i) to (v) above (inclusive) and subparagraph (viii) below)) does not exceed 10 per cent. of the consolidated total assets of the EQUATE and TKOC (as determined by reference to the most recent Joint Accounts); and

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

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

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

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

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

(iii) there is no other recourse to the Trustee or either EQUATE or TKOC in respect of any default by any person under the securitisation; and

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

(i) which is then directly or indirectly controlled by the Trustee or either EQUATE or TKOC; or

(ii) more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned by the Trustee or either EQUATE or TKOC; or

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

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

7. Periodic Distribution Amounts

7.1 *Fixed Rate Certificates Provisions*

(a) *Application*: This Condition 7.1 is applicable to the Certificates only if the Fixed Rate Certificates Provisions are specified in the applicable Final Terms as being applicable.

(b) *Periodic Distribution Dates*: Each Fixed Rate Certificate bears profit on its outstanding face amount from and including the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date. The amount of profit payable shall be a Fixed Amount, a Broken Amount or an amount determined in accordance with Condition 7.3 (*Calculation of Periodic Distribution Amount*). Each such amount of profit is referred to in these Conditions as a "**Periodic Distribution Amount**". Periodic Distribution Amounts shall be distributed to Certificateholders by the Principal Paying Agent on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5.2 (*Application of Proceeds from Trust Assets*) and Condition 9 (*Payments*).

7.2 *Floating Rate Certificate Provisions*

(a) *Application*: This Condition 7.2 is applicable to the Certificates only if the Floating Rate Certificates Provisions are specified in the applicable Final Terms as being applicable.

(b) *Periodic Distribution Dates*: Each Floating Rate Certificate bears profit on its outstanding face amount from and including the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date. The amount of profit payable per Calculation Amount shall be an amount determined in accordance with Condition 7.3 (*Calculation of Periodic Distribution Amount*). Each such amount of profit is referred to in these Conditions as a "**Periodic Distribution Amount**". Such Periodic Distribution Date(s) is/are either shown in the applicable Final Terms as Specified Periodic Distribution Dates or, if no Specified Periodic Distribution Date(s) is/are shown in the applicable Final Terms, Periodic Distribution Date shall mean each date which falls the number of months or other period shown in the applicable Final Terms as the Specified Period after the preceding Periodic Distribution Date or, in the case of the first Periodic Distribution Date, after the Profit Commencement Date. Periodic Distribution Amounts shall be distributed to Certificateholders by the Principal Paying Agent on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5.2 (*Application of Proceeds from Trust Assets*) and Condition 9 (*Payments*).

(c) *Profit Rate for Floating Rate Certificates*: The Profit Rate in respect of Floating Rate Certificates for each Return Accumulation Period shall be determined by Screen Rate Determination in accordance with paragraph (c) or ISDA Determination in accordance with paragraph (d) (as specified in the applicable Final Terms, as the case may be).

(d) *Screen Rate Determination*: If Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Profit Rate(s) is/are to be determined, the Profit Rate applicable to the Certificates for each Return Accumulation Period will be determined by the Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Profit Rate Determination Date;

(ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Profit Rate Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(A) request each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Profit Rate Determination Date in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency selected by the Calculation Agent at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Return Accumulation Period for loans in the Specified Currency for a period equal to the relevant Return Accumulation Period and in an amount that is representative for a single transaction in that market at that time,

and the Profit Rate for such Return Accumulation Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Return Accumulation Period, the Profit Rate applicable to the Certificates during such Return Accumulation Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Certificates in respect of a preceding Return Accumulation Period.

(e) *ISDA Determination*: If ISDA Determination is specified in the applicable Final Terms as the manner in which the Profit Rate(s) is/are to be determined, the Profit Rate applicable to the Certificates for each Return Accumulation Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Return Accumulation Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under a Swap Transaction (as defined in the ISDA Definitions) if the Calculation Agent were acting as Calculation Agent for that Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the applicable Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the applicable Final Terms; and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either: (A) if the relevant Floating Rate Option is based on: (w) the London inter-bank offered rate ("**LIBOR**"); or (x) the Eurozone inter-bank offered rate ("**EURIBOR**") for a currency, the first day of that Return Accumulation Period; or (B) in any other case, as specified in the applicable Final Terms.

(f) *Maximum or Minimum Profit Rate*: If any Maximum Profit Rate or Minimum Profit Rate is specified in the applicable Final Terms, then the Profit Rate shall in no event be greater than the maximum or be less than the minimum so specified.

7.3 ***Calculation of Periodic Distribution Amount***: The Periodic Distribution Amount payable per Calculation Amount will be calculated by the Calculation Agent by applying the Profit Rate for such Return Accumulation Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). Where the Specified Denomination of an Individual Certificate is a multiple of the Calculation Amount, the Periodic Distribution Amount payable in respect of such Certificate shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and in the case of euro, means one cent.

7.4 ***Determination and Publication of Profit Rates, Periodic Distribution Amounts and Dissolution Distribution Amounts***: The Calculation Agent shall, as soon as practicable on or after each Profit Rate Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Periodic Distribution Amounts for the relevant Return Accumulation Period, calculate the relevant Dissolution Distribution Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Profit Rate and the Periodic Distribution Amounts for each Return Accumulation Period and the relevant Periodic Distribution Date and, if required to be calculated, the relevant Dissolution Distribution Amount to be notified to the Delegate, the Trustee, EQUATE, TKOC, each of the Paying Agents, the Certificateholders, any other Calculation Agent appointed in respect of the Certificates that is to make a further calculation upon receipt of such information and, if the Certificates are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than: (i) the commencement of the relevant Return Accumulation Period, if determined prior to such time, in the case of notification to such exchange of a Profit Rate and Periodic Distribution Amount; or (ii) in all other cases, the fourth Business Day after such determination. Where any Periodic Distribution Date or Profit Period Date is subject to adjustment pursuant to Condition 7.7 (*Business Day Convention*), the Periodic Distribution Amounts and the Periodic Distribution Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Delegate by way of adjustment) without notice in the event of an extension or shortening of the Return Accumulation Period. If the Certificates become due and payable under Condition 12 (*Dissolution Events*), the accrued profit and the Profit Rate payable in respect of the Certificates shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Profit Rate or the Periodic Distribution Amount so calculated need be made unless the Delegate otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

7.5 ***Determination or Calculation by the Delegate***: Subject to Condition 7.8 (*Calculation Agent*), if the Calculation Agent does not at any time for any reason determine or calculate the Profit Rate for a Return Accumulation Period or any Periodic Distribution Amount or Dissolution Distribution Amount, the Delegate shall (without liability to any person for so doing) do so or shall appoint an agent (on behalf of, and at the expense of, the Trustee) to do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Delegate or, as the case may be, such agent shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its sole opinion, it can do so.

7.6 ***Cessation of Entitlement to Profit***: Profit shall cease to accumulate in respect of each Certificate on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event profit shall, subject to the terms of the Transaction Documents, continue to accumulate (both before and after judgment) at the Profit Rate in the manner provided in this Condition 7 to the Relevant Date.

7.7 ***Business Day Convention***: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified in the applicable Final Terms is:

(a) the "**Following Business Day Convention**", the relevant date shall be postponed to the first following day that is a Business Day;

(b) the "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**", the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day;

(c) the "**Preceding Business Day Convention**", the relevant date shall be brought forward to the first preceding day that is a Business Day;

(d) the "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**", each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the applicable Final Terms as the Return Accumulation Period after the calendar month in which the preceding such date occurred **provided, however, that**:

(i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(e) "**No Adjustment**", the relevant date shall not be adjusted in accordance with any Business Day Convention.

7.8 ***Calculation Agent***: The Trustee shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Final Terms and for so long as any Certificates are outstanding. Where more than one Calculation Agent is appointed in respect of the Certificates, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Profit Rate for a Return Accumulation Period or to calculate any Periodic Distribution Amount or any Dissolution Distribution Amount, as the case may be, or to comply with any other requirement, the Trustee shall (with the prior approval of the Delegate) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

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

8. Redemption and Dissolution of the Trust

8.1 ***Dissolution on the Scheduled Dissolution Date***: Unless previously redeemed, purchased and cancelled, as provided below, each Certificate shall be finally redeemed at its Dissolution Distribution Amount on the Scheduled Dissolution Date specified in the applicable Final Terms and following the payment of all such amounts in full and the execution of a sale agreement pursuant to the Purchase Undertaking, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

8.2 ***Early Dissolution for Taxation Reasons***: The Certificates shall be redeemed by the Trustee in whole, but not in part, on any Periodic Distribution Date (if the Certificates are Floating Rate Certificates) or at any time (if the Certificates are Fixed Rate Certificates) (such dissolution date being an "**Early Tax Dissolution Date**"), on giving not less than 30 nor more than 60 days' notice to the Certificateholders (which notice shall be irrevocable) at their Dissolution Distribution Amount if the Trustee satisfies the Delegate immediately before the giving of such notice that:

(a) the Trustee has or will become obliged to pay additional amounts as described under Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the DIFC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series, and such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or

(b) EQUATE has or will become obliged to pay additional amounts pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of the State of Kuwait or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series, and such obligation cannot be avoided by EQUATE taking reasonable measures available to it,

(the events laid out in Condition 8.2(a) and (b) above each being a "**Tax Event**") **provided, however, that** no such notice of dissolution shall be given to Certificateholders:

(A) unless a duly completed Exercise Notice has been received by the Trustee from EQUATE pursuant to the Sale Undertaking; and

(B) where the Certificates may be redeemed at any time, earlier than 90 days prior to the earliest date on which the Trustee or EQUATE, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Certificates (in the case of the Trustee) or pursuant to any Transaction Document (in the case of EQUATE) then due; or

(C) where the Certificates may be redeemed only on a Periodic Distribution Date, earlier than 60 days prior to the earliest date on which the Trustee or EQUATE, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Certificates (in the case of the Trustee) or pursuant to any Transaction Document (in the case of EQUATE) then due.

Prior to the publication of any notice of dissolution pursuant to this Condition 8.2, the Trustee shall deliver or procure that there is delivered to the Delegate:

(1) a certificate signed by two directors of the Trustee (in the case of Condition 8.2(a)) or EQUATE (in the case of Condition 8.2(b)) stating that the Trustee is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Trustee so to redeem (as set out in Condition 8.2(a) and Condition 8.2(b), as the case may be) have occurred; and

(2) an opinion of independent legal advisers or other professional advisers, in each case of recognised standing, to the effect that the Trustee or EQUATE, as the case may be, has or will become obliged to pay additional amounts as a result of such change or amendment,

and the Delegate shall be entitled to accept such certificate and legal opinion as sufficient evidence of the satisfaction of the condition precedent set out in Condition 8.2(a) or, as the case may be, Condition 8.2(b) above, in which event it shall be conclusive and binding on Certificateholders.

Upon expiry of any such notice given in accordance with this Condition 8.2, payment in full of the Dissolution Distribution Amount to Certificateholders and execution of a sale agreement pursuant to the Sale Undertaking, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

8.3 ***Dissolution at the Option of EQUATE (Optional Dissolution Right):*** If the Optional Dissolution Right is specified in the applicable Final Terms, EQUATE may in its sole discretion deliver to the Trustee a duly completed Exercise Notice in accordance with the provisions of the Sale Undertaking and, on receipt of such notice, the Trustee shall, on giving not less than 15 nor more than 30 days' irrevocable notice to the Certificateholders redeem all or, if so specified in the relevant Exercise Notice, some of the Certificates on any Optional Dissolution Date. Any such redemption of Certificates shall be at their Dissolution Distribution Amount. Any such redemption or exercise must relate to Certificates of a face amount at least equal to the Minimum Optional Dissolution Amount to be redeemed and no greater than the Maximum Optional Dissolution Amount to be redeemed.

All Certificates in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 8.3. If all (and not some only) of the Certificates are to be redeemed on any Optional Dissolution Date in accordance with this Condition 8.3, upon payment in full of the Dissolution Distribution Amount to all Certificateholders and execution of a sale agreement pursuant to the Sale Undertaking, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

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

If the Certificates are to be redeemed in part only on any date in accordance with this Condition 8.3, each Certificate shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Certificates to be redeemed on the relevant Optional Dissolution Date bears to the aggregate principal amount of outstanding Certificates on such date.

8.4 ***Dissolution at the Option of Certificateholders (Certificateholder Put Right)***: If the Certificateholder Put Right is specified in the applicable Final Terms, the Trustee shall, at the option of the Holder of any Certificates, upon the Holder of such Certificates giving not less than 15 nor more than 30 days' notice to the Trustee, redeem such Certificates on the Certificateholder Put Right Date at its Dissolution Distribution Amount. For the purposes thereof, the Trustee shall deliver to EQUATE a duly completed Exercise Notice in accordance with the provisions of the Purchase Undertaking. If all (and not some only) of the Certificates are to be redeemed on any Certificateholder Put Right Date in accordance with this Condition 8.4, upon payment in full of the Dissolution Distribution Amount to the Certificateholders and execution of a sale agreement pursuant to the Purchase Undertaking, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

To exercise the option in this Condition 8.4 the relevant Holder must, within the relevant notice period, give notice to the Principal Paying Agent of such exercise (a "**Certificateholder Put Exercise Notice**") in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and/or DTC in a form acceptable to the relevant clearing system from time to time (which shall, if acceptable to the relevant clearing system, be in the form of a duly completed Certificateholder Put Exercise Notice in the form set out in the Agency Agreement and obtainable from any Paying Agent, the Registrar or any Transfer Agent).

Any Certificateholder Put Exercise Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and/or DTC by a Holder of any Certificates pursuant to this Condition 8.4 shall be irrevocable except where, prior to the due date for redemption in accordance with this Condition 8.4, a Dissolution Event has occurred and the Delegate has declared the Certificates due and payable pursuant to Condition 12 (*Dissolution Events*), in which event such Certificateholder Put Exercise Notice shall be deemed void.

8.5 ***Dissolution at the Option of Certificateholders (Change of Control Put Right)***: Each of EQUATE and TKOC has agreed in the Master Trust Deed to notify the Trustee and the Delegate immediately upon the occurrence of a Change of Control Event and to provide a description of the Change of Control Event. The Trustee, upon receipt of such notice from EQUATE and/or TKOC (as applicable) or otherwise upon having actual knowledge or express notice of the occurrence of a Change of Control Event, shall promptly give notice (a "**Change of Control Put Event Notice**") of the occurrence of a Change of Control Event to the Delegate and the Certificateholders in accordance with these Conditions. The Change of Control Put Event Notice shall provide a description of the Change of Control Event and shall, provided Change of Control Put Right is specified as being applicable in the applicable Final Terms, specify the "**Change of Control Put Period**" which shall be the period commencing on (and including) the date on which the Change of Control Put Event Notice is given and ending on (and including) the date which is 45 days after the date on which the Change of Control Put Event Notice is given Change of Control Put Period.

If Change of Control Put Right is specified as being applicable in the applicable Final Terms and a Change of Control Event occurs, and **provided that** Certificateholders elect to redeem their Certificates, in whole or in part, during the Change of Control Put Period in accordance with this Condition 8.5, the Trustee shall redeem such Certificates on the Change of Control Put Date at their Dissolution Distribution Amount. For the purposes thereof, the Trustee shall deliver to EQUATE a duly completed Exercise Notice in accordance with the provisions of the Purchase Undertaking. If all (and not some only) of the Certificates are to be redeemed on any Change of Control Put Date in accordance with this Condition 8.5, upon payment in full of the Dissolution Distribution Amount to all Certificateholders, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

To exercise the option in this Condition 8.4 the relevant Holder must, within the relevant notice period, give notice to the Principal Paying Agent of such exercise (a "**Change of Control Exercise Notice**") in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and/or DTC in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the Change of Control Put Period.

Any Change of Control Exercise Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and/or DTC by a Holder of any Certificates pursuant to this Condition 8.45 shall be irrevocable except where, prior to the due date for redemption in accordance with this Condition 8.5, a Dissolution Event has occurred and the Delegate has declared the Certificates due and payable pursuant to Condition 12 (*Dissolution Events*), in which event such Change of Control Exercise Notice shall be deemed void.

8.6 ***Dissolution following a Total Loss Event***: EQUATE has agreed to notify the Trustee and the Delegate forthwith upon the occurrence of a Total Loss Event and to provide a description of the Total Loss Event. The Trustee, upon receipt of such notice from EQUATE or otherwise upon having actual knowledge or express notice of the occurrence of a Total Loss Event, shall on giving not less than 30 nor more than 60 days' irrevocable notice to the Delegate and the Certificateholders (a "**Total Loss Event Notice**") redeem all of the Certificates on the date specified for such redemption in such Total Loss Event Notice (a "**Total Loss Event Dissolution Date**"). Any such redemption of Certificates shall be at their Dissolution Distribution Amount using either: (i) the proceeds of insurance payable in respect of the Total Loss Event which are required to be paid into the Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event; or (ii) if the insurance proceeds (if any) standing to the credit of the Transaction Account on the 30th day following the occurrence of a Total Loss Event are less than Takaful/Insurance Coverage Amount, the amount standing to the credit of the Transaction Account on the 31st day following the occurrence of a Total Loss Event (provided such day is a Business Day) or, if not, on the next following Business Day), representing the aggregate of the insurance proceeds paid in respect of any Total Loss Event (if any) and the Total Loss Shortfall Amount funded by the Service Agent in accordance with the terms of the Service Agency Agreement and, in each case, the outstanding amounts payable under the Master Murabaha Agreement. Upon payment in full of the Dissolution Distribution Amount to all

Certificateholders, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

8.7 ***Dissolution following a Dissolution Event***: Upon the occurrence of a Dissolution Event, the Certificates may be redeemed at the Dissolution Distribution Amount on the Dissolution Event Redemption Date as more particularly described in Condition 12 (*Dissolution Events*).

8.8 ***Purchases***: Each of EQUATE and TKOC, and each of EQUATE's and TKOC's subsidiaries may at any time purchase Certificates in the open market or otherwise and at any price and such Certificates may be held, resold or, at the option of EQUATE or TKOC (as applicable), surrendered to the Registrar for cancellation.

8.9 ***Cancellation***: Subject to and in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and/or DTC, all Certificates which are redeemed will forthwith be cancelled. All Certificates purchased and surrendered for cancellation by or on behalf of EQUATE, TKOC or any of EQUATE's or TKOC's subsidiaries shall be cancelled by surrendering the Global Certificate or Individual Certificates representing such Certificates to the Registrar and by EQUATE or TKOC (as applicable) delivering to the Trustee a duly completed Cancellation Notice in accordance with the terms of the Sale Undertaking. If all (and not some only) of the Certificates are cancelled in accordance with this Condition 8.9, and upon execution of a sale agreement pursuant to the Sale Undertaking, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof. All Certificates cancelled pursuant to this Condition 8.9 shall be forwarded to the Registrar and cannot be reissued or resold.

8.10 ***No other Dissolution***: The Trustee shall not be entitled to redeem the Certificates or dissolve the Trust other than as provided in this Condition 8 and Condition 12 (*Dissolution Events*). Upon payment in full of all amounts due in respect of the Certificates of any Series and the subsequent dissolution of the Trust as provided in this Condition 8 and/or Condition 12 (*Dissolution Events*) (as the case may be), the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

9. Payments

9.1 ***Method of Payment***: Payments of any Dissolution Distribution Amount will only be made against surrender of the relevant Certificates at the specified office of any of the Paying Agents. Each Dissolution Distribution Amount and each Periodic Distribution Amount will be paid to the Holder shown on the Register at the close of business on the relevant Record Date upon application by the Holder of such Certificates to the Specified Office of the Registrar, the other Transfer Agents or any Paying Agent before the Record Date, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

9.2 ***Payments on Business Days***: Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated:

(a) (in the case of payments of any Dissolution Distribution Amount and Periodic Distribution Amounts payable on a Dissolution Date) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, presented and endorsed) at the Specified Office of a Paying Agent; and

(b) (in the case of payments of Periodic Distribution Amounts payable other than on a Dissolution Date) on the due date for payment.

A Holder of Certificates shall not be entitled to any additional distributions or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.

9.3 ***Partial Payments***: If the amount of any Dissolution Distribution Amount or Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount in fact paid.

9.4 ***Record Date***: Each payment in respect of Certificates will be made:

(a) where the Certificate is represented by a Global Certificate, to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Certificate is being held is open for business; or

(b) where the Certificate is in definitive form, to the person shown as the Holder in the Register at the close of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (such day described in, as the case may be, Condition 9.4(a) above and in this Condition 9.4(b), the "**Record Date**").

9.5 ***Payments subject to Laws***: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of this Condition 9.5 and Condition 10 (Taxation). No commission or expenses shall be charged to the Certificateholders in respect of such payments.

10. Taxation

All payments in respect of the Certificates by or on behalf of the Trustee shall be made free and clear of, and without withholding, retention or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless such withholding or deduction is required by law or by the Relevant Taxing Jurisdiction's interpretation or administration thereof. In that event, the Trustee shall pay such additional amounts as shall result in receipt by the Certificateholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Certificates:

(a) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Certificates by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Certificates; or

(b) where the relevant Certificates is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Certificates would have been entitled to such additional amounts on presenting or surrendering such Certificates for payment on the last day of such period of 30 days.

(c) where such taxes or duties would not have been so withheld or deducted but for the failure by the holder or the beneficial owner of the Certificate to make a declaration of non-residence, **provided that** at least 90 days prior to the first payment date with respect to which the Trustee applies this clause (d) the Trustee has notified the Paying Agent in writing that the holders of Certificates will be required to provide such declaration of non-residence;

(d) in respect of any estate, inheritance, gift, value added, sales, use, excise, transfer, personal property or similar taxes, duties, assessments or other governmental charges;

(e) where such taxes or duties are payable other than by withholding, retention or deduction; or

(f) in respect of any payment to a holder of a Certificate that is a fiduciary or partnership or any Person other than the sole beneficial owner of such payment or Certificate, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment or Certificate would not have been entitled to the additional amounts.

If the Trustee becomes subject at any time to any taxing jurisdiction other than or in addition to the DIFC, references in these Conditions to the DIFC shall be construed as references to the DIFC and/or such other jurisdiction.

Notwithstanding anything to the contrary in these Conditions, the Trustee, a paying agent or any other person shall be permitted to withhold or deduct any amounts required by Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**"), any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Trustee, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA or any intergovernmental agreement to implement FATCA and none of the Trustee, any paying agent or any other person shall be required to pay any additional amounts with respect to any such withholding or deduction imposed on or with respect to any Certificate.

The Transaction Documents each provide that payments thereunder by EQUATE and TKOC shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdictions or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law and, in such case, provide for the payment by EQUATE and TKOC (as applicable) of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.

Further, each of EQUATE and TKOC has undertaken in the Master Trust Deed to pay such additional amounts as may be necessary pursuant to this Condition 10 so that the full amount due and payable by the Trustee in respect of the Certificates to the Certificateholders is received by the Trustee for the purposes of payment to the Certificateholders in accordance with and subject to the provisions of this Condition 10.

11. Prescription

Claims against the Trustee for payment in respect of the Certificates shall be prescribed and become void unless made within 10 years (in the case of the Dissolution Distribution Amount) or five years (in the case of Periodic Distribution Amounts) from the appropriate Relevant Date in respect of them.

12. Dissolution Events

12.1 ***Dissolution Event***: Upon the occurrence of a Dissolution Event:

(a) the Delegate, upon receiving written notice thereof under the Trust Deed, shall (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) promptly give notice of the occurrence of the Dissolution Event to the Certificateholders in accordance with Condition 18 (*Notices*) with a request to Certificateholders to indicate to the Trustee and the Delegate if they wish the Certificates to be redeemed and the Trust to be dissolved; and

(b) the Delegate in its sole discretion may, and shall if so requested in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Series of Certificates outstanding or if so directed by an Extraordinary Resolution, subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction, give notice (a "**Dissolution Notice**") to the Trustee, EQUATE, TKOC and the Certificateholders in accordance with Condition 18 (*Notices*) that the Certificateholders elect to declare the Certificates to be immediately due and payable at the Dissolution Distribution Amount.

A Dissolution Notice may be given pursuant to this Condition 12.1(b) whether or not notice has been given to Certificateholders as provided in Condition 12.1(a).

Upon receipt of such Dissolution Notice, the Trustee shall: (x) deliver an Exercise Notice to EQUATE under the Purchase Undertaking and thereafter execute the relevant sale agreement for purchase of the Lease Assets; and (y) notify EQUATE that the outstanding Deferred Sale Price is immediately due and payable under the terms of the Master Murabaha Agreement. The Trustee (failing which the Delegate) shall use the proceeds thereof to redeem the Certificates at the Dissolution Distribution Amount on the date specified in the relevant Dissolution Notice, which may be the date of such notice (the relevant "**Dissolution Event Redemption Date**") and the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

12.2 ***Enforcement and Exercise of Rights***: Upon the occurrence of a Dissolution Event, to the extent that any amount payable in respect of the Certificates of the relevant Series has not been paid in full on the Dissolution Event Redemption Date, the Delegate may (acting for the benefit of the Certificateholders), and shall if so requested in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Series of Certificates or if so directed by an Extraordinary Resolution, take one or more of the following steps:

(a) enforce the provisions of the Purchase Undertaking and the Master Murabaha Agreement against EQUATE; and/or

(b) enforce the guarantee against TKOC under the Master Trust Deed; and/or

(c) start or join in legal proceedings against EQUATE or TKOC, to recover from EQUATE or TKOC any amounts owed to the Trustee; and/or

(d) start or join in any other legal proceedings or take such other steps as the Trustee or the Delegate may consider necessary.

13. Realisation of Trust Assets

13.1 Neither the Delegate nor the Trustee shall be bound in any circumstances to take any action to enforce or to realise the relevant Trust Assets or take any action or steps or proceedings against (as applicable) the Trustee, EQUATE and/or TKOC under any Transaction Document to which either of the Trustee, EQUATE and/or TKOC is a party unless directed or requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Series of Certificates and, in either case, only if it is indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may, in its opinion, thereby render itself liable or which it may, in its opinion, incur by so doing.

13.2 No Certificateholder shall be entitled to proceed directly against the Trustee, or through the Trustee, EQUATE and/or TKOC under any Transaction Document to which either of them is a party unless the Delegate, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against EQUATE and/or TKOC shall be to enforce their respective obligations under the Transaction Documents to which they are a party.

13.3 Conditions 12.2 (*Enforcement and Exercise of Rights*), 13.1 and 13.2 are subject to this Condition 13.3. After enforcing or realising the Trust Assets in respect of the Certificates of the relevant Series and distributing the net proceeds of the Trust Assets in accordance with Condition 5.2 (*Application of Proceeds from Trust Assets*) and the Trust Deed, the obligations of the Trustee in respect of the Certificates of the relevant Series shall be satisfied and the Trustee shall not be liable for any further sums in respect of such Series and, accordingly, no Certificateholder may take any further steps against the Trustee (to the extent that the Trust Assets have been exhausted) (or any steps against the Delegate) or any other person (including

EQUATE (to the extent that it fulfils all of its obligations under the Transaction Documents) and TKOC (to the extent that it fulfils all of its obligations under the Master Trust Deed)) to recover any further sums in respect of the Certificates of the relevant Series and the right to receive from the Trustee or the Delegate any such sums remaining unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

14. **Replacement of Certificates**

If any Global Certificate or Individual Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar (and, if the Certificates are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Principal Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Trustee may reasonably require. A mutilated or defaced Global Certificate or Individual Certificate must be surrendered before replacements will be issued.

15. **Agents**

In acting under the Agency Agreement and in connection with the Certificates, the Agents act solely as agents of the Trustee (and solely to the extent set out in the Agency Agreement, the Delegate) and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders.

The Agents and their Specified Offices are set out in the Agency Agreement. In respect of each Series of Certificates, the relevant Agents are specified in the applicable Final Terms. The Trustee reserves the right at any time with the prior written approval of the Delegate to terminate the appointment of any Agent and to appoint additional or successor Agents; **provided, however, that**:

(a) the Trustee shall at all times maintain a principal agent, a registrar and a transfer agent;

(b) if a Calculation Agent is specified in the applicable Final Terms, the Trustee shall at all times maintain a Calculation Agent; and

(c) if and for so long as the Certificates are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Trustee shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Certificateholders.

16. **Meetings of Certificateholders, Modification and Waiver**

16.1 ***Meetings of Certificateholders***: The Trust Deed contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Trustee, EQUATE, TKOC or the Delegate, and shall be convened by the Trustee, or, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, the Delegate, if the Trustee or the Delegate (as the case may be) receives a request in writing from Certificateholders holding not less than 10 per cent. in aggregate face amount of the Certificates of any Series for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing more than a clear majority in aggregate face amount of the Certificates for the time being outstanding, or at any adjourned meeting one or more persons being or representing Certificateholders whatever the aggregate face amount of the Certificates held or represented, unless the business of such meeting includes consideration of proposals to (each a "**Reserved Matter**"):

(a) amend any Dissolution Date in respect of the Certificates or any date for payment of Periodic Distribution Amounts on the Certificates;

(b) reduce or cancel the face amount of, or any premium payable on redemption of, the Certificates;

(c) to reduce the rate or rates of profit in respect of the Certificates or to vary the method or basis of calculating the rate or rates or amount of profit or the basis for calculating any Periodic Distribution Amount in respect of the Certificates;

(d) if a Minimum Profit Rate and/or a Maximum Profit Rate is shown in the applicable Final Terms, to reduce any such Minimum Profit Rate and/or Maximum Profit Rate;

(e) vary any method of, or basis for, calculating the Dissolution Distribution Amount;

(f) vary the currency of payment or denomination of the Certificates;

(g) modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution;

(h) modify or cancel the payment obligations of EQUATE (in any capacity), TKOC and/or the Trustee under the Transaction Documents and/or the Certificates (as the case may be);

(i) amend any of EQUATE's or TKOC's covenants included in the Conditions or in any of the Transaction Documents;

(j) amend the order of application of monies set out in Condition 5.2 (*Application of Proceeds from Trust Assets*); or

(k) amend this definition,

in which case the necessary quorum shall be two or more persons holding or representing not less than two thirds, or at any adjourned meeting not less than one third, in aggregate face amount of the Certificates for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Certificateholders (whether or not they voted on the resolution).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate face amount of the Certificates outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders.

16.2 ***Modification***: The Delegate may (but shall not be obliged to), without the consent of the Certificateholders: (i) agree to any modification of any of the provisions of the Trust Deed or the Transaction Documents that is, in the sole opinion of the Delegate, (i) of a formal, minor or technical nature or (ii) is made to correct a manifest error or (iii) is not materially prejudicial to the interests of the outstanding Certificateholders **provided that** such modification is, in the case of (iii), other than in respect of a Reserved Matter; or (ii): (A) agree to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or the Transaction Documents; or (B) determine that any Dissolution Event shall not be treated as such, **provided that** such waiver, authorisation or determination is in the sole opinion of the Delegate not materially prejudicial to the interests of the outstanding Certificateholders and is other than in respect of a Reserved Matter and not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of that Series. Any such modification, authorisation, determination or waiver shall be binding on all Certificateholders and, unless the Delegate agrees otherwise, such modification, waiver, authorisation or determination shall be notified by the Trustee (or EQUATE on its behalf) to the Certificateholders in accordance with Condition 18 (*Notices*) as soon as practicable.

16.3 ***Entitlement of the Delegate***: In connection with the exercise of its powers, authorities and discretions (including but not limited to those referred to in this Condition 16.3) the Delegate shall have regard to the general interests of the Certificateholders as a class and shall not have regard to the consequences of such exercise for individual Certificateholders and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim, from the Trustee, EQUATE, TKOC or the Delegate any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.

17. Delegate

17.1 ***Delegation of powers***: The Trustee will in the Trust Deed irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deeds, to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Trust Deed, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, exercise all of the rights of the Trustee under the Transaction Documents, take such other steps as the Trustee or the Delegate may consider necessary to recover amounts due to the Certificateholders and make such distributions from the relevant Trust Assets as the Trustee is bound to make in accordance with the Trust Deed (together the "**Delegation**" of the "**Relevant Powers**"), **provided that** no obligations, duties, liabilities or covenants of the Trustee pursuant to the Trust Deed or any other Transaction Document shall be imposed on the Delegate by virtue of this Delegation and **provided further that** in no circumstances will such Delegation result in the Delegate holding on trust the relevant Trust Assets and **provided further that** such Delegation and the Relevant Powers shall not include any duty, power, trust, authority, rights or discretion to dissolve any of the trusts constituted by the Trust Deed following the occurrence of a Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Trust Deed, the Delegate also has certain powers which are vested solely in it from the date of the Master Trust Deed.

The appointment of a delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

17.2 ***Indemnification***: The Trust Deed contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction. In particular, but without limitation, in connection with the exercise of any of its rights in respect of the relevant Trust Assets or any other right it may have pursuant to the Trust Deed or the other Transaction Documents, the Delegate shall in no circumstances be bound to take any action unless directed to do so in accordance with Condition 12 (*Dissolution Events*) or 13 (*Realisation of Trust Assets*), and then only if it shall also have been indemnified and/or secured and/or pre-funded to its satisfaction.

17.3 ***No liability***: The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of EQUATE, TKOC or the Trustee under the Transaction Documents to which it is a party and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payments which should have been paid by EQUATE or TKOC (as the case may be) but are not so paid and shall not in any circumstances have any liability arising from the relevant Trust Assets other than as expressly provided in these Conditions or in the relevant Trust Deed.

17.4 ***Reliance on certificates and/or reports***: The Delegate may rely, without liability to any Certificateholder or any other person, on any certificate or report of the auditors or insolvency officials (as applicable) of the Trustee, EQUATE, TKOC or any other person called for by or provided to the Delegate (whether or not addressed to the Delegate) in accordance with or for the purposes of the relevant Trust Deed or the other Transaction Documents and such certificate or report may be relied upon by the Delegate as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Delegate in connection therewith contains a monetary or other limit on the liability of the auditors of the Trustee, EQUATE, TKOC or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by an engagement or similar letter or by the terms of the certificate or report itself and the Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failure to do so.

17.5 ***Proper performance of duties***: Nothing shall, in any case in which the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee or delegate, in the case of the Trustee (having regard to the provisions of the relevant Trust Deed conferring on it any trusts, powers, authorities or discretions) or as donee and delegate, in the case of the Delegate (having regard to the powers, authorities and discretions conferred on it by the relevant Trust Deed and to the Relevant Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any Liability for gross negligence, wilful default or fraud of which either of them may be guilty in relation to their duties under the relevant Trust Deed.

17.6 ***Notice of events***: The Delegate shall not be responsible for monitoring or ascertaining whether or not a Dissolution Event has occurred or exists and, unless and until it shall have received express written notice to the contrary, it will be entitled to assume that no such event or circumstance exists or has occurred (without any liability to Certificateholders or any other person for so doing).

18. **Notices**

18.1 ***Notices to the Holders***: Notices to the Holders of Certificates shall be sent to them by uninsured first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day (being a day other than a Saturday or a Sunday) after the date of mailing.

18.2 ***Listing authorities and clearing systems***: The Trustee shall also ensure that notices are duly given in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system on which the Certificates are for the time being listed.

So long as the Certificates are held by Euroclear, Clearstream, Luxembourg and/or DTC, notices to the Holders of Trust Certificates of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for mailing or publication as required by the Conditions.

19. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the applicable Final Terms): (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.); (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up); (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount; and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

20. **Further Issues**

The Trustee shall be at liberty from time to time without the consent of the Certificateholders to create and issue additional trust certificates having terms and conditions the same as the Certificates or the same in all respects (or in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue) and so that the same shall be consolidated and form a single Series with the outstanding Certificates. Any additional trust certificates which are to form a single Series with the outstanding Certificates previously constituted by the relevant Trust Deed shall be constituted by a deed supplemental to the relevant Trust Deed.

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

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

22. **Governing Law and Jurisdiction**

22.1 ***Governing law***: The relevant Trust Deed, the Agency Agreement and the Certificates (including these Conditions) and any non-contractual obligations arising out of or in connection with the same are governed by, and shall be construed in accordance with, English law.

22.2 ***Arbitration***: Subject to Condition 22.3 (*Option to litigate*), any dispute, claim, difference or controversy arising out of, relating to or having any connection with the relevant Trust Deed, the Agency Agreement and the Certificates (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration (the "**LCIA**") (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition 22.2. For these purposes:

(a) the seat of arbitration shall be London, England;

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

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

22.3 ***Option to litigate***: Notwithstanding Condition 22.2 (*Arbitration*) above, the Delegate may, in the alternative, and at its sole discretion, by notice in writing to TKOC and EQUATE:

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

(b) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If the Delegate gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 22.5 (*Court proceedings*) and, subject as provided below, any arbitration commenced under Condition 22.2 (*Arbitration*) in respect of that Dispute will be terminated. Each of the parties to the terminated arbitration (other than the Delegate) will bear its own costs in relation thereto.

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

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

(b) such arbitrator's entitlement to be paid his proper fees and disbursements; and

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

22.5 ***Court proceedings***: In the event that a notice pursuant to Condition 22.3 (*Option to litigate*) is issued, the following provisions shall apply:

(a) subject to Condition 22.5(c) below, the courts of England and the courts of the Dubai International Financial Centre (the "**DIFC Courts**") shall have exclusive jurisdiction to settle any Dispute and each of EQUATE and TKOC submits to the exclusive jurisdiction of such court;

(b) each of EQUATE and TKOC agrees that the courts of England and the DIFC Courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(c) this Condition 22.5 is for the benefit of the Delegate only. As a result, and notwithstanding Condition 22.5(a) above, the Delegate may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Delegate may take concurrent Proceedings in any number of jurisdictions.

22.6 ***Process agent***: The Trustee and each of EQUATE and TKOC irrevocably appoints Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London, EC2V 7EX, United Kingdom as its agent for service of process, and undertakes that, in the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings or Disputes and shall immediately notify Certificateholders of such appointment. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Trustee or each of EQUATE and TKOC). Nothing herein shall affect the right to serve Proceedings in any other manner permitted by law. This Condition 22.6 applies to Proceedings in any other manner permitted by law.

22.7 ***Enforcement***: Each of the parties agrees that an arbitral award or judgment or order of an English court or the DIFC Courts or other court, in connection with a dispute arising out of or in connection with these Conditions, shall be binding on it and may be enforced against it in the courts of any competent jurisdiction. For the purposes of the foregoing, in respect of any proceedings arising out of or connected with the enforcement and/or execution of any award or judgment made against any or each of EQUATE and/or TKOC ("**Enforcement Proceedings**"), the Trustee and each of EQUATE and TKOC hereby expressly submits to the jurisdiction of any court in which any such Enforcement Proceedings are brought.

22.8 ***Other documents and the obligors***: The Trustee and, where applicable, each of EQUATE and TKOC has in the relevant Transaction Documents made provision for arbitration and appointed an agent for service of process in terms substantially similar to those set out above. In respect of their respective obligations in respect of the Certificates, the Trustee and each of EQUATE and TKOC hereby irrevocably and unconditionally waives any right to claim immunity (including without limitation, immunity from the jurisdiction of any court or tribunal, suit, service of process, injunctive or other interim relief, any order for specific performance, any order for recovery of land, any attachment (whether in aid of execution, before judgment or otherwise) of its assets, any process for execution of any award or judgement or other legal process) and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings or Enforcement Proceedings. The relevant Transaction Documents include waivers of immunity by the Trustee and each of EQUATE and TKOC (as the case may be) on substantially similar terms.

22.9 ***Judgement interest***: If any Enforcement Proceedings are brought by or on behalf of any party under any of the Transaction Documents, each party agrees it will:

(a) not claim judgment interest under, or in connection with, such Enforcement Proceedings; and

(b) to the fullest extent permitted by law, waive all and any entitlement it may have to judgment interest awarded in its favour by any court as a result of such Enforcement Proceedings.

USE OF PROCEEDS

The proceeds of each Series of Certificates issued under the Programme will be applied by the Trustee pursuant to the terms of the relevant Transaction Documents to acquire:

(a) the relevant Lease Assets from EQUATE; and

(b) murabaha Commodities to be sold to EQUATE,

in each case as specified in the applicable Final Terms and in the Master Purchase Agreement, the relevant Supplemental Purchase Agreement and the Murabaha Contract for the relevant Series, such assets to form part of the Trust Assets for the relevant Series.

The proceeds of each Series of Certificates subsequently received by EQUATE in consideration for the transactions entered into with the Trustee as set out above, as applicable, include the proceeds received by EQUATE from (A) the sale of the Lease Assets and (B) the on-sale of the murabaha Commodities by EQUATE, will be applied by EQUATE for its general corporate purposes.

CAPITALISATION

The following table sets forth the consolidated capitalisation and certain other balance sheet information of the Group as of 30 June 2016 based on certain figures derived from the Group H1 2016 Combined Financial Statements. You should read this table in conjunction with "*Use of Proceeds*", "*Selected Financial and Other Information*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Financial Statements generally, appearing elsewhere in this Base Prospectus or incorporated by reference in this Base Prospectus (see "*Documents Incorporated by Reference*"), as the case may be. See "*Presentation of Financial and Other Information*".

	As of 30 June 2016
	(U.S.$ million)
Debt:	
Loans and borrowings (current)[(1)]	2,948
Loans and borrowings (non-current)	2,000
Total debt	**4,948**
Equity:	
Share capital	1,080
Treasury shares	(450)
Statutory reserve	540
Remeasurement of retirement benefit obligations	(44)
Foreign currency translation reserve	7
Retained earnings	278
Total equity	**1,411**
Total capitalisation[(2)]	**6,359**

(1) Represents the Group's indebtedness under the Bridge Loan Facilities. Since 30 June 2016, the Group has refinanced this short-term debt using the proceeds of notes issued under its GMTN Programme, as well as through amounts drawn under its long-term facilities.

(2) The Group defines total capitalisation as the sum of current and non-current loans and borrowings and equity.

On 3 November 2016, EQUATE Petrochemical B.V. issued U.S.$2,250,000,000 in aggregate principal amount of notes which are guaranteed by EQUATE and TKOC under the GMTN Programme.

As a result of the notes issuance and the repayment of the Group's Bridge Loan Facilities using: (i) the proceeds of the notes issuance; and (ii) the U.S.$500,000,000 drawn under a combination of the Murabaha Facility, Conventional Onshore Facility and Conventional Offshore Facility, as at the date of the Base Prospectus, the Group's current loans and borrowings are nil and non-current loans and borrowings amount to U.S.$4,750,000,000.

Apart from the above, there has been no material change in the capitalisation of the Group since 30 June 2016.

SELECTED FINANCIAL AND OTHER INFORMATION

The selected consolidated financial and other information presented in this section is derived from the Group's accounting records or from the Financial Statements. This should be read in conjunction with "Presentation of Financial and Other Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements appearing elsewhere in this Base Prospectus or incorporated by reference in this Base Prospectus (see "Documents Incorporated by Reference"), as the case may be. Results for the six-month period ended 30 June 2016 are not necessarily indicative of results to be expected for the full year. The Group H1 2016 Combined Financial Statements have been prepared on the same basis as the EQUATE H1 2016 Financial Statements *and TKOC H1 2016 Financial Statements and, in the opinion of the Group's management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth herein. The comparative combined results of operations and cash flows for the six-month period ended 30 June 2015 contained in the Group H1 2016 Combined Financial Statements, which have not been audited or reviewed, have been omitted from the information presented in this section because they do not consolidate the financial results of the MEGlobal Group and are, therefore, not comparable to the corresponding figures for the six-month period ended 30 June 2016.*

*Following the acquisition of the MEGlobal Group by the EQUATE Group on 23 December 2015 (the "**MEGlobal Acquisition Date**"), MEGlobal B.V. and MEGlobal Canada were consolidated with the EQUATE Group. Accordingly, the EQUATE 2015 Financial Statements only consolidate the financial results of the MEGlobal Group for the nine-day period between the 23 December and 31 December 2015 (inclusive) and neither the EQUATE 2014 Financial Statements nor the EQUATE 2013 Financial Statements reflect any financial results for the MEGlobal Group. The MEGlobal Canada 2015 Consolidated Financial Statements are only in respect of the nine-day period between the MEGlobal Acquisition Date and 31 December 2015 (inclusive), as full-year audited financial statements for 2015 are not available due to the application of IFRS rules in connection with the book value (before) and fair value concept (on and after) the acquisition and amalgamation of the MEGlobal Canada Group within the same financial year. As a result, the financial information for 2015 is not comparable to the financial information for the years ended 31 December 2014 and 2013.*

The Group

Summary Combined Statement of Profit or Loss

	For the six-month period ended 30 June 2016
	(U.S.$ million)
Sales	1,704
Cost of sales	(1,344)
Gross profit	**360**
Management fee	4
Reservation right fees	9
General, administrative and selling expenses	(43)
Other income	0
Foreign exchange (loss) / gain	(3)
Profit from operations	**327**
Finance income	19
Finance costs	(53)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), Zakat, tax on subsidiaries and Board of Directors' remuneration	**293**
Contribution to KFAS	(3)
Contribution to Zakat	(2)
Tax on subsidiaries	(10)
Board of Directors' remuneration	(0)
Net profit for the period	**278**

Summary Combined Statement of Financial Position

	As of 30 June 2016	As of 31 December 2015
	(U.S.$ million)	
Property, plant and equipment	2,573	2,642
Cash and bank balances	1,492	1,658
Working capital[(1)]	539	593
Total assets	7,622	8,210
Total equity	1,411	1,867
Total indebtedness[(2)]	4,948	4,970

(1) Working capital represents net current assets (current assets excluding cash and cash equivalent less current liabilities excluding current portion of loans and borrowings).

(2) Total indebtedness represents current and non-current loans and borrowings.

Summary Combined Statement of Cash Flows

	For the six-month period ended 30 June 2016
	(U.S.$ million)
Cash flows provided by/(used in):	
Operating activities	472
Investing activities	151
Financing activities	(825)

Certain Non-IFRS Financial Measures

	For the six-month period ended 30 June 2016
Adjusted EBITDA[(1)] (*U.S.$ million*)	521
Adjusted EBITDA margin[(2)] (*%*)	31

(1) Adjusted EBITDA is defined as profit from operations (which already excludes the impact of interest and tax) excluding the impact of depreciation, amortisation and reservation right fees. The following table sets forth a calculation of adjusted EBITDA for the period indicated:

	For the six-month period ended 30 June 2016
	(U.S.$ million)
Profit from operations	**327**
Add back:	
Depreciation	194
Amortisation	9
Reservation right fees	(9)
Adjusted EBITDA (Group)	**521**

(2) Adjusted EBITDA margin is defined as adjusted EBITDA divided by sales (expressed as a percentage).

EQUATE Group

Summary Statement of Profit or Loss

	For the six-month period ended 30 June		For the year ended 31 December		
	2016	2015	2015	2014	2013
			(U.S.$ million)		
Sales	1,751	838	1,712	1,802	2,040
Cost of Sales	(1,511)	(596)	(1,295)	(1,243)	(1,277)
Gross Profit	**240**	**242**	**417**	**559**	**763**
Management fee	4	4	8	9	8
Reservation right fees	16	16	32	32	32
General, administrative and selling expenses	(43)	(12)	(36)	(33)	(34)
Insurance claim	-	-	-	-	10
Other income	2	0	4	1	(2)
Foreign exchange (loss) / gain	(3)	1	3	4	(0)
Profit from operations	**216**	**251**	**428**	**572**	**777**
Finance income	20	6	12	15	16
Finance costs	(53)	(6)	(18)	(13)	(14)
Profit before contribution to KFAS, Zakat, tax on subsidiaries and Board of Directors' remuneration	**183**	**251**	**422**	**574**	**779**
Contribution to KFAS	(2)	(3)	(4)	(6)	(8)
Contribution to Zakat	(1)	(14)	(15)	(1)	(1)
Tax on subsidiaries	(10)	-	-	-	-
Board of Directors' remuneration	0	0	0	0	0
Net profit for the period	**170**	**234**	**403**	**567**	**770**

Summary Statement of Financial Position

	As of 30 June	As of 31 December		
	2016	2015	2014	2013
		(U.S.$ million)		
Property, plant and equipment	1,858	1,899	1,231	1,167
Cash and bank balances	1,313	1,203	809	979
Working capital[(1)]	575	627	207	333
Total assets	7,202	7,550	3,584	3,942
Total equity	733	964	1,138	1,341
Total loans and borrowings	4,948	4,970	1,408	1,599

(1) Working capital represents net current assets (current assets excluding cash and cash equivalent less current liabilities excluding current portion of loans and borrowings)

Summary Statement of Cash Flows

	For the six-month period ended 30 June		For the year ended 31 December		
	2016	2015	2015	2014	2013
			(U.S.$ million)		
Cash flows provided by/(used in):					
Operating activities	348	99	479	765	983
Investing activities	35	505	(2,568)	(64)	(65)[(1)]
Financing activities	(492)	(672)	2,774	(973)	(772)

(1) This figure represents the adjusted figure included in the 2013 comparative figures presented in the EQUATE 2014 Financial Statements. See "*Presentation of Financial and Other Information—Adjustment of certain cash flow information presented in the EQUATE 2013 Financial Statements*".

Certain Non-IFRS Financial Measures

	For the six-month period ended 30 June		For the year ended 31 December		
	2016	2015	2015	2014	2013
Adjusted EBITDA[(1)] *(U.S.$ million)*.................	371	322	572	704	915
Adjusted EBITDA margin[(2)] *(%)*......................	21	38	33	39	45

(1) Adjusted EBITDA is defined as profit from operations (which already excludes the impact of interest and tax) excluding the impact of depreciation, amortisation and reservation right fees. The following table sets forth a calculation of adjusted EBITDA for the periods indicated:

	For the six-month period ended 30 June		For the year ended 31 December		
	2016	2015	2015	2014	2013
			(U.S.$ million)		
Profit from operations	**216**	**251**	**428**	**572**	**777**
Add back:					
Depreciation	165	81	163	151	158
Amortisation..	6	6	13	13	12
Reservation right fees...................................	(16)	(16)	(32)	(32)	(32)
Adjusted EBITDA (EQUATE Group)............	**371**	**322**	**572**	**704**	**915**

(2) Adjusted EBITDA margin is defined as adjusted EBITDA divided by sales (expressed as a percentage).

TKOC

Summary Statement of Profit or Loss

	For the six-month period ended 30 June		For the year ended 31 December		
	2016	2015	2015	2014	2013
			(U.S.$ thousand)		
Sales	268,620	359,473	690,296	827,768	841,392
Cost of Sales..	(155,952)	(166,352)	(336,131)	(337,760)	(348,684)
Gross Profit..	**112,668**	**193,121**	**354,165**	**490,008**	**492,708**
General, administrative and selling expenses	(2,711)	(2,053)	(5,654)	(6,354)	(5,743)
Other Income...	-	-	617	-	-
Foreign exchange (loss) / gain	(28)	(60)	(293)	(275)	(822)
Profit from operation	**109,929**	**191,008**	**348,835**	**483,379**	**486,143**
Finance income..	3,420	1,879	3,270	4,596	4,187
Finance costs	(4,472)	(4,098)	(8,044)	(8,867)	(9,801)
Profit before contribution to KFAS, Zakat and Board of Directors' remuneration........	**108,877**	**188,789**	**344,061**	**479,108**	**480,529**
Contribution to KFAS	(1,103)	(1,901)	(3,430)	(4,778)	(4,323)
Contribution to Zakat	(634)	(7,013)	(7,892)	(717)	(721)
Board of directors remuneration........................	(37)	(37)	(79)	(79)	(74)
Net profit for the period	**107,103**	**179,838**	**332,660**	**473,534**	**475,411**

Summary Statement of Financial Position

	As of 30 June	As of 31 December		
	2016	2015	2014	2013
	(U.S.$ thousand)			
Property, plant and equipment	714,993	742,861	796,290	845,338
Cash and cash equivalents	178,827	455,052	618,346	580,853
Working capital[(1)]	100,605	75,929	103,349	153,849
Total assets	1,327,063	1,633,119	1,896,439	1,973,328
Total equity	677,730	903,287	1,044,167	1,009,903
Total loans and borrowings	586,208	650,892	774,943	892,319

(1) Working capital represents net current assets (current assets excluding cash and cash equivalent less current liabilities excluding current portion of loans and borrowings)

Summary Statement of Cash Flows

	For the six-month period ended 30 June		For the year ended 31 December		
	2016	2015	2015	2014	2013
	(U.S.$ thousand)				
Cash flows provided by/(used in):					
Operating activities	123,304	190,012	441,007	607,991	557,458
Investing activities	185,464	422,896	209,299	(89,437)	(145,335)
Financing activities	(401,707)	(538,825)	(605,636)	(565,611)	(583,219)

Certain Non-IFRS Financial Measures

	For the six-month period ended 30 June		For the year ended 31 December		
	2016	2015	2015	2014	2013
Adjusted EBITDA[(1)] *(U.S.$ thousand)*	149,821	230,548	428,030	562,264	568,528
Adjusted EBITDA margin[(2)] *(%)*	56	64	62	68	68

(1) Adjusted EBITDA is defined as profit from operation (which already excludes the impact of interest and tax) excluding the impact of depreciation and amortisation. The following table sets forth a calculation of adjusted EBITDA for the periods indicated:

	For the six-month period ended 30 June		For the year ended 31 December		
	2016	2015	2015	2014	2013
	(U.S.$ thousands)				
Profit from operation	**109,929**	**191,008**	**348,835**	**483,379**	**486,143**
Add back:					
Depreciation	29,068	28,716	57,545	57,250	60,807
Amortisation	10,824	10,824	21,650	21,635	21,578
Adjusted EBITDA (TKOC)	**149,821**	**230,548**	**428,030**	**562,264**	**568,528**

(2) Adjusted EBITDA margin is defined as adjusted EBITDA divided by sales (expressed as a percentage).

MEGlobal B.V. Group

Summary Statement of Profit or Loss

	For the year ended 31 December		
	2015	**2014**	**2013**
		(U.S.$ million)	
Net sales	2,911	3,431	3,691
Cost of sales	(2,813)	(3,287)	(3,508)
Selling, general and administrative expenses	(20)	(23)	(18)
Research expenses	(1)	(1)	(2)
Other income / (expense)	(1)	1	27
Operating income	**76**	**121**	**190**
Net gain / (loss) on foreign currency transactions	(3)	(2)	-
Interest income	10	9	4
Interest expense	(5)	(5)	(7)
Net finance income / (costs)	**2**	**2**	**(3)**
Income before income taxes	**78**	**123**	**187**
Tax expense	-	(24)	(6)
Net income for the year	**78**	**99**	**181**

Summary Statement of Financial Position

	As of 31 December		
	2015	**2014**	**2013**
		(U.S.$ million)	
Property, plant and equipment (net of accumulated depreciation)	146	124	156
Cash and cash equivalents	19	13	14
Working capital[(1)]	576	696	635
Total assets	1,273	1,329	1,442
Total equity	636	587	526
Total indebtedness[(2)]	77	146	203

(1) Working capital represents net current assets (current assets excluding cash and cash equivalent less current liabilities excluding current portion of loans and borrowings and notes payable).

(2) Total indebtedness represents the sum of notes payable and short term debt (banks).

Summary Statement of Cash Flows

	For the year ended 31 December		
	2015	**2014**	**2013**
		(U.S.$ million)	
Cash flows from /(used in):			
Operating activities	180	127	249
Investing activities	(59)	(60) [(1)]	(232)[(1)]
Financing activities	(115)	(68) [(1)]	(24)[(1)]

(1) Due to the consolidation of deposit and borrowings from Dow International Finance S.a.r.l. (previously Dolpa S.a.r.l.) into a single line item included under the heading "*Cash flows from financing activities*", the comparative figures for "Net cash from / (used in) investing activities" and "Net cash from / (used in) financing activities" have been restated to conform with the MEGlobal B.V. 2015 Consolidated Financial Statements.

Certain Non-IFRS Financial Measures

	For the year ended 31 December		
	2015	2014	2013
Adjusted EBITDA[(1)] (*U.S.$ million*)	105	136	209
Adjusted EBITDA margin[(2)] (*%*)	4	4	6

(1) Adjusted EBITDA is defined as income before income taxes excluding the impact of interest income, interest expense, depreciation, amortisation and impairment. The following table sets forth a calculation of adjusted EBITDA for the periods indicated:

	For the year ended 31 December		
	2015	2014	2013
		(U.S.$ million)	
Income before income taxes	**78**	**123**	**187**
Add back:			
Interest income	(10)	(9)	(4)
Interest expense	5	5	7
Depreciation and amortisation	15	17	19
Impairment	17	-	-
Adjusted EBITDA (MEGlobal B.V.)	**105**	**136**	**209**

(2) Adjusted EBITDA margin is defined as adjusted EBITDA divided by net sales (expressed as a percentage).

MEGlobal Canada Group

The financial information for the MEGlobal Canada Group as at and for the years ended 31 December 2014 and 2013 presented below is in respect of MEGlobal Canada Inc. As part of the pre-closing steps to the MEGlobal Acquisition, MEGlobal Canada Inc. was renamed as MEGlobal Canada ULC. Several entities were subsequently amalgamated and MEGlobal Canada ULC was chosen to be the surviving entity. See "Business—The Group's Corporate Structure".

Summary Statement of Profit or Loss

	For the year ended 31 December		
	2015[(1)]	2014	2013
		(U.S.$ million)	
Net sales	15	983	1,042
Cost of sales	(13)	(687)	(697)
Other income / (expense)	1	2	(25)
Operating income	**3**	**298**	**320**
Net gain / (loss) on foreign currency transactions	2	(1)	2
Interest expense	-	(9)	(4)
Net finance income / (costs)	**2**	**(10)**	**(2)**
Income before income taxes	**5**	**288**	**318**
Provision for income taxes	(2)	(67)	(74)
Net income for the period	**3**	**221**	**244**

(1) The financial information provided for 2015 is only in respect of the nine-day period between the MEGlobal Acquisition Date and 31 December 2015 (inclusive), as full-year audited financial statements for 2015 are not available due to the application of IFRS rules in connection with the book value (before) and fair value concept (on and after) the acquisition and amalgamation of the MEGlobal Canada Group within the same financial year. As a result, the financial information for 2015 is not comparable to the financial information for the years ended 31 December 2014 and 2013.

Summary Statement of Financial Position

	As of 31 December		
	2015[1]	2014	2013
		(U.S.$ million)	
Property, plant and equipment (net of accumulated depreciation)	561	134	168
Cash and cash equivalents	-	5	36
Working capital[2]	121	64	72
Total assets	2,468	1,095	1,181
Total equity	202	575	718
Total indebtedness[3]	1,988	377	320

(1) Due to the application of IFRS rules in connection with the book value (before) and fair value concept (on and after) the acquisition and amalgamation of the MEGlobal Canada Group within the same financial year, the financial information for 2015 is not comparable to the financial information for the years ended 31 December 2014 and 2013.

(2) Working capital represents net current assets (current assets excluding cash and cash equivalent less current liabilities excluding current portion of loans and borrowings and notes payable).

(3) Total indebtedness represents the sum of notes payable and short term debt (banks).

Summary Statement of Cash Flows

	For the year ended 31 December		
	2015[1]	2014	2013
		(U.S.$ million)	
Cash flows provided by/(used in):			
Operating activities	(39)	278	231
Investing activities	(1,865)	(8)	(40)
Financing activities	1,904	(301)	(185)

(1) The financial information provided for 2015 is only in respect of the nine-day period between the MEGlobal Acquisition Date and 31 December 2015 (inclusive), as full-year audited financial statements for 2015 are not available due to the application of IFRS rules in connection with the book value (before) and fair value concept (on and after) the acquisition and amalgamation of the MEGlobal Canada Group within the same financial year. As a result, the financial information for 2015 is not comparable to the financial information for the years ended 31 December 2014 and 2013.

Certain Non-IFRS Financial Measures

	For the year ended 31 December		
	2015[1]	2014	2013
Adjusted EBITDA[2] (U.S.$ millions)	6	362	395
Adjusted EBITDA margin[3] (%)	40	37	38

(1) The financial information provided for 2015 is only in respect of the nine-day period between the MEGlobal Acquisition Date and 31 December 2015 (inclusive), as full-year audited financial statements for 2015 are not available due to the application of IFRS rules in connection with the book value (before) and fair value concept (on and after) the acquisition and amalgamation of the MEGlobal Canada Group within the same financial year. As a result, the financial information for 2015 is not comparable to the financial information for the years ended 31 December 2014 and 2013.

(2) Adjusted EBITDA is defined as income before income taxes (which already excludes the impact of tax) excluding the impact of interest income, interest expense, depreciation and amortisation. The following table sets forth a calculation of adjusted EBITDA for the periods indicated:

	For the year ended 31 December		
	2015	2014	2013
		(U.S.$ million)	
Income before income taxes	**5**	**288**	**318**
Add back:			
Interest expense	-	9	4
Depreciation and amortisation	1	65	73
Adjusted EBITDA (MEGlobal Canada)	**6**	**362**	**395**

(3) Adjusted EBITDA margin is defined as adjusted EBITDA divided by net sales (expressed as a percentage).

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

*The EQUATE Group completed the acquisition of the MEGlobal B.V. Group and the MEGlobal Canada Group (the "**MEGlobal Acquisition**") on 23 December 2015 for consideration of U.S.$2.997 billion (net of U.S.$202.5 million, the amount of a loan from MEGlobal B.V. that the EQUATE Group repaid). See "Business—The Group's History" and "Business—The Group's Corporate Structure". Certain unaudited pro forma financial information has been prepared by the EQUATE Group to illustrate the impact of the MEGlobal Acquisition on the financial performance of the EQUATE Group for the year ended 31 December 2015 as if the MEGlobal Acquisition had taken place on l January 2015. Such unaudited pro forma financial information (the "**Unaudited Consolidated Pro Forma Financial Information**"), which has been prepared in accordance with IFRS and the subject of an assurance engagement by KPMG Safi in accordance with International Standard on Assurance Engagements (ISAE) 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the International Auditing and Assurance Standards Board, consists of a pro forma consolidated income statement for the year ended 31 December 2015 and related notes. The MEGlobal Acquisition will have a continuing impact on each of the line items of the consolidated income statement of EQUATE (other than management fee and reservation right fees) as set forth below. The information extracted from the Unaudited Consolidated Pro Forma Financial Information set forth below replicates the text from the Unaudited Consolidated Pro Forma Financial Information, which is set forth, together with KPMG Safi's assurance report thereon, in this Base Prospectus beginning on page A-1. All terms defined in this section shall be applicable to this section only. KPMG Safi's work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.*

The Unaudited Consolidated Pro Forma Financial Information does not include a pro forma statement of financial position (balance sheet) as of 31 December 2015, given the MEGlobal Acquisition was consummated by the EQUATE Group on 23 December 2015 and, accordingly, the statement of financial position of the EQUATE Group as of 31 December 2015 included in the EQUATE 2015 Financial Statements (discussed and appearing elsewhere in this Base Prospectus), fully consolidates the MEGlobal B.V. Group and the MEGlobal Canada Group as of that date. See "Consolidated Statement of Financial Position as at 31 December 2015" in the EQUATE 2015 Financial Statements appearing elsewhere in this Base Prospectus.

The Unaudited Consolidated Pro Forma Financial Information has been prepared for illustrative purposes only, and, because of its nature, should not be considered indicative of actual results that would have been achieved had the EQUATE Group's and the MEGlobal Group's business been combined on the date or for the period indicated and does not purport to indicate results of operations as of any future date or any future period. The Unaudited Consolidated Pro Forma Financial Information should be read in conjunction with the EQUATE Financial Statements, the MEGlobal B.V. Financial Statements and the MEGlobal Canada Financial Statements appearing elsewhere in this Base Prospectus or incorporated by reference in this Base Prospectus (see "Documents Incorporated by Reference"), as the case may be.

Pro Forma Consolidated Income Statement for the year ended 31 December 2015

	For the year ended 31 December 2015
	(U.S.$ million)
Sales	4,238
Cost of sales	(3,496)
Gross profit	**742**
Management fee	8
Reservation right fees	32
General, administrative and selling expenses	(52)
Other income	15
Profit from operations	**745**
Finance income	14
Finance costs	(86)
Profit before statutory contributions and income taxes	**673**
Statutory contributions	(18)
Provision for income taxes	(55)
Net profit for the year	**600**

Notes:

1. Background information

Equate Petrochemical Company K.S.C.C. (the "**Company**" or "**EQUATE**") is a closed Kuwaiti Shareholding Company incorporated in the State of Kuwait on 20 November 1995. The Company is owned by DOW Europe Holding B.V. ("**DEH**"), Petrochemical Industries Company K.S.C. ("**PIC**"), Boubyan Petrochemical Company K.S.C. ("**BPC**") and Al-Qurain Petrochemical Industries Company K.S.C. ("**QPIC**").

The Company is engaged in the manufacture and sale of ethylene glycol ("**EG**") and polyethylene ("**PE**"). The Company also operates and maintains Olefins II, Styrene, Aromatics and Polypropylene plants on behalf of related entities in Kuwait.

The address of the Company's registered office is Olympia Tower, 6th floor, Salmiya, Kuwait.

These pro forma consolidated financial information were previously authorized for issuance by the President & Chief Executive Officer of the Company on 20 September 2016. However, as a result of revision and the inclusion of additional disclosures as explained in Note 6, these pro forma consolidated financial information were authorized for reissuance by the President & Chief Executive Officer of the Company on 14 October 2016.

2. Transaction and applicable criteria

During the year, the Company incorporated and acquired the following subsidiaries (together referred to as the "**Group**").

- MEGlobal Canada ULC ("**MEGC**") formed on 23 December 2015 via a series of amalgamations including amalgamation with Equate Petrochemical Canada ULC ("**EQUATE CANADA**") (Incorporated in Nova Scotia, Canada in October 2015 by the Parent Company). Previously, MEGC operated as MEGlobal Canada Inc., a joint venture between Dow Chemical Canada ULC ("**DCC ULC**") and PicCan Holdings Inc. ("**PicCan**")

- Equate Petrochemical B.V. ("**EQUATE BV**") (Incorporated in Netherlands in November 2015). EQUATE BV acquired MEGlobal BV ("**MEGBV**") on 23 December 2015.

On 23 December 2015, the Group entered into a share purchase agreement to acquire 100% equity of MEGC, an entity formed in December 2015 via a series of amalgamation, for a purchase consideration of USD 1,863 million. Subsequent to the acquisition, EQUATE CANADA merged with MEGC.

On 23 December 2015, the Group entered into a share purchase agreement to acquire 100% equity of MEGBV through EQUATE BV for a purchase consideration of USD 1,134 million.

The purchase consideration for the acquisition of MEGC and MEGBV has been funded through a bridge loan facility. In order to enter in to Debt Capital Market and the Sukuk transaction to settle the bridge loan facility, the arrangers have requested the management to compile a Pro Forma Financial Information to illustrate the impact on the Group's financial performance as if the transactions had been undertaken as at 1 January 2015 and on the assumption that the provisional fair value of the net assets acquired on 1 January 2015 was not different than the provisional fair value of the net assets as on the actual date of acquisitions and the acquisitions were recorded using the acquisition basis of accounting. It is also assumed that drawdown from bridge loan was affected on 1 January 2015 to fund the acquisitions (the "**applicable criteria**").

3. Basis of preparation and limitations of the pro forma consolidated financial information

3.1 Basis of preparation

The pro forma consolidated financial information have been prepared by extracting the information from the following sources:

- Audited consolidated financial statements of the Group for the year ended 31 December 2015 for which an unqualified audit opinion has been issued dated 10 February 2016.
- Audited consolidated financial statements of MEGBV for the year ended 31 December 2015 for which an unqualified audit opinion has been issued dated 3 May 2016 and management accounts of MEGBV for 9 days period ended 31 December 2015.
- Management accounts of MEGC for the year ended 31 December 2015 and audited special purpose consolidated financial statements of MEGC for 9 days period ended 31 December 2015.

A consolidated financial statement has been issued by the Group as at and for the year ended 31 December 2015 based on the actual acquisition date (i.e, 23 December 2015) on which an unqualified audit opinion has been issued dated 10 February 2016. The accounting standards and policies used in preparing the pro forma consolidated financial information and the corresponding adjustments are consistent with those applied in preparation of the Group's consolidated financial statements for the year ended 31 December 2015, which have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**").

3.2 Limitations of the pro forma consolidated financial information

For the purpose of a correct interpretation of the information provided in the pro forma consolidated financial information, the following should be taken into account:

- given that the pro forma consolidated financial information presents a hypothetical situation, had the acquisition actually been under taken as at 1 January 2015, the historical data would not necessarily have been identical to the Pro Forma data presented;
- the pro forma adjustments shown represent material effects on the Pro Forma Statement of Income directly connected to the transaction for which the preparation of the pro forma consolidated financial information is required;
- the pro forma consolidated financial information has been prepared solely for the purposes of presenting objectively the measureable effects of the transaction and, therefore, does not take into account, the potential effects resulting from changes in

management strategy and operational decisions resulting from the execution of the transaction; and

- the pro forma consolidated financial information does not reflect forward-looking information and is not intended in any way to present the expected future financial performance of the Group following the transaction and, therefore, should not be used in this sense.

4. **Business combination**

The pro forma consolidated financial information includes the effect of the business combinations on the results of the operations for the year ended 31 December 2015. The arrangers have requested the management to compile a pro forma consolidated financial information to illustrate the impact on the Group's financial performance as if the transactions had been undertaken as at 1 January 2015 and on the assumption that the provisional fair value of the net assets acquired on 1 January 2015 was not different than the provisional fair value of the net assets as on the actual date of acquisitions and the acquisitions were recorded using the acquisition basis of accounting. Additionally, it is also assumed that the Group drawdown from bridge loan facility to fund the acquisitions on 1 January 2015 ("the applicable criteria").

5. **Details of the Pro Forma adjustments to the Statement of Income for the year ended 31 December 2015 together with explanatory notes are provided below:**

(a) **Pro Forma adjustments in the Statement of Income**

		Pro forma adjustments							
	Consolidated income statement of the Group	A	B	C	D	E	F	Total Pro forma adjustments	Total
					(U.S.$ million)				
Sales	**1,712**	**2,847**	**822**	**(738)**	**(405)**	**-**	**-**	**2,526**	**4,238**
Cost of sales	(1,295)	(2,758)	(494)	**738**	405	(43)	(49)	(2,201)	(3,496)
Gross profit	**417**	**89**	**328**	**-**	**-**	**(43)**	**(49)**	**325**	**742**
				-					
Management fee	8	-	-	-	-	-	-	-	8
Reservation right fees	32	-	-	-	-	-	-	-	32
General, administrative and selling expenses	(36)	(15)	(1)	-	-	-	-	(16)	(52)
Other income	7	(4)	12	-	-	-	-	8	15
Profit from operations	**428**	**70**	**339**	**-**	**-**	**(43)**	**(49)**	**317**	**745**
Finance income	12	10	-	**(8)**	-	-	-	2	14
Finance costs	(18)	(5)	(8)	**8**	-	(33)	(30)	(68)	(86)
Profit before statutory contributions and income taxes	**422**	**75**	**331**	**-**	**-**	**(76)**	**(79)**	**251**	**673**
Statutory contributions	(19)	-	-	-	-	1	0	1	(18)
Income taxes	-	(1)	(85)	-	-	15	16	(55)	(55)
Net profit for the year	**403**	**74**	**246**	**-**	**-**	**(60)**	**(63)**	**197**	**600**

Consolidated income statement of the Group has been extracted from the audited consolidated financial statement of the Company as at and for the year ended 31 December 2015.

Pro forma adjustments

Note A – Income and expenses for the 356 day period from 1 January 2015 to 22 December 2015 for MEGBV

This represents income earned and expenses incurred by MEGBV for the 356 day period from 1 January 2015 to 22 December 2015. As the pro forma consolidated financial information is prepared to illustrate the impact of the acquisition and merger as if the transaction had been undertaken as at 1 January 2015, in accordance with IFRS, income and expenses earned and incurred by MEGBV for the 356 day period from 1 January 2015 to 22 December 2015 are added to the Company's numbers. The numbers for the period from 23 December 2015 to 31 December 2015 are already included in the Company's consolidated income statement. This illustrates that, had the Company acquired MEGBV on 1 January 2015, the Company's consolidated sales, cost of sales and as a result gross profit would have been higher by USD 2,847 million, USD 2,758 million and USD 89 million respectively, subject to elimination of certain transactions between the MEGBV and MEGC as illustrated in column C and, MEGBV and the Company as illustrated in column D during these 356 days. The Company's general, administrative and selling expenses would have been higher by USD 15 million whereas the Company's other income would have been lower by USD 4 million leading to a higher profit from operations of USD 70 million for the 356 day period from 1 January 2015 to 22 December 2015. The Company's finance income and finance cost would have been higher by USD 10 million and USD 5 million respectively, subject to elimination of certain transactions between MEGBV and MEGC as illustrated in column C during these 356 days resulting in a USD 75 million higher profit before statutory contributions and income taxes for the same period. The Company's income taxes would have been higher by USD 1 million as a result net profit for the 356 day period would have been higher by USD 74 million. These pro forma adjustments all have been derived by deducting 9 days income and expenses of MEGBV (already included in consolidated accounts of the Company) from the audited consolidated financial statements of MEGBV for the year ended 31 December 2015.

Note B - Income and expenses for the 356 day period from 1 January 2015 to 22 December 2015 for MEGC

This represents income earned and expenses incurred by MEGC for the 356 day period from 1 January 2015 to 22 December 2015. As the pro forma consolidated financial information is prepared to illustrate the impact of the acquisition and merger as if the transaction had been undertaken as at 1 January 2015, in accordance with IFRS, the income and expenses earned and incurred by MEGC for the 356 day period from 1 January 2015 to 22 December 2015 are added to the Company's numbers. The numbers for the period from 23 December 2015 to 31 December 2015 are already included in the Company's consolidated income statement. This illustrates that, had the Company acquired MEGC on 1 January 2015, the Company's consolidated sales, cost of sales and as result gross profit would have been higher by USD 822 million, USD 494 million and USD 328 million respectively, subject to elimination of certain transactions between the MEGC and MEGBV as illustrated in column C during these 356 days. The Company's general, administrative and selling expenses would have been higher by USD 1 million and the Company's other income would have been higher by USD 12 million leading to an higher profit from operations of USD 339 million for the 356 day period from 1 January 2015 to 22 December 2015. The Company's finance cost would have been higher by USD 8 million, subject to elimination of certain transactions between MEGBV and MEGC as illustrated in column C during these 356 days resulting in a USD 331 million higher profit before statutory contributions and income taxes for the same period. The Company's income taxes would have been higher by USD 85 million as a result net profit for the 356 day period would have been higher by USD 246 million. These pro forma adjustments all have been derived by deducting 9 days income and expenses of MEGC (already included in consolidated accounts of the Company) from the management accounts of MEGC for the year ended 31 December 2015.

Note C – Elimination of intercompany transactions for the 356 day period from 1 January 2015 to 22 December 2015 between MEGBV and MEGC

As the pro forma consolidated financial information is to illustrate the impact of the acquisition and merger as if the transaction had been undertaken as at 1 January 2015, in accordance with IFRS, the following intercompany transactions have been eliminated for the 356 day period:

- Intercompany sales and cost of sales in the amount of USD 738 million.
- Interest income and interest expense applied to intercompany loans in the amount of USD 8 million.

Note D – Elimination of intercompany transactions for the 356 day period from 1 January 2015 to 22 December 2015 between EQUATE and MEGBV

As the pro forma consolidated financial information is to illustrate the impact of the acquisition and merger as if the transaction had been undertaken as at 1 January 2015, in accordance with IFRS, the following intercompany transactions have been eliminated for the 356 day period:

- Intercompany sales and cost of sales in the amount of USD 405 million.

Note E – Pro forma depreciation and amortization on fair value adjustments to property, plant and equipment and intangible assets for MEGBV and finance cost on bridge loan facility for the 356 day period from 1 January 2015 to 22 December 2015

As the pro forma consolidated financial information is to illustrate the impact of the acquisition and merger as if the transaction had been undertaken as at 1 January 2015, in accordance with IFRS, the following adjustments have been made:

- Depreciation and amortization on the fair value adjustments to property, plant and equipment and intangible assets resulting from the acquisition, for the 356 day period in the amount of USD 43 million.
- Finance cost on the bridge facility utilized to fund the MEGBV acquisition for the three hundred and fifty six days period in the amount of USD 33 million.
- Statutory contributions, for the 356 day period, in the amount of USD 1 million.
- Income taxes effect of the above changes in the amount of USD 15 million.

Note F – Pro forma depreciation and amortization on fair value adjustments to property, plant and equipment and intangible assets for MEGC and finance cost on bridge loan facility for the 356 day period from 1 January 2015 to 22 December 2015

As the pro forma consolidated financial information is to illustrate the impact of the acquisition and merger as if the transaction had been undertaken as at 1 January 2015, in accordance with IFRS, the following adjustments have been made:

- Depreciation and amortization on the fair value adjustments to property, plant and equipment and intangible assets resulting from the acquisition, for the 356 day period, in the amount of USD 49 million.
- Finance cost on the bridge facility utilized to fund the MEGC acquisition for the three hundred and fifty six days period in the amount of USD 30 million.
- Income taxes effect of the above changes in the amount of USD 16 million.

6. **Additional disclosures**

Subsequent to issue of pro forma consolidated financial information by the management of the Company on 20 September 2016, the Company included certain additional disclosures to further explain the pro forma adjustments set out in Note 5 in connection with the application for notes to be issued on the EQUATE Petrochemical B.V.'s GMTN Programme (to which the Company is a guarantor) to be admitted to the official list and to trading on the regulated market of the Irish stock exchange. This revision did not result in any change, in the basis of preparation of pro forma consolidated financial information and pro forma consolidated statement of income for the year ended 31 December 2015.

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

*The following discussion should be read in conjunction with the Group H1 2016 Combined Financial Statements, the EQUATE Financial Statements, the TKOC Financial Statements, the MEGlobal B.V. Financial Statements and the MEGlobal Canada Financial Statements (together, the "**Financial Statements**"), appearing elsewhere in this Base Prospectus or incorporated by reference in this Base Prospectus (see "Documents Incorporated by Reference"), as the case may be, all of which have been prepared in accordance with IFRS. See "Presentation of Financial and Other Information". The following discussion contains forward-looking statements that reflect the Group's plans, estimates and beliefs. The Group's actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Base Prospectus, particularly in "Risk Factors" and "Forward-Looking Statements". Unless indicated otherwise, the financial information set out below and referred to in this section has been extracted without material adjustment from the Financial Statements, or has been extracted without material adjustment from accounting records that formed the underlying basis of the financial information included in the Financial Statements.*

Overview of Section

As discussed in greater detail below, although the Group currently operates as a combined entity for operational purposes, the Group comprises two separate entities under common ownership for legal and financial reporting purposes:

- the EQUATE Group, which consists of EQUATE and its subsidiaries, which include the MEGlobal B.V. Group and the MEGlobal Canada Group; and
- TKOC.

A merger of EQUATE and TKOC is under consideration by the shareholders of the respective companies. There is, however, no assurance as to when the board of directors of the relevant company will consider such a transaction or whether they will approve any such transaction once brought to the board of directors of the relevant company.

The EQUATE Group completed the acquisition of the MEGlobal B.V. Group and the MEGlobal Canada Group (the "**MEGlobal Acquisition**") on 23 December 2015 (the "**MEGlobal Acquisition Date**"). See "*Business—The Group's History*" and "*Business—The Group's Corporate Structure*". Accordingly, the consolidated financial statements of the EQUATE Group include the results of the MEGlobal Group as from the MEGlobal Acquisition Date onwards. As a result of the foregoing, the Group has a complex financial history and, with the exception of the Group H1 2016 Combined Financial Statements, there are no financial statements available for the Group as a whole.

The discussion of the Group's financial condition and results of operation has been organised to present the following:

- a brief overview of the Group and the principal factors that influence its results of operations, financial condition and liquidity;
- a presentation of the Group's results of operations on a combined basis for the six-month period ended 30 June 2016;
- a discussion of the EQUATE Group's results of operations and cash flows for the six-month periods ended 30 June 2016 and 2015 and for the years ended 31 December 2015, 2014 and 2013;
- a discussion of TKOC's results of operations and cash flows for the six-month periods ended 30 June 2016 and 2015 and for the years ended 31 December 2015, 2014 and 2013;
- a discussion of the MEGlobal B.V. Group's results of operations and cash flows for the years ended 31 December 2015, 2014 and 2013; and
- the Group's liquidity and capital resources; indebtedness and financing strategy; off-balance sheet arrangements; contractual commitments and contingencies; and market risks that may have a

material effect on the Group's results of operations, financial condition and liquidity, together with a description of the Group's critical accounting judgements and key sources of estimation uncertainty.

This section does not include a discussion of the MEGlobal Canada Group's historic results of operations and cash flows due to the non-comparability between the 2015 financial information to the 2014 and 2013 financial information contained therein. The discussion of the Group's liquidity and capital resources included in this section does, however, reflect financial information in respect of the MEGlobal Canada Group as reflected in the Group H1 2016 Combined Financial Statements. See *"—Overview of the Group—Certain Accounting Considerations*".

Overview of the Group

The Group is the largest producer of petrochemical products in Kuwait and one of the leading producers of petrochemical products in the Middle East by sales and production volume, according to market reports. The Group produces, distributes and markets ethylene glycol, polyethylene and their co-products globally, including to Asia, North and South America, the Middle East, Turkey, India, Pakistan and Europe, and produces, distributes and markets polyethylene terephthalate in Europe. As of and for the year ended 31 December 2015, the Group was the world's second largest producer of ethylene glycol by capacity according to PCI and the world's second largest distributor of ethylene glycol by sales volume according to the Group's internal calculations which are based on data published by PCI. See "*Presentation of Financial and Other Information—Historical and Current Market and Industry Data*".

The Group's business has vertically integrated chemical facilities and production technologies. The Group operates five manufacturing sites in three countries. As of 30 June 2016, the Group's total production capacity was approximately 3,570KTA of which 56 per cent. was in Kuwait, 34 per cent. was in Canada and 10 per cent. was in Germany.

The Group principally operates through three business lines: Ethylene Glycol, Polyethylene and Polyethylene Terephthalate. Each of EQUATE, TKOC and MEGlobal Canada manufactures ethylene glycol: EQUATE has an ethylene glycol plant in the Shuaiba Industrial Area in Kuwait with a production capacity of 540KTA; TKOC has an ethylene glycol plant in the Shuaiba Industrial Area in Kuwait with a production capacity of 650KTA; and MEGlobal Canada has three ethylene glycol plants in Prentiss and Fort Saskatchewan in Alberta, Canada with a combined production capacity of 1,220KTA. EQUATE also produces polyethylene and has a polyethylene plant in the Shuaiba Industrial Area in Kuwait with a production capacity of 825KTA. Equipolymers GmbH, a wholly-owned subsidiary of MEGlobal B.V., produces polyethylene terephthalate and has two polyethylene terephthalate plants in Schkopau, Germany with a combined production capacity of 335KTA.

The Group's Ethylene Glycol and Polyethylene business lines use ethane-based ethylene as feedstock. The Group's production facilities in Kuwait source ethane-rich gas from PIC. The ethane-rich gas is processed into ethylene by two ethane crackers each of which are owned by EQUATE and TKOC. These ethane crackers, which have production capacities of 850KTA each, are integrated into the Group's polyethylene and ethylene glycol production facilities in the Shuaiba Industrial Area in Kuwait. The Group's ethylene glycol production facilities in Canada source ethylene from Dow's ethane cracker in Fort Saskatchewan, and this ethylene is transported to MEGlobal Canada's Prentiss and Fort Saskatchewan production facilities by pipeline.

The Group benefits from low-cost, high-quality feedstock through long-term supply agreements with its principal shareholders, Dow and PIC, and based on its internal research and market reports, the Group believes that its feedstock costs are highly competitive. See further "*—Competitive Strengths—Low cost feedstock under long-term feedstock supply agreements*". In addition, the Group's operations in Kuwait are strategically located near the Shuaiba Industrial Area port and benefit from the competitive rates of power in the Middle East which to date have generally been significantly lower than the cost of utilities in other regions of the world.

Moreover, the Group has a global ethylene glycol distribution platform with regional business centres around the world that support the sales and marketing function of its Ethylene Glycol business line, including in Hong Kong, Shanghai, Dubai, Horgen and Houston. The Group's feedstock contracts, integrated facilities and distribution operations position it as a low-cost producer that is able to capture attractive margins across the value chain, with the benefit of certainty of feedstock supply and access to a global distribution platform.

The Group's products are used primarily by other industries as raw materials to produce or manufacture products used in end markets. A significant proportion of the Group's products sales are used in consumer-driven end markets including textiles and food and beverage packaging. The Group believes that these industries are less susceptible than other sectors to economic recessions. See further "*Business*".

Certain Accounting Considerations

The Group consists of the EQUATE Group and TKOC, the combined results of which comprise the Group's total business operations, financial performance and condition. The MEGlobal Group has formed part of the EQUATE Group since the MEGlobal Acquisition Date, the date on which EQUATE completed the MEGlobal Acquisition". See "*Business—The Group's History*" and "*Business—The Group's Corporate Structure*".

Non-Consolidation of the EQUATE Group and TKOC

While the EQUATE Group and TKOC have the same shareholders and have historically operated under common management and control, the financial statements of the two entities have not been consolidated. Therefore, the discussion and analysis presented herein discusses each of the EQUATE Group and TKOC on a stand-alone, non-consolidated basis. However, in order to illustrate the financial performance and condition of the Group as a whole, the Group has prepared the Group H1 2016 Combined Financial Statements, which set forth the combined condensed statements of financial results of the EQUATE Group and TKOC for the six-month period ended 30 June 2016 appearing elsewhere in this Base Prospectus. These are presented in "*—Presentation of the Group's Results of Operations for the Six-Month Period ended 30 June 2016*" below (the comparative combined results of operations for the six-month period ended 30 June 2015, and related notes, contained in the Group H1 2016 Combined Financial Statements, which have not been audited or reviewed, have been omitted from the presentation because they do not consolidate the financial results of the MEGlobal Group and are, therefore, not comparable to the corresponding figures for the six-month period ended 30 June 2016).

Non-Consolidation of the MEGlobal Group prior to the MEGlobal Acquisition Date

The historical results for the EQUATE Group discussed in this section do not consolidate the MEGlobal Group's financial results for the periods prior to MEGlobal Acquisition Date. Accordingly, while the EQUATE H1 2016 Financial Statements consolidate the financial results of the MEGlobal Group for the full period, the EQUATE 2015 Financial Statements only consolidate the financial results of the MEGlobal Group for the nine-day period between the MEGlobal Acquisition Date and 31 December 2015 (inclusive), and neither the EQUATE 2014 Financial Statements nor the EQUATE 2013 Financial Statements reflect any financial results for the MEGlobal Group. Accordingly, the Group has included a separate discussion of the stand-alone MEGlobal B.V. Financial Statements in "*—Discussion of MEGlobal B.V. Group's results of operations and cash flows for the years ended 31 December 2015, 2014 and 2013*". While the stand-alone MEGlobal Canada Financial Statements have, for reference, been incorporated by reference in this Base Prospectus, the Group has not included a separate discussion of the MEGlobal Canada Financial Statements due to the non-comparability between certain periods of financial information contained therein. The MEGlobal Canada 2015 Consolidated Financial Statements are only in respect of the nine-day period between the MEGlobal Acquisition Date and 31 December 2015 (inclusive), as full-year audited financial statements for 2015 are not available due to the application of IFRS rules in connection with the book value (before) and fair value concept (on and after) the acquisition and amalgamation of the MEGlobal Canada Group within the same financial year. As a result, the financial information for 2015 is not comparable to the financial information for the years ended 31 December 2014 and 2013. The discussion of the Group's liquidity and capital resources included in this section does, however, reflect financial information in respect of the MEGlobal Canada Group as reflected in the Group H1 2016 Combined Financial Statements. Additionally, certain unaudited pro forma financial information illustrating the impact of the MEGlobal Acquisition on the 2015 financial performance of the EQUATE Group as if the transaction had taken place on 1 January 2015 is set forth in "*Unaudited Pro Forma Consolidated Financial Information* ".

Intragroup transactions

It is important to note that EQUATE, TKOC, the MEGlobal Canada Group and the MEGlobal B.V. Group participate in on-going intragroup business and financial transactions with each other, such as the receipt of revenue or the payment of expenses between entities. While intragroup transactions and balances have been eliminated for the purposes of preparing the Group H1 2016 Combined Financial Statements, they are included in the financial information presented in the other Financial Statements. Accordingly, information at the Group level, net of intragroup transactions and balances, as regards profit and loss, cash flow and adjusted EBITDA is only presented herein for the first six months of 2016.

To facilitate the analysis and understanding of the business and financial relationships that exist among the companies comprising the Group, set forth below is a description of the significant intragroup business and financial transactions which would be eliminated upon consolidation of EQUATE, TKOC, the MEGlobal Canada Group and the MEGlobal B.V. Group:

- Each of EQUATE and TKOC sells ethylene glycol to MEGlobal B.V. for on-sale to end customers. The sales (in the case of EQUATE and TKOC) and cost of sales (in the case of MEGlobal B.V.) associated with such intragroup ethylene glycol sale would be eliminated upon consolidation.

- EQUATE purchases ethylene from TKOC from time to time. The sales (in the case of TKOC) and cost of sales (in the case of EQUATE) in respect of such intragroup ethylene sale would be eliminated upon consolidation.

- EQUATE and TKOC have intercompany loans with each other under which, on a net basis, EQUATE is the lender. The finance cost or, as the case may be, finance income with respect to such intercompany loans would be eliminated upon consolidation.

- The production facilities of EQUATE and TKOC in Kuwait are integrated. Pursuant to the OMSAs (as defined in "*Related Party Transactions*"), EQUATE operates and manages TKOC's production facilities and provides maintenance and other services to TKOC in return for a fixed management fee. Pursuant to the MUSAs (as defined in "*Related Party Transactions—Services Agreements*"), EQUATE receives from TKOC a reservation right fee that equals the total capital construction costs incurred by EQUATE on the new utilities and infrastructure facilities under the "*Olefins II*" project. See "*Related Party Transactions—Others*". Such income (in the case of EQUATE) or expense (in the case of TKOC) (i.e., the portion of management fees and reservation right fees paid to EQUATE by TKOC), would be eliminated upon consolidation.

- MEGlobal B.V. and MEGlobal Canada have intercompany loans with each other under which, on a net basis, MEGlobal B.V. is the lender. The finance cost or, as the case may be, finance income with respect to such intercompany loans would be eliminated upon consolidation.

- MEGlobal Canada sells ethylene glycol to MEGlobal B.V. for on-sale to end customers. The sales (in the case of MEGlobal Canada) and cost of sales (in the case of MEGlobal B.V.) in respect of such intragroup ethylene glycol sale would be eliminated upon consolidation.

Management of the Group considers that the elimination of the intragroup business and financial transactions described above would not have a material impact on the Group's adjusted EBITDA, cash and cash equivalents or third party indebtedness. See also "*Related Party Transactions*" for a further description of these intragroup transactions.

Factors Affecting Operating Results

The Group's results of operations are driven by a combination of factors affecting the petrochemical and chemical intermediate markets generally, including general economic conditions, prices of raw materials, global supply and demand for the Group's products and environmental legislation. The Group's results of operations are also impacted by company-specific structural and operational factors. Set forth below is an overview of the key drivers that have affected the Group's historical results of operations, and are expected to affect the Group's future results of operations.

Oil and Gas Price Movement

In general, oil and gas price movements can affect the results of the Group's operations and, in particular, the Group's margins, in a number of ways. The price of brent crude is historically correlated to a certain extent with the sale price of the Group's ethylene glycol products; as brent crude prices decrease, so do the prices of the Group's products, and *vice versa*. The price of crude oil has fluctuated significantly in the past five years, and in the period between 2014 to 2015, in particular, the rapid decline in crude oil price has negatively impacted the average price of the Group's products, resulting in a 19.4 per cent. decrease in the average price of polyethylene and a 18.5 per cent. decrease in the average price of ethylene glycol for the EQUATE Group in the period between 31 December 2014 and 31 December 2015. In addition, movements in the price of oil and gas also have a corresponding impact on the cost of the Group's ethane-based feedstock, particularly in the Group's Canadian ethylene glycol production facilities, the terms of whose feedstock supply arrangements are slightly less insulated from oil and gas market price variations than those of the Group's operations in Kuwait, which are only partially affected over time by movements in the price of gas due to the pricing structure of the Group's long-term supply contracts. While the Group's feedstock costs have, in recent periods, generally decreased in tandem with lower oil and gas prices, they have not decreased at the same rate as the average prices of the Group's products. Accordingly, the above variations have resulted in a general decrease in adjusted EBITDA margins across the Group's component entities in recent periods, driven primarily by the relatively greater impact of lower oil and gas prices on the Group's sales than on the Group's cost of sales. See "*Selected Financial And Other Information*" and "*Risk Factors—Volatility in the price of oil and natural gas may adversely impact the Group's business, results of operations or financial condition*".

Supply and Demand Cycle in the Petrochemical Industry

Margins in the petrochemical industry are strongly influenced by industry capacity utilisation rates. As demand for petrochemical products approaches available supply, industry capacity utilisation rates rise, and prices and margins typically increase. Historically, this relationship has been highly cyclical due to fluctuations in supply resulting from the timing of new investments in capacity and general economic conditions affecting the relative strength or weakness of demand. Generally, capacity is more likely to be added in periods when current or expected future demand is strong and margins are, or are expected to be, high. Investments in new capacity can result, and in the past frequently have resulted, in overcapacity, which typically leads to a decrease in industry capacity utilisation rates and a reduction of margins. In response, petrochemical producers typically reduce capacity or limit further capacity additions, eventually causing the market to be relatively undersupplied and leading to a rise in industry capacity utilisation and margin expansion. The Group is currently engaged in various projects, including, in particular, the construction of an ethylene glycol plant in the U.S. Gulf coast, which are expected to result in a significant amount of additional production capacity coming on-stream by 2019. In addition, other producers in the petrochemical industry, such as Formosa and Sasol, have announced projects to increase the capacity of their ethylene glycol production facilities which are expected to complete between 2018 and 2020. Such new capacity may have an impact on the above-described supply-demand balance. See "*Risk Factors— The cyclical nature of the petrochemical industry may reduce the Group's net sales revenue and gross margin*" and "*Business—Ethylene Glycol business line—Facilities—U.S. Gulf Coast Project".*

Global Economic Condition

The Group's results of operation are affected by the overall economic conditions in the Asia, India, MENA and North America (particularly the United States upon the completion of the U.S. Gulf Coast project; see further "*Business—Ethylene Glycol business line—Facilities—U.S. Gulf Coast Project"*) regions. An extended recession in any of these locations or globally—or public perceptions that result in declining economic conditions—could substantially decrease the demand for the Group's products. For the six-month period ended 30 June 2016, 34 per cent. of the Group's revenues were from China. Accordingly, an economic recession or a prolonged slowdown in growth in China in particular would affect the Group's results of operations as a result of downward pricing pressure for the Group's products.

Asset Utilisation

The Group's results of operations are materially influenced by the degree to which the Group utilises its assets in order to achieve maximum production volumes. As a low-cost producer, the Group seeks to operate its facilities at full capacity. The Group believes this allows it to maintain positive margins and cash flows, allowing it to withstand industry downturns more readily than other producers who have higher production costs. The Group's strategy is to achieve growth in production volume by improving utilisation rates within the defined availability of an asset, improving availability of an asset by minimising planned and unplanned facility downtime and improving the capacity of assets through de-bottlenecking projects such as the de-bottlenecking of EQUATE's ethylene facility in 2014 and polyethylene facility in 2016.

For example, the number and length of "turnarounds" (scheduled outages of a unit in order to perform necessary inspections and testing to comply with industry regulations and to permit the Group to carry out any maintenance activities that may be necessary) carried out in any given period can impact operating results. Ethane crackers typically undergo major turnarounds every eight years, which last between two to four weeks, and ethylene glycol manufacturing plants undergo turnarounds every two to three years, which last between one to two weeks. The Group typically coordinates and schedules the turnarounds of its plants to match the scheduled turnarounds of its feedstock suppliers to minimise the disruption to its operations. EQUATE completed a major turnaround of its ethane cracker and polyethylene and ethylene glycol production lines plants in the fourth quarter of 2014, which required an approximately 30-day shutdown. EQUATE undertook a turnaround of its ethane cracker during the first quarter of 2016, while a major turnaround of the TKOC cracker and the ethylene glycol production lines is planned during the fourth quarter of 2017. Unplanned outages can also impact the Group's operating results, even if such outages are covered by insurance. Similarly, planned or unplanned outages of the Group's competitors can positively affect the Group's operating results by decreasing the supply of product in the market.

Interruptions in Supply of Feedstock

Feedstock is the most significant component of the Group's cost of sales. Although the Group has in place long-term feedstock supply arrangements for its production facilities in Kuwait and Canada, it relies on the timely supply of feedstock from its suppliers. Any interruption in the supply of feedstock to the Group's production facilities or reduction in the quantity of feedstock supplied to the Group, whether through industrial actions, accidents or other similar events at the Group's suppliers' premises, could adversely affect the Group's results of operations. For example, an industrial dispute at its supplier in Kuwait resulted in disruption of feedstock supply to EQUATE and TKOC in April 2016. Although this incident did not impact the Group's ability to meet its supply obligations to customers, there can be no assurance that future disruptions will not impact the Group's ability to deliver products under supply contracts the Group has with its customers or require the Group to source additional feedstock from the spot market or from third parties at less favourable prices which may decrease the Group's margin. The Group routinely sources additional ethylene glycol from the spot market as part of its business strategy, and, for the year ended 31 December 2015 14 per cent. of the Group's ethylene glycol sales was sourced from third parties by way of spot purchases.

Foreign Exchange Rate Fluctuations

The Group's results of operations may be affected by foreign currency exchange rate fluctuations. The majority of the Group's sales and costs are in U.S. dollars although in the Group's Canadian ethylene glycol production facilities, the cost of raw material is denominated in Canadian dollar. The Group's reporting currency is the U.S. dollar, and the Group's results of operations will be impacted by the relative strength of U.S. dollar against other currencies, including the Canadian dollar. The Group enters into foreign currency forward contracts from time to time to manage the Group's booked foreign currency exposures.

Environmental Consideration

The Group's results of operations are affected by environmental laws and regulations, including those relating to greenhouse gas emissions, and environmental risks and goals generally. The Group has invested, and will continue to invest, a significant amount of financial and technical resources in order to achieve and maintain compliance with environmental requirements. From time to time, the Group also incurs remediation and decommissioning costs at its current and former production facilities, as well as at other locations. Environmental considerations can also impact the markets in which the Group operates, including its position with respect to its competitors. See "*Business—Environment, Health and Safety*".

Presentation of the Group's Results of Operations on a Combined Basis for the Six-Month Period Ended 30 June 2016

The financial information of the Group set forth in the Group H1 2016 Combined Financial Statements and discussed in this sub-section represents the combined condensed statement of financial results of the EQUATE Group and TKOC for the six-month period ended 30 June 2016. The financial results of the EQUATE Group used for the purposes of the Group H1 2016 Combined Financial Statements consolidate the financial results of the MEGlobal Group for the six-month period ended 30 June 2016. The comparative combined results of operations for the six-month period ended 30 June 2015, and related notes, contained in the Group H1 2016 Combined Financial Statements, which have not been audited or reviewed, have been omitted from the below presentation because they do not consolidate the financial results of the MEGlobal Group and are, therefore, not comparable to the corresponding figures for the six-month period ended 30 June 2016. See "—Overview of the Group—Certain Accounting Considerations". For more detailed discussions of the Group's financial results for the six-month period ended 30 June 2016 set forth in this sub-section, see the separate discussions of the EQUATE Group's and TKOC's stand-alone financial results set forth in "—Discussion of the EQUATE Group's results of operations and cash flows for the six-month periods ended 30 June 2016 and 2015 and for the years ended 31 December 2015, 2014 and 2013—Results of Operations—Comparison of the Six-Month Periods Ended 30 June 2016 and 2015" and "—Discussion of TKOC's results of operations and cash flows for the six-month periods ended 30 June 2016 and 2015 and for the years ended 31 December 2015, 2014 and 2013—Results of Operations—Comparison of the Six-Month Periods Ended 30 June 2016 and 2015", respectively.

The following table sets forth the income statement of the Group for the six-month period ended 30 June 2016:

	For the six-month period ended 30 June 2016[(1)]
	(U.S.$ million)
Sales	1,704
Cost of sales	(1,344)
Gross profit	**360**
Management fee	4
Reservation right fees	9
General, administrative and selling expenses	(43)
Other income	-
Foreign exchange (loss) / gain	(3)
Profit from operations	**327**
Finance income	19
Finance costs	(53)
Profit before statutory contributions and Board of Directors' remuneration	**293**
Contribution to KFAS	(3)
Contribution to Zakat	(2)
Tax on subsidiaries	(10)
Board of Directors' remuneration	-
Net profit for the period	**278**

(1) The comparative combined results of operations for the six-month period ended 30 June 2015 contained in the Group H1 2016 Combined Financial Statements, which have not been audited or reviewed, have been omitted from this table because they do not consolidate the financial results of the MEGlobal Group and are, therefore, not comparable to the corresponding figures for the six-month period ended 30 June 2016. See "*—Overview of the Group—Certain Accounting Considerations*".

The following table sets forth a breakdown of the Group's sales (external sales, net of intragroup sales) by product:

	For the six-month period ended 30 June 2016				
	EG	**PE**	**PET**	**Other**[(2)]	**Total**
			(U.S.$ million)		
Sales[(1)]	1,077	389	160	78	1,704

(1) External sales, net of intragroup sales.

(2) Sales generated by the Group under the OMSAs and MUSAs (excluding intragroup sales generated from TKOC).

The following table sets for the Group's combined adjusted EBITDA by product for the six-month period ended 30 June 2016:

	For the six-month period ended 30 June 2016				
	EG	PE	PET	Other[(2)]	Total
			(U.S.$ million)		
Adjusted EBITDA[(1)]	336	155	3	27	521

(1) See "*Presentation of Financial and Other Information—Use of Alternative Performance Measures*" and "*Selected Financial And Other Information—The Group*".
(2) Adjusted EBITDA generated by the Group under the OMSAs and MUSAs (excluding intragroup sales generated from TKOC).

The following table sets forth a breakdown of the Group's sales by product and geographic area for the six-month period ended 30 June 2016:

	For the six-month period ended 30 June 2016				
	EG	PE	PET	Other[(2)]	Total
			(U.S.$ million)		
Americas	255	-	-	-	255
North Asia	439	140	-	-	579
India Sub-continent	173	29	-	-	202
Europe	128	64	160	-	352
Rest of the World	92	156	-	78	316
Total Sales[(1)]	**1,077**	**389**	**160**	**78**	**1,704**

(1) External sales, net of intragroup sales.
(2) Sales generated by the Group under the OMSAs and MUSAs (excluding intragroup sales generated from TKOC).

Discussion of the EQUATE Group's Results of Operations and Cash Flows for the Six-Month Periods Ended 30 June 2016 and 2015 and for the Years Ended 31 December 2015, 2014 and 2013

The financial information of the EQUATE Group discussed in this sub-section does not consolidate the MEGlobal Group's financial results for the periods prior to MEGlobal Acquisition Date. Accordingly, while the EQUATE H1 2016 Financial Statements consolidate the financial results of the MEGlobal Group for the full period, the EQUATE 2015 Financial Statements only consolidate the financial results of the MEGlobal Group for the nine-day period between the MEGlobal Acquisition Date and 31 December 2015 (inclusive), and neither the EQUATE 2014 Financial Statements nor the EQUATE 2013 Financial Statements reflect any financial results for the MEGlobal Group. As a result, the financial results for certain periods discussed in this sub-section are therefore not directly comparable to one another, and care should, therefore, be taken when comparing financial information presented and discussed in this sub-section. See further "—Overview of the Group—Certain Accounting Considerations".

Results of Operations

Comparison of the Six-Month Periods Ended 30 June 2016 and 2015

The following table sets forth, for the periods indicated, the consolidated income statement of the EQUATE Group:

	For the six-month period ended 30 June	
	2016	**2015**
	(U.S.$ million)	
Sales	1,751	838
Cost of sales	(1,511)	(596)
Gross profit	**240**	**242**
Management fee	4	4
Reservation right fees	16	16
General, administrative and selling expenses	(43)	(12)
Other income	2	0
Foreign exchange (loss) / gain	(3)	1
Profit from operations	**216**	**251**
Finance income	20	6
Finance costs	(53)	(6)
Profit before statutory contributions, tax on subsidiaries and Board of Directors' remuneration	**183**	**251**
Contribution to KFAS	(2)	(3)
Contribution to Zakat	(1)	(14)
Tax on subsidiaries	(10)	-
Board of Directors' remuneration	(0)	(0)
Net profit for the period	**170**	**234**

Sales

The EQUATE Group derives sales from the production and sale of polyethylene, ethylene glycol, polyethylene terephthalate and their co-products and sales generated from the OMSAs and MUSAs. See "*Related Party Transactions*".

The following table sets forth, for the periods indicated, the percentage of total EQUATE Group sales (before intragroup eliminations) comprised by the EQUATE Group's most significant products:

	For the six-month period ended 30 June	
Product	**2016**	**2015**
	(per cent.)	
Polyethylene	18	37
Ethylene Glycol	65	43
Polyethylene Terephthalate	7	-[(1)]
Others[(2)]	10	20
Total	**100**	**100**

(1) Polyethylene terephthalate is produced exclusively by the MEGlobal Group, which only became a part of the EQUATE Group on 23 December 2015. See further "—*Overview of the Group*".

(2) Sales generated by the EQUATE Group under the OMSAs and MUSAs (including sales generated from TKOC).

The following table sets forth the percentage change in sales volumes and average prices of the Equate Group's most significant products for the six-month period ended 30 June 2016 as compared to the six-month period ended 30 June 2015 (excluding the impact of the MEGlobal Group's sales figures):

	For the six-month period ended 30 June 2016	
Product[1]	**Sales volumes (change vs 2015)**	**Average price (change vs 2015)**
	(per cent.)	
Polyethylene	0.3	(12.7)
Ethylene Glycol	(28.5)	(27.9)

(1) Figures for change in sales volume and average price (six-month period ended 30 June 2016 vs six-month period ended 30 June 2015) of polyethylene terephthalate (which is produced exclusively by the MEGlobal Group) have been omitted, given the unavailability of audited or reviewed figures for the results of the MEGlobal Group (which did not form a part of the EQUATE Group prior to 23 December 2015) for the six-month period ended 30 June 2015. See further "*—Overview of the Group—Certain Accounting Considerations*".

Sales for the six-month period ended 30 June 2016 increased by U.S.$913 million, or 109 per cent., to U.S.$1,751 million as compared to U.S.$838 million for the six-month period ended 30 June 2015. This increase was primarily due to the inclusion, during the first six months of 2016, of sales figures attributable to the MEGlobal Group (amounting to U.S.$1,093 million), which were not reflected in the corresponding figures for the first six months of 2015. Excluding the impact from the inclusion of the MEGlobal Group's sales figures, EQUATE's sales for the first six months of 2016 decreased by U.S.$180 million as compared to the corresponding period in 2015, due primarily to a decrease in both polyethylene and ethylene glycol prices and a decrease in ethylene glycol sales volumes (accounting for decreases in sales of U.S.$102 million and U.S.$64 million, respectively). Average polyethylene and ethylene glycol prices dropped by 12.7 per cent. and 27.9 per cent., respectively, during the first six months of 2016 as compared to the corresponding period in 2015 (accounting for decreases in sales of U.S.$57 million and U.S.$45 million, respectively). Ethylene glycol sales volumes decreased 28.5 per cent. during the first six months of 2016 as compared to the corresponding period in 2015 due to the turnaround of one of its ethane crackers during the first quarter of 2016 (accounting for a U.S.$64 million decrease in sales). Sales generated from the OMSAs and MUSAs also decreased by U.S.$15 million during the first six months of 2016 as compared to the corresponding period in 2015 due to a decrease in cost recovery under the OMSAs and MUSAs in 2016 attributable to lower fixed costs stemming from the continued implementation of cost reduction initiatives.

Cost of Sales

The principal components of the EQUATE Group's cost of sales are its raw material costs, freight and distribution expenses, utilities, staff costs, repairs and maintenance, the depreciation and amortisation of its plants and industrial equipment as well as intangible assets for the MEGlobal Group for the periods after the MEGlobal Acquisition Date. Depreciation of plants and industrial equipment is computed using the straight-line method because the EQUATE Group believes this method best reflects the estimated useful lives of these assets.

Cost of sales for the six-month period ended 30 June 2016 increased by U.S.$915 million, or 153 per cent., to U.S.$1,511 million, as compared to U.S.$596 million for the six-month period ended 30 June 2015. This increase was primarily due to the inclusion, during the first six months of 2016, of cost of sales figures attributable to the MEGlobal Group (amounting to U.S.$968 million), which were not reflected in the corresponding figures for the first six months of 2015. Excluding the impact from the inclusion of the MEGlobal Group's cost of sales figures, the EQUATE Group's cost of sales for the first six months of 2016 decreased by U.S.$53 million due primarily to a U.S.$41 million decrease in cost of sales as a result of decreased volumes of polyethylene and ethylene glycol sold, and a combined U.S.$14 million decrease in the cost of sales due to decreased cost of raw materials (including feedstock gas, whose cost decreased by 6 per cent.) and other costs. These decreases were partially offset by a U.S.$2 million increase in other direct manufacturing costs.

Gross Profit

As a result of the factors described above, gross profit for the six-month period ended 30 June 2016 decreased by U.S.$2 million, or 0.8 per cent., to U.S.$240 million as compared to U.S.$242 million for the six-month period ended 30 June 2015. Excluding the impact from the inclusion of the MEGlobal

Group's financial results (which reflected an increase in gross profit of U.S.$125 million) during the first six months of 2016, the EQUATE Group's gross profit decreased by U.S.$127 million during the first six months of 2016 as compared to the corresponding period in 2015, due primarily to the U.S.$180 million decrease in sales over the period.

Management Fee

The principal components of the EQUATE Group's management fee are the fees received from (a) PIC in relation to the operation of its polypropylene plant, (b) TKOC in relation to the operation of its "Olefins II" plant, (c) TKSC in relation to the operation of its styrene plant and (d) KPPC in relation to the operation of its aromatics plant. In each case, the management fee primarily represents a fixed management fee plus a margin calculated on total cost recovery.

Management fee for the six-month period ended 30 June 2016 was U.S.$4 million, with zero change as compared to the six-month period ended 30 June 2015.

Reservation Right Fees

EQUATE owns certain common facilities of the "Olefins II" complex including utilities and infrastructure. See "*Business—The Group's History*". Each of TKOC, KPPC and TKSC has paid EQUATE up-front for the usage of such common facilities to the extent of construction cost incurred by EQUATE based on agreed proportional use of such common facilities. Such prepayment is presented as deferred income and is amortised over the useful life of the plant, which is 20 years, resulting in the recognition of reservation rights fee income.

Reservation right fees for the six-month period ended 30 June 2016 were U.S.$16 million, with zero change as compared to the six-month period ended 30 June 2015.

General, Administrative and Selling Expenses

The principal components of the EQUATE Group's general, administrative and selling expenses are promotion and advertising, staff costs, office supplies, marketing and general administrative and selling expenses. It also includes the depreciation of assets related to the general, administrative and selling function of the EQUATE Group, such as office equipment, computer hardware and software, which is computed using the straight-line method because the EQUATE Group believes this method best reflects the estimated useful lives of such assets.

General, administrative and selling expenses for the six-month period ended 30 June 2016 increased by U.S.$31 million, or 258 per cent., to U.S.$43 million, as compared to U.S.$12 million for the six-month period ended 30 June 2015. This increase was primarily due to the inclusion, during the first six months of 2016, of general, administrative and selling expenses figures attributable to the MEGlobal Group (amounting to U.S.$30 million), which were not reflected in the corresponding figures for the first six months of 2015 (the Group markets and sells its ethylene glycol products, which represent its largest business line by production volume and sales, through MEGlobal B.V.). Excluding the impact from the inclusion of the MEGlobal Group's general, administrative and selling expenses figures, EQUATE's general, administrative and selling expenses for the first six months of 2016 decreased by U.S.$1 million primarily as a result of lower fixed costs stemming from the continued implementation of cost reduction initiatives.

Other Income

The principal components of the EQUATE Group's other income are derived from sale of polyethylene scrap and where relevant, non-recurring income.

Other income for the six-month period ended 30 June 2016 was U.S.$2 million, as compared to nil during the six-month period ended 30 June 2015. Other income for the first six months of 2016 consisted primarily of scrap sales.

Foreign Exchange Gain / Loss

The principal components of the EQUATE Group's foreign exchange gain / loss result from transaction and translation effects of foreign currency exchange rate fluctuations.

The EQUATE Group recorded a foreign exchange loss of U.S.$3 million for the six-month period ended 30 June 2016, as compared to a gain of U.S.$1 million for the six-month period ended 30 June 2015, due primarily to the inclusion, during the first six months of 2016, of foreign exchange figures attributable to the MEGlobal Group (amounting to a loss of U.S.$4 million), which were not reflected in the corresponding figures for the first six months of 2015. Excluding the impact from the inclusion of the MEGlobal Group's foreign exchange loss, the EQUATE Group recorded a foreign exchange gain of U.S.$1 million for the first six months of 2016 primarily due to ordinary course foreign exchange transactions and translations, with zero change as compared to the six-month period ended 30 June 2015.

Profit from Operations

As a result of the factors described above, profit from operation for the six-month period ended 30 June 2016 decreased by U.S.$35 million, or 14 per cent., to U.S.$216 million, as compared to U.S.$251 million for the six-month period ended 30 June 2015. Excluding the impact from the inclusion of the MEGlobal Group's financial results (which reflected an increase in profit from operation of U.S.$91 million) during the first six months of 2016, the EQUATE Group's profit from operation decreased by U.S.$126 million during the first six months of 2016 as compared to the corresponding period in 2015 due primarily to the decreases in polyethylene and ethylene glycol prices and ethylene glycol sales volumes described above.

Finance Income

The principal components of the EQUATE Group's finance income are interest income earned from short-term investment such as bank deposits and from intercompany loans to TKOC.

Finance income for the six-month period ended 30 June 2016 increased by U.S.$14 million, or 233 per cent., to U.S.$20 million, as compared to U.S.$6 million for the six-month period ended 30 June 2015. This increase was primarily due to an increase in the average cash balance available for short-term investment and an increase in interest rates during the first six months of 2016 as compared to the corresponding period in 2015.

Finance Costs

The principal components of the EQUATE Group's finance costs are interest costs on bank facilities and project finance facilities.

Finance costs for the six-month period ended 30 June 2016 increased by U.S.$47 million, or 783 per cent., to U.S.$53 million, as compared to U.S.$6 million for the six-month period ended 30 June 2015. This increase was primarily due to an increase in the amount of external borrowings as a result of the MEGlobal Acquisition in December 2015. The EQUATE Group's gross external debt was U.S.$5 billion as of 30 June 2016, as compared to U.S.$1.4 billion as of 30 June 2015.

Profit before Statutory Contributions, Tax on Subsidiaries and Board of Directors' Remuneration

As a result of the factors described above, profit before statutory contributions and income taxes for the six-month period ended 30 June 2016 decreased by U.S.$68 million, or 27 per cent., to U.S.$183 million as compared to U.S.$251 million for the six-month period ended 30 June 2015. Excluding the impact from the inclusion of the MEGlobal Group's financial results (which reflected an increase in profit before statutory contributions and income taxes of U.S.$62 million) during the first six months of 2016, EQUATE's profit before statutory contributions and income taxes decreased by U.S.$130 million during the first six months of 2016 as compared to the corresponding period in 2015. This decrease was primarily due to a U.S.$127 million decrease in gross profit and a U.S.$3 million increase in net finance costs and other general and administrative expenses during the first six months of 2016.

*Contribution to Kuwait Foundation for the Advancement of Sciences ("**KFAS**")*

Under Kuwaiti law, the EQUATE Group is required to contribute to the KFAS one per cent. of the EQUATE Group's profit before statutory contributions, tax on subsidiaries (if applicable) and Board of Directors' remuneration (after deducting any amounts required to be set aside and transferred to the statutory reserve account as required by Kuwaiti law) (converted monthly into the Kuwaiti dinar on the basis of the average monthly rate). Under Kuwaiti law, the EQUATE Group was required to transfer to the statutory reserve account, annually, 10 per cent. of its profit before statutory contributions, tax on subsidiaries (if applicable) and Board of Directors' remuneration until an amount equalling 50 per cent. of the EQUATE Group's share capital stood to the credit of the statutory reserve account. This threshold was achieved in 2008, and, thereafter, the EQUATE Group has not set aside or transferred any amounts to the statutory reserve account.

Contribution to KFAS for the six-month period ended 30 June 2016 decreased by U.S.$1 million, or 33 per cent., to U.S.$2 million, as compared to U.S.$3 million for the six-month period ended 30 June 2015. This decrease was primarily due to a decrease in net profit during the first six months of 2016 as compared to the corresponding period in 2015.

Contribution to Zakat

Under Kuwaiti law, the EQUATE Group is required to contribute to Zakat one per cent. of the net profit for the year (converted monthly into the Kuwaiti dinar on the basis of the average monthly rate) attributable to Kuwaiti shareholders of EQUATE after allowable deductions. As Zakat is calculated during the year based on projected net profit for the year, these charges are adjusted after the dividend distribution has been agreed with the shareholders and net profit for the year has been finalised.

Contribution to Zakat for the six-month period ended 30 June 2016 decreased by U.S.$13 million, or 93 per cent., to U.S.$1 million, as compared to U.S.$14 million for the six-month period ended 30 June 2015. During the first six months of 2015, EQUATE recorded a one-off retroactive Zakat settlement of U.S.$13 million with the Ministry of Finance representing Zakat contributions payable during the 2010-2014 period, following the Kuwait government's determination that Zakat contributions are payable in respect of PIC's share of profit in the EQUATE Group, which EQUATE booked as an expense during that period. Excluding this one-off item, contribution to Zakat was the same in both periods at U.S.$1 million.

Tax on Subsidiaries

Tax on subsidiary is imposed based on the relevant jurisdictional requirements for companies in the EQUATE Group. Companies in the UAE are not subject to corporate tax.

Tax on subsidiary for the six-month period ended 30 June 2016 increased to U.S.$10 million, as compared to nil during the six-month period ended 30 June 2015. This increase was wholly attributable to the inclusion, during the first six months of 2016, of tax on subsidiary figures attributable to the MEGlobal Group, which were not reflected in the corresponding figures for the first six months of 2015. The tax on subsidiary figures attributable to the MEGlobal Group reflect corporate tax payable by the MEGlobal Group (including its subsidiaries in various jurisdictions) during the first six months of 2016.

Board of Directors' Remuneration

Board of directors' remuneration is disclosed as nil on the face of the consolidated statement of profit or loss due to rounding off to millions.

Net Profit for the Period

As a result of the factors described above, net profit for the six-month period ended 30 June 2016 decreased by U.S.$64 million, or 27 per cent., to U.S.$170 million, as compared to U.S.$234 million for the six-month period ended 30 June 2015. Excluding the impact from the inclusion of the MEGlobal Group's financial results (which reflected an increase in net profit for the period of U.S.$52 million) during the first six months of 2016, the EQUATE Group's net profit for the period decreased by U.S.$116 million during the first six months of 2016 as compared to the corresponding period in 2015 due primarily to a decrease in profit from operations and an increase in finance costs.

Comparison of the Years Ended 31 December 2015, 2014 and 2013

The following table sets forth, for the periods indicated, the consolidated income statement of the EQUATE Group. As a result of the MEGlobal Acquisition, the income statement of the EQUATE Group for the year ended 31 December 2015 consolidates the financial information of the MEGlobal Canada Group and the MEGlobal B.V. Group for the nine-day period between the MEGlobal Acquisition Date and 31 December 2015 (inclusive). See "—*Overview of the Group—Certain Accounting Considerations*".

	For the year ended 31 December		
	2015[(1)]	2014	2013
		(U.S.$ million)	
Sales	1,712	1,802	2,040
Cost of sales	(1,295)	(1,243)	(1,277)
Gross profit	**417**	**559**	**763**
Management fee	8	9	8
Reservation right fees	32	32	32
General, administrative and selling expenses	(36)	(33)	(34)
Insurance claim	-	-	10
Other income / (expenses)	4	1	(2)
Foreign exchange gain / (loss)	3	4	(0)
Profit from operations	**428**	**572**	**777**
Finance income	12	15	16
Finance costs	(18)	(13)	(14)
Profit before statutory contributions and Board of Directors' remuneration	**422**	**574**	**779**
Contribution to KFAS	(4)	(6)	(8)
Contribution to Zakat	(15)	(1)	(1)
Board of Directors' remuneration[(2)]	-	-	-
Net profit for the year	**403**	**567**	**770**

(1) As a result of the MEGlobal Acquisition, the income statement of the EQUATE Group for the year ended 31 December 2015 consolidates the financial information of the MEGlobal Group for the nine-day period between the MEGlobal Acquisition Date and 31 December 2015 (inclusive).

(2) Board of Directors' remuneration amounted to U.S.$74,823 during the year ended 31 December 2015, U.S.$79,500 during the year ended 31 December 2014 and U.S.$79,000 during the year ended 31 December 2013. These amounts are disclosed as nil on the face of the consolidated statement of profit or loss due to rounding off to millions.

Sales

The following table sets forth, for the periods indicated, the percentage of total EQUATE Group sales (before intragroup eliminations) comprised by the EQUATE Group's most significant products:

	For the year ended 31 December		
Product	**2015**	**2014**	**2013**
		(per cent.)	
Polyethylene	55	56	56
Ethylene Glycol	25	25	26
Polyethylene Terephthalate	-[(1)]	-[(2)]	-[(2)]
Others[(3)]	20	19	18
Total	**100**	**100**	**100**

(1) Polyethylene terephthalate is produced exclusively by the MEGlobal Group, which only became a part of the EQUATE Group on 23 December 2015. Accordingly, the contribution of polyethylene terephthalate to the EQUATE Group's 2015 sales was immaterial. See further "—*Overview of the Group*".

(2) Polyethylene terephthalate is produced exclusively by the MEGlobal Group, which only became a part of the EQUATE Group on 23 December 2015. See further "—*Overview of the Group*".

(3) Sales generated by the EQUATE Group under the OMSAs and MUSAs (including sales generated from TKOC).

The following table sets forth the percent change in sales volumes and average prices of the EQUATE Group's most significant products for the years ended 31 December 2015 and 2014 as compared to the years ended 31 December 2014 and 2013, respectively (excluding the impact of the MEGlobal Group's sales figures):

	For the year ended 31 December			
	2015		2014	
	Sales volumes (change vs 2014)	Average price (change vs 2014)	Sales volumes (change vs 2013)	Average price (change vs 2013)
	(per cent.)			
Product[(1)]				
Polyethylene	12.2	(19.4)	(16.4)	4.3
Ethylene Glycol	12.4	(18.5)	(6.2)	(8.3)

(1) Polyethylene terephthalate is produced exclusively by the MEGlobal Group, which only became a part of the EQUATE Group on 23 December 2015. Accordingly, the contribution of polyethylene terephthalate to the EQUATE Group's 2015 sales was immaterial. See further "*—Overview of the Group*". See also *"—Discussion of the MEGlobal B.V. Group's Results of Operations and Cash Flows for the Years Ended 31 December 2015, 2014 and 2013*" for more information on polyethylene terephthalate sales for the relevant periods.

Sales for the year ended 31 December 2015 decreased by U.S.$90 million, or 5.0 per cent., to U.S.$1,712 million as compared to U.S.$1,802 million for the year ended 31 December 2014. The sales figures for the year ended 31 December 2015 include sales figures attributable to the MEGlobal Group for the nine-day period between the MEGlobal Acquisition Date and 31 December 2015 (inclusive) (amounting to U.S.$55 million), which were not reflected in the corresponding figures for the year ended 31 December 2014. Excluding the impact from the inclusion of the MEGlobal Group's sales figures, the EQUATE Group's sales for the year ended 31 December 2015 decreased by U.S.$145 million as compared to the year ended 31 December 2014, due primarily to decreases in polyethylene and ethylene glycol prices (accounting for a combined U.S.$312 million decrease in sales), which was partially offset by an increase in polyethylene and ethylene glycol sales volumes (accounting for a combined U.S.$178 million increase in sales). Additionally, sales generated from the OMSAs and MUSAs decreased by 3 per cent., or U.S.$11 million, for the year ended 31 December 2015 as compared to the year ended 31 December 2014, primarily due to a decrease in cost recovery under the OMSAs and MUSAs in 2015 attributable to lower fixed costs stemming from the continued implementation of cost reduction initiatives. Average polyethylene and ethylene glycol prices each decreased by 19.4 per cent. for the year ended 31 December 2015 as compared to the year ended 31 December 2014 (accounting for decreases in sales of U.S.$218 million and U.S.$94 million, respectively). Due to depressed polyethylene and ethylene glycol sales volumes resulting from the major turnaround undertaken during fourth quarter of 2014, polyethylene and ethylene glycol sales volumes each increased by 12.2 per cent. and 12.4 per cent., respectively in 2015 as compared 2014 (accounting for increases in sales of U.S.$122 million and U.S.56 million, respectively).

Sales for the year ended 31 December 2014 decreased by U.S.$238 million, or 11.7 per cent., to U.S.$1,802 million as compared to U.S.$2,040 million for the year ended 31 December 2013. This decrease was primarily due to a decrease in both polyethylene and ethylene glycol sales volumes (accounting for a U.S.$221 million decrease in sales), and a 5 per cent., or U.S.$17 million, decrease in sales generated from the OMSAs and MUSAs in 2014 as compared to 2013. These decreases primarily resulted from the major turnaround undertaken during the fourth quarter of 2014, when EQUATE undertook an approximately 30-day shut-down for maintenance of its ethylene cracker and polyethylene and ethylene glycol production lines. Polyethylene and ethylene glycol sales volumes decreased by 16.4 per cent. and 6.2 per cent. respectively in 2014 as compared to 2013 (accounting for decreases in sales of U.S.$189 million and U.S.$32 million, respectively). The decrease also reflected an 8.3 per cent. decrease in average ethylene glycol prices in 2014 (accounting for a U.S.$42 million decrease in sales). These decreases were partially offset by an increase in average polyethylene prices of 4.3 per cent. in 2014 as compared to 2013 (accounting for a U.S.$42 million increase in sales).

Cost of Sales

Cost of sales for the year ended 31 December 2015 increased by U.S.$52 million, or 4.2 per cent., to U.S.$1,295 million, as compared to U.S.$1,243 million for the year ended 31 December 2014. This increase was primarily due to the inclusion for the year ended 31 December 2015, of cost of sales figures attributable to the MEGlobal Group for the nine-day period between the MEGlobal Acquisition Date and 31 December 2015 (inclusive) (amounting to U.S.$53 million), which were not reflected in the corresponding figures for the year ended 31 December 2014. Excluding the impact from the inclusion of the MEGlobal Group's cost of sales figures, the EQUATE Group's cost of sales for the year ended 31 December 2015 decreased by U.S.$1 million as compared to the year ended 31 December 2014, due primarily to decreases of U.S.$73 million and U.S.$6 million in fixed manufacturing costs and distribution costs, respectively, in 2015 as a result the continued implementation of cost reduction initiatives. These decreases were partially offset by a U.S.$57 million increase in cost of sales as a result of increases in polyethylene and ethylene glycol sales volumes, a U.S.$21 million increase in cost of sales due to higher average feedstock costs (the cost of ethane increased by 8 per cent. in 2015) and a slight increase in the cost of the catalyst used in EQUATE's ethylene glycol plants stemming from cyclical variations in catalyst performance.

Cost of sales for the year ended 31 December 2014 decreased by U.S.$33 million, or 2.6 per cent., to U.S.$1,243 million, as compared to U.S.$1,276 million for the year ended 31 December 2013. This decrease was primarily due to a U.S.$86 million decrease in costs of sales resulting from a decrease in polyethylene and ethylene glycol sales volumes and a U.S.$6 million decrease in distribution costs, which was partially offset by a U.S.$43 million increase in direct manufacturing costs due to the major turnaround that was undertaken during the fourth quarter of 2014, a U.S.$16 million increase in cost of sales due to higher average feedstock costs (the cost of ethane, calculated on the basis of a pre-agreed formula set out in the EQUATE Group's supply agreements, increased by 1 per cent. in 2014) and a slight increase in the cost of the catalyst used in EQUATE's ethylene glycol plants stemming from cyclical variations in catalyst performance.

Gross Profit

As a result of the factors described above, gross profit for the year ended 31 December 2015 decreased by U.S.$142 million, or 25.4 per cent., to U.S.$417 million, as compared to U.S.$559 million for the year ended 31 December 2014. Excluding the impact from the inclusion of the MEGlobal Group's financial results during the year ended 31 December 2015, the EQUATE Group's gross profit for the year ended 31 December 2015 decreased by U.S.$144 million as compared to the year ended 31 December 2014 primarily as a result of the U.S.$145 million decrease in sales for the period.

As a result of the factors described above, gross profit for the year ended 31 December 2014 decreased by U.S.$204 million, or 26.7 per cent., to U.S.$559 million as compared to U.S.$763 million for the year ended 31 December 2013 primarily as a result of the U.S.$238 million decrease in sales for the period.

Management Fee

Management fee for the year ended 31 December 2015 decreased by U.S.$1 million, or 11.1 per cent., to U.S.$8 million, as compared to U.S.$9 million for the year ended 31 December 2014.

Management fee for the year ended 31 December 2014 increased by U.S.$1 million, or 12.5 per cent., to U.S.$9 million, as compared to U.S.$8 million for the year ended 31 December 2013.

Reservation Right Fees

There was zero change in reservation right fees between the years ended 31 December 2015, 31 December 2014 and 31 December 2013.

General, Administrative and Selling Expenses

General, administrative and selling expenses for the year ended 31 December 2015 increased by U.S.$3 million, or 9.1 per cent., to U.S.$36 million, as compared to U.S.$33 million for the year ended 31 December 2014. This increase was primarily due to the inclusion for the year ended 31 December 2015, of general, administrative and selling expenses figures attributable to the MEGlobal Group for the nine-day period between the MEGlobal Acquisition Date and 31 December 2015 (inclusive), which were not reflected in the corresponding figures for the year ended 31 December 2014. Excluding the impact from the inclusion of the MEGlobal Group's general, administrative and selling expenses figures, the EQUATE Group's general, administrative and selling expenses decreased by U.S.$3 million for the year ended 31 December 2015 as compared to the year ended 31 December 2014. This decrease was primarily due to an effort to reduce costs across the organisation in 2015.

General, administrative and selling expenses for the year ended 31 December 2014 decreased by U.S.$1 million, or 2.9 per cent., to U.S.$33 million, as compared to U.S.$34 million for the year ended 31 December 2013. This decrease was primarily due to an effort to reduce costs across the organisation in 2014.

Other Income / Expenses

Other income for the year ended 31 December 2015 increased by U.S.$3 million to U.S.$4 million, as compared to U.S.$1 million for the year ended 31 December 2014 due primarily to an increase in sales of industrial scrap (including plastic waste). Additionally, the write-off of certain assets in 2014 had depressed income in 2014.

Other income for the year ended 31 December 2014 was U.S.$1 million as compared to other expenses of U.S.$2 million for the year ended 31 December 2013 due primarily to an increase in the sale of industrial scrap (including plastic waste) which was partially offset by the write off of certain assets in the 2014 period.

Foreign Exchange Gain / Loss

Foreign exchange gain for the year ended 31 December 2015 decreased by U.S.$1 million, or 25.0 per cent., to U.S.$3 million, as compared to U.S.$4 million for the year ended 31 December 2014. The decrease in foreign exchange gain was primarily attributable to movements in the foreign exchange market.

The EQUATE Group recorded a foreign exchange gain of U.S.$4 million for the year ended 31 December 2014, as compared to foreign exchange loss of U.S.$1 million for the year ended 31 December 2013. The change was primarily attributable to movements in the foreign exchange market, underlying exposure and hedging positions.

Profit from Operations

As a result of the factors described above, profit from operations for the year ended 31 December 2015 decreased by U.S.$144 million, or 25.2 per cent., to U.S.$428 million, as compared to U.S.$572 million for the year ended 31 December 2014. The decrease was primarily due to a decrease in gross profit in 2015.

As a result of the factors described above, profit from operations for the year ended 31 December 2014 decreased by U.S.$205 million, or 26.4 per cent., to U.S.$572 million, as compared to U.S.$777 million for the year ended 31 December 2013. The decrease was primarily due to a decrease in gross profit in 2014.

Finance Income

Finance income for the year ended 31 December 2015 decreased by U.S.$3 million, or 20.0 per cent., to U.S.$12 million, as compared to U.S.$15 million for the year ended 31 December 2014. The decrease was primarily due to a decrease in the average outstanding amount of loans to TKOC and TKSC and lower average cash balances available for short-term investment in 2015 as compared to 2014.

Finance income for the year ended 31 December 2014 decreased by U.S.$1 million, or 6.3 per cent., to U.S.$15 million, as compared to U.S.$16 million for the year ended 31 December 2013. The decrease was primarily due to a decrease in the average outstanding amount of loans to TKOC and TKSC and lower average cash balances available for short-term investment in 2015 as compared to 2014.

Finance Costs

Finance costs for the year ended 31 December 2015 increased by U.S.$5 million, or 38.5 per cent., to U.S.$18 million, as compared to U.S.$13 million for the year ended 31 December 2014. The increase was primarily attributable to finance costs stemming from new external borrowings entered into in connection with the MEGlobal Acquisition in December 2015.

Finance costs for the year ended 31 December 2014 decreased by U.S.$1 million, or 7.1 per cent., to U.S.$13 million, as compared to U.S.$14 million for the year ended 31 December 2013. This decrease was primarily attributable to a decrease in the average outstanding amount of external borrowings as a result of semi-annual amortisation.

Profit Before Statutory Contributions and Board of Directors' Remuneration

As a result of the factors described above, profit before statutory contributions and Board of Directors' remuneration for the year ended 31 December 2015 decreased by U.S.$152 million, or 26.5 per cent., to U.S.$422 million, as compared to U.S.$574 million for the year ended 31 December 2014. The decrease was primarily due to a decrease in gross profit in 2015.

As a result of the factors described above, profit before statutory contributions and Board of Directors' remuneration for the year ended 31 December 2014 decreased by U.S.$205 million, or 26.3 per cent., to U.S.$574 million, as compared to U.S.$779 million for the year ended 31 December 2013. The decrease was primarily due to a decrease in gross profit in 2014.

Contribution to KFAS

Contribution to KFAS for the year ended 31 December 2015 decreased by U.S.$2 million, or 33.3 per cent., to U.S.$4 million, as compared to U.S.$6 million for the year ended 31 December 2014. This decrease was primarily due to lower profit before statutory contributions and board of directors' remuneration in 2015 as compared to 2014.

Contribution to KFAS for the year ended 31 December 2014 decreased by U.S.$2 million, or 25.0 per cent., to U.S.$6 million, as compared to U.S.$8 million for the year ended 31 December 2013. This decrease was primarily due to lower profit before statutory contributions and board of directors' remuneration in 2014 as compared to 2013.

Contribution to Zakat

Contribution to Zakat for the year ended 31 December 2015 increased to U.S.$15 million, as compared to U.S.$1 million for the year ended 31 December 2014. This increase was primarily due to a one-off retroactive Zakat settlement with the Ministry of Finance of U.S.$13 million, representing Zakat contributions payable during the 2010-2014 period, following the Kuwait government's determination that Zakat contributions were payable in respect of PIC's share of profit in the EQUATE Group. In addition, the contribution to Zakat in 2015 increased by U.S. $2 million as compared to 2014 due to charging PIC Zakat for 2015, which was partially offset by a U.S.$ 1 million decrease in Zakat expense to lower profit before tax in 2015 as compared to 2014.

There was zero change with regards to the contribution to Zakat for the year ended 31 December 2014 compared to the year ended 31 December 2013, despite the decrease in profit in 2014 as compared to 2013, primarily due to the depreciation of the Kuwaiti dinar in 2014.

Net Profit for the Year

As a result of the factors described above, net profit for the year ended 31 December 2015 decreased by U.S.$164 million, or 28.9 per cent., to U.S.$403 million, as compared to U.S.$567 million for the year ended 31 December 2014. The decrease is primarily due to a decrease in profit from operations, an increase in finance costs, and the one-off retroactive Zakat settlement for the year ended 31 December 2015.

As a result of the factors described above, net profit for the year ended 31 December 2014 decreased by U.S.$203 million, or 26.4 per cent., to U.S.$567 million, as compared to U.S.$770 million for the year ended 31 December 2013. The decrease is primarily due to a decrease in profit from operations for the year ended 31 December 2014.

Cash Flows

The following table sets forth the EQUATE Group's consolidated cash flows for the six-month periods ended 30 June 2016 and 2015 and the years ended 31 December 2015, 2014 and 2013:

	For the six-month period ended 30 June		For the year ended 31 December		
	2016	2015	2015	2014	2013
			(U.S.$ million)		
Cash and cash equivalents at the beginning of the period	947	261	262	533	387[(1)]
Net cash from / (used in) operating activities	348	99	479	765	983
Net cash from / (used in) investing activities	35	505	(2,568)	(64)	(65)[(1)]
Net cash from / (used in) financing activities	(492)	(672)	2,774	(973)	(772)
Net increase / (decrease) in cash and cash equivalents	(109)	(68)	685	(272)	146[(1)]
Cash and cash equivalents at the end of the period	**838**	**193**	**947**	**261**	**533[(1)]**

(1) This figure represents the adjusted figure included in the 2013 comparative figures presented in the EQUATE 2014 Financial Statements. See "*Presentation of Financial and Other Information—Adjustment of certain cash flow information presented in the EQUATE 2013 Financial Statements*".

Net Cash from / (used in) Operating Activities

Net cash from operating activities for the six-month period ended 30 June 2016 increased by U.S.$249 million, or 252 per cent., to U.S.$348 million, as compared to U.S.$99 million for the six-month period ended 30 June 2015. This increase was primarily due to the inclusion, during the first six months of 2016, of net cash from operating activities attributable to the MEGlobal Group (amounting to U.S.$189 million), which were not reflected in the corresponding figures for the first six months of 2015. Excluding the impact from the inclusion of the MEGlobal Group's net cash from operating activities figures, EQUATE's net cash from operating activities for the first six months of 2016 increased by U.S.$60 million as compared to the corresponding period in 2015. The increase was primarily due to a U.S.$171 million change in trade and other payables, inventories and trade and other receivables, partially offset by a U.S.$111 million decrease in operating profit for the first six months of 2016.

Net cash from operating activities for the year ended 31 December 2015 decreased by U.S.$286 million, or 37.4 per cent., to U.S.$479 million, as compared to U.S.$765 million for the year ended 31 December 2014. Net cash from operating activities for the year ended 31 December 2015 includes net cash from operating activities figures attributable to the MEGlobal Group for the nine-day period between the MEGlobal Acquisition Date and 31 December 2015 (inclusive) (amounting to U.S.$62 million), which were not reflected in the corresponding figures for the year ended 31 December 2014. Excluding the impact from the inclusion of the MEGlobal Group's net cash from operating activities figures, the EQUATE Group's net cash flow from operating activities for the year ended 31 December 2015 decreased by U.S.$348 million as compared to 2014. The decrease was primarily due to a U.S.$232 million change in trade and other payables, inventories and trade and other receivables, and a U.S$146 million decrease in operating profit, partially offset by a U.S.$30 million change in due from/to related parties.

Net cash from operating activities for the year ended 31 December 2014 decreased by U.S.$218 million, or 22.2 per cent., to U.S.$765 million, as compared to U.S.$983 million for the year ended 31 December 2013. This decrease was primarily due to a U.S.$210 million decrease in operating profit for the year ended 31 December 2014, a U.S.$37 million change in insurance claim receivables, a U.S.$7 million decrease in receivables/payables due from /to related parties, partially offset by a U.S.$36 million change in trade and other payables, inventories trade and other receivables.

Net cash from / (used in) Investing Activities

Net cash from investing activities for the six-month period ended 30 June 2016 decreased by U.S.$470 million, or 93 per cent., to U.S.$35 million, as compared to U.S$505 million for the six-month period ended 30 June 2015. During the first six months of 2016, net cash from investing activities included net cash used in investing activities figures attributable to the MEGlobal Group (amounting to U.S.$38 million), which were not reflected in the corresponding figures for the first six months of 2015. Excluding the impact from the inclusion of the MEGlobal Group's net cash used in investing activities figures, the EQUATE Group's net cash from investing activities for the first six months of 2016 decreased by U.S.$432 million as compared to the corresponding period in 2015. This decrease was primarily due to a U.S.$626 million change (net placement and interest received) in short term deposits and a U.S.$40 million increase in purchase of property, plant and equipment, partially offset by a U.S.$234 million increase in long-term loans repaid by related parties, primarily relating to the repayment by TKSC of an intercompany loan in the first half of 2016.

Net cash used in investing activities for the year ended 31 December 2015 increased to U.S.$2,568 million, as compared to U.S.$64 million for the year ended 31 December 2014. Net cash used in investing activities for the year ended 31 December 2015 includes net cash used in investing activities figures attributable to the MEGlobal Group for the nine-day period between the MEGlobal Acquisition Date and 31 December 2015 (inclusive) (amounting to U.S.$1,863 million, attributable to a portion of the financing undertaken in connection with the MEGlobal Acquisition), which were not reflected in the corresponding figures for the year ended 31 December 2014. Excluding the impact from the inclusion of the MEGlobal Group's net cash used in investing activities figures, the EQUATE Group's net cash used in investing activities for the year ended 31 December 2015 increased by U.S.$641 million as compared to 2014. This increase was primarily due to a U.S.$1,134 million increase in acquisition of subsidiary in connection with the MEGlobal Acquisition, a U.S.$391 million decrease (net matured and interest received) in short term deposits and a U.S.$113 million decrease in net purchase of property, plant and equipment, and a U.S.$200 million capital injection in a MEGlobal subsidiary, amongst other items.

Net cash used in investing activities for the year ended 31 December 2014 decreased by U.S.$1 million, or 1.5 per cent., to U.S.$64 million, as compared to U.S.$65 million for the year ended 31 December 2013. This decrease was primarily due to a U.S.$104 million increase in placement of short-term deposits, and a U.S.$8 million increase in long-term loans repaid by related parties, partially offset by a U.S.$110 million increase in purchase of property, plant and equipment.

Net Cash from / (used in) Financing Activities

Net cash used in financing activities for the six-month period ended 30 June 2016 decreased by U.S.$180 million, or 27 per cent., to U.S.$492 million, as compared to U.S.$672 million for the six-month period ended 30 June 2015. Net cash used in financing activities for the first six months of 2016 includes net cash used in financing activities figures attributable to the MEGlobal Group (amounting to U.S.$111 million), which were not reflected in the corresponding figures for the first six months of 2015. Excluding the impact from the inclusion of the MEGlobal Group's net cash used in financing activities figures, the EQUATE Group's net cash used in financing activities for the first six months of 2016 decreased by U.S.$291 million as compared to the corresponding period in 2015. This decrease was primarily due to a U.S.$164 million decrease in dividend paid, a U.S.$149 million decrease in repayment of term loan and a U.S.$22 million increase in long-term loan origination fees and finance costs paid.

The EQUATE Group recorded net cash from financing activities for the year ended 31 December 2015 of U.S.$2,774 million, as compared to net cash used in financing activities of U.S.$973 million for the year ended 31 December 2014. Net cash from financing activities for the year ended 31 December 2015 includes net cash used in financing activities figures attributable to the MEGlobal Group for the nine-day period between the MEGlobal Acquisition Date and 31 December 2015 (inclusive) (amounting to U.S.$1,863, principally attributable to a portion of the financing undertaken in connection with the MEGlobal Acquisition), which were not reflected in the corresponding figures for the year ended 31 December 2014. Excluding the impact from the inclusion of the MEGlobal Group's net cash used in financing activities, the EQUATE Group's net cash from financing activities for the year ended 31 December 2015 increased by U.S.$1,884 million as compared to 2014. This increase was primarily due to a U.S.$203 million decrease in dividend paid, a U.S.$1,694 million net increase in loan drawdowns (comprising draw-downs under the Bridge Loan Facilities entered into in connection with the MEGlobal Acquisition, offset by the repayment of a long-term loan), partially offset by a U.S.$13 million increase in long-term loan origination fees and finance costs paid.

Net cash used in financing activities for the year ended 31 December 2014 increased by U.S.$201 million, or 25.9 per cent., to U.S.$973 million, as compared to U.S.$772 million for the year ended 31 December 2013. This increase was primarily due to a U.S.$193 million increase in dividend paid and a U.S.$9 million increase in repayments of long-term debt.

Discussion of TKOC's Results of Operations and Cash Flows for the Six-Month Periods Ended 30 June 2016 and 2015 and for the Years Ended 31 December 2015, 2014 and 2013

Results of Operations

Comparison of the Six-Month Periods Ended 30 June 2016 and 2015

The following table sets forth, for the periods indicated, the income statement of TKOC:

	For the six-month period ended 30 June	
	2016	**2015**
	(U.S.$ thousand)	
Sales	268,620	359,473
Cost of sales	(155,952)	(166,352)
Gross profit	**112,668**	**193,121**
General, administrative and selling expenses	(2,711)	(2,053)
Foreign exchange loss	(28)	(60)
Profit from operations	**109,929**	**191,008**
Finance income	3,420	1,879
Finance costs	(4,472)	(4,098)
Profit before statutory contributions and Board of Directors' remuneration	**108,877**	**188,789**
Contribution to KFAS	(1,103)	(1,901)
Contribution to Zakat	(634)	(7,013)
Board of Directors' remuneration	(37)	(37)
Net profit for the period	**107,103**	**179,838**

Sales

TKOC derives sales from the production and sale of ethylene, ethylene glycol and their co-products.

The following table sets forth, for the periods indicated, the percentage of total TKOC sales comprised by TKOC's most significant products:

Product	For the six-month period ended 30 June	
	2016	**2015**
	(per cent.)	
Product		
Ethylene[(1)]	25	20
Ethylene Glycol	75	80
Total	**100**	**100**

(1) TKOC sells a contractually fixed amount of the ethylene that it produces internally to TKSC and any ethylene that it produces internally that is not otherwise used for the production of its own ethylene glycol to the EQUATE Group. The EQUATE Group then uses such ethylene for its own production of polyethylene

The following table sets forth the percentage change in sales volumes and average prices of TKOC's most significant products for the six-month period ended 30 June 2016 as compared to the six-month period ended 30 June 2016:

Product[(1)]	For the six-month period ended 30 June 2016	
	Sales volumes (change vs 2015)	**Average price (change vs 2015)**
	(per cent.)	
Ethylene	(18.6)	14.1
Ethylene Glycol	(4.7)	(26.3)

(1) TKOC sells a contractually fixed amount of the ethylene that it produces internally to TKSC and any ethylene that it produces internally that is not otherwise used for the production of its own ethylene glycol to the EQUATE Group. The EQUATE Group then uses such ethylene for its own production of polyethylene.

Sales for the six-month period ended 30 June 2016 decreased by U.S.$90,853 thousand or 25 per cent., to U.S.$268,620 thousand, as compared to U.S.$359,473 thousand for the six-month period ended 30 June 2015. This decrease was primarily due to a decrease in ethylene glycol prices (accounting for a U.S.$72,139 thousand decrease in sales), and a decrease in ethylene glycol sales volumes (accounting for a U.S.$13,588 thousand decrease in sales). Average ethylene glycol prices decreased by 26.3 per cent. in the first six months of 2016 as compared to the corresponding period in 2015. Additionally, ethylene sales volumes to the EQUATE Group and TKSC decreased by 18.6 per cent. in the first six months of 2016 as compared to the corresponding period in 2015 (accounting for a U.S.$5,126 thousand decrease in sales) due to lower levels of production of ethylene and greater priority of allocation by TKOC of ethylene to its own ethylene glycol production (as a result of which less of the ethylene that it produced was sold to the EQUATE Group to use in the production of polyethylene).

Cost of Sales

The principal components of TKOC's cost of sales are its raw material costs, freight and distribution expenses, utilities, staff costs, repairs and maintenance. Depreciation of plants and industrial equipment is computed using the straight-line method because TKOC believes this method best reflects the estimated useful lives of these assets.

Cost of sales for the six-month period ended 30 June 2016 decreased by U.S.$10,400 thousand, or 6 per cent., to U.S.$155,952 thousand, as compared to U.S.$166,352 thousand for the six-month period ended 30 June 2015. This decrease was primarily due to a U.S.$8,101 thousand decrease in cost of sales resulting from decreased ethylene glycol and ethylene sales volumes, and a U.S.$12,306 thousand decrease in cost of sales due to cost savings in manufacturing in 2016 as compared to 2015 stemming from the continued implementation cost reduction initiatives. This decrease was partially offset by a U.S.$1,923 thousand increase in distribution costs as compared to 2015 resulting from the annual revision of TKOC's terminal distribution costs and a U.S.$8,084 thousand increase in other costs in 2016 primarily attributable to increases in variable manufacturing costs associated with the production of ethylene and ethylene glycol as compared to 2015.

Gross Profit

As a result of the factors described above, gross profit for the six-month period ended 30 June 2016 decreased by U.S.$80,453 thousand, or 42 per cent., to U.S.$112,668 thousand, as compared to U.S.$193,121 thousand for the six-month period ended 30 June 2015 due primarily to the U.S.$90,853 thousand decrease in sales in the first six months of 2016.

General, Administrative and Selling Expenses

The principal components of TKOC's general, administrative and selling expenses are administrative costs and selling expenses.

General, administrative and selling expenses for the six-month period ended 30 June 2016 increased by U.S.$658 thousand, or 32 per cent., to U.S.$2,711 thousand, as compared to U.S.$2,053 thousand for the six-month period ended 30 June 2015.

Foreign Exchange Gain / Loss

TKOC's foreign exchange gain / loss result from transaction and translation effects of foreign currency exchange rate fluctuations.

Foreign exchange loss for the six-month period ended 30 June 2016 decreased by U.S.$32 thousand, or 53 per cent., to U.S.$28 thousand, as compared to U.S.$60 thousand for the six-month period ended 30 June 2015.

Profit from Operations

As a result of the factors described above, profit from operation for the six-month period ended 30 June 2016 decreased by U.S.$81,079 thousand, or 42 per cent., to U.S.$109,929 thousand, as compared to

U.S.$191,008 thousand for the six-month period ended 30 June 2015. This decrease was primarily due to a decrease in gross profit and an increase in general administration expenses.

Finance Costs

The principal components of TKOC's finance costs are interest expenses payable in connection with a term loan facility from EQUATE which has an effective interest rate of 1.17 per cent. per annum.

Finance costs for the six-month period ended 30 June 2016 increased by U.S.$374 thousand, or 9 per cent., to U.S.$4,472 thousand, as compared to U.S.$4,098 thousand for the six-month period ended 30 June 2015 due primarily to an increase in interest rates during the period.

Finance Income

The principal components of TKOC's finance income are interest income earned from short-term investment such as bank deposits.

Finance income for the six-month period ended 30 June 2016 increased by U.S.$1,541 thousand, or 82 per cent., to U.S.$3,420 thousand, as compared to U.S.$1,879 thousand for the six-month period ended 30 June 2015. This increase was primarily due to higher yield in the current period attributable to an increase in bank deposits and interest accrued thereon.

Profit Before Statutory Contributions and Board of Directors' Remuneration

As a result of the factors described above, profit before statutory contributions and income taxes for the six-month period ended 30 June 2016 decreased by U.S.$79,912 thousand, or 42 per cent., to U.S.$108,877 thousand, as compared to U.S.$188,789 thousand for the six-month period ended 30 June 2015. This decrease was primarily due to the decrease in profit from operations and the increase in finance cost, (which was partially offset by an increase in finance income) during the first six months of 2016 as compared to the corresponding period in 2015.

Contribution to KFAS

Under Kuwaiti law, TKOC is required to contribute to the KFAS one per cent. of TKOC's profit before statutory contributions and Board of Directors' remuneration (after deducting amounts required to be set aside and transferred to the statutory reserve account as required by Kuwaiti law) (converted monthly into the Kuwaiti dinar on the basis of the average monthly rate). Under Kuwaiti law, TKOC was required to transfer to the statutory reserve account, annually, 10 per cent. of its profit before statutory contributions and Board of Directors' remuneration until an amount equalling 50 per cent. of TKOC's share capital stood to the credit of the statutory reserve account. This threshold was achieved in 2013, and, thereafter, TKOC has not set aside or transferred any amounts to the statutory reserve account.

Contribution to KFAS for the six-month period ended 30 June 2016 decreased by U.S.$798 thousand, or 42 per cent. to U.S.$1,103 thousand, as compared to U.S.$1,901 thousand for the six-month period ended 30 June 2015. This decrease was primarily due to a decrease in net profit during the first six months of 2016 as compared to the corresponding period in 2015.

Contribution to Zakat

Under Kuwaiti law, TKOC is required to contribute to Zakat one per cent. of the net profit for the year (converted monthly into the Kuwaiti dinar on the basis of the average monthly rate) attributable to Kuwaiti shareholders of TKOC after allowable deductions. As Zakat is calculated during the year based on projected net profit for the year, these charges are adjusted after the dividend distribution has been agreed with the shareholders and net profit for the year has been finalised.

Contribution to Zakat for the six-month period ended 30 June 2016 decreased by U.S.$6,379 thousand, or 91 per cent., to U.S.$634 thousand, as compared to U.S.$7,013 thousand for the six-month period ended 30 June 2015. The decrease was primarily due to a one-off retroactive Zakat settlement of U.S.$5,920 thousand with the Ministry of Finance related to PIC's share of profit in TKOC during the 2010-2014 period, which TKOC booked as an expense during the first six months period of 2015. In addition, the contribution to Zakat for the six-month period ended 30 June 2016 decreased by U.S.$459 thousand as compared to the corresponding period in 2015 because Zakat is calculated on the basis of net profit, which decreased in the first six months of 2016 as compared to the corresponding period in 2015.

Board of Directors' Remuneration

Board of Directors' remuneration for the six-month period ended 30 June 2016 was U.S.$37 thousand, with zero change as compared to the six-month period ended 30 June 2015.

Net Profit

As a result of the factors described above, net profit for the six-month period ended 30 June 2016 decreased by U.S.$72,735 thousand, or 40 per cent., to U.S.$107,103 thousand, as compared to U.S.$179,838 thousand for the six-month period ended 30 June 2015. The decrease is primarily due to the decrease in profit from operations, which was partially offset by improved finance income/cost dynamics and a decrease in tax expenses.

Comparison of the Years Ended December 2015, 2014 and 2013

The following table sets forth, for the periods indicated, the income statement of TKOC:

	For the year ended 31 December		
	2015	**2014**	**2013**
		(U.S.$ thousand)	
Sales	690,296	827,768	841,392
Cost of sales	(336,131)	(337,760)	(348,684)
Gross profit	**354,165**	**490,008**	**492,708**
General, administrative and selling expenses	(5,654)	(6,354)	(5,743)
Other income	617	-	-
Foreign exchange loss	(293)	(275)	(822)
Profit from operation	**348,835**	**483,379**	**486,143**
Finance costs	(8,044)	(8,867)	(9,801)
Finance income	3,270	4,596	4,187
Profit before statutory contributions and Board of Directors' remuneration	**344,061**	**479,108**	**480,529**
Contribution to KFAS	(3,430)	(4,778)	(4,323)
Contribution to Zakat	(7,892)	(717)	(721)
Board of Directors' remuneration	(79)	(79)	(74)
Net profit for the year	**332,660**	**473,534**	**475,411**

Sales

The following table sets forth, for the periods indicated, the percentage of total TKOC sales comprised by TKOC's most significant products:

	For the year ended 31 December		
Product	**2015**	**2014**	**2013**
		(per cent.)	
Ethylene[(1)]	19	17	18
Ethylene Glycol	81	83	82
Total	**100**	**100**	**100**

(1) TKOC sells a contractually fixed amount of the ethylene that it produces internally to TKSC and any ethylene that it produces internally that is not otherwise used for the production of its own ethylene glycol to the EQUATE Group. The EQUATE Group then uses such ethylene for its own production of polyethylene.

The following table sets forth the percent change in sales volumes and average prices of TKOC's most significant product, ethylene glycol, for the years ended 31 December 2015 and 2014 as compared to the years ended 31 December 2014 and 2013, respectively:

Product	For the year ended 31 December			
	2015		2014	
	Sales volumes (change vs 2014)	Average price (change vs 2014)	Sales volumes (change vs 2013)	Average price (change vs 2013)
	(per cent.)			
Ethylene[(1)]	(11.1)	7.8	(6.3)	(3.4)
Ethylene Glycol	1.3	(20.1)	10.4	(9.3)

(1) TKOC sells a contractually fixed amount of the ethylene that it produces internally to TKSC and any ethylene that it produces internally that is not otherwise used for the production of its own ethylene glycol to the EQUATE Group. The EQUATE Group then uses such ethylene for its own production of polyethylene.

Sales for the year ended 31 December 2015 decreased by U.S.$137,472 thousand, or 16.6 per cent., to U.S.$690,296 thousand, as compared to U.S.$827,768 thousand for the year ended 31 December 2014. This decrease was primarily due to a 20.1 per cent. decrease in ethylene glycol prices (accounting for a U.S.$140,148 thousand decrease in sales), and a decrease in ethylene sales volumes (11.1 per cent.) to the EQUATE Group and TKSC in 2015 as compared to 2014 (accounting for a U.S.$6,086 thousand decrease in sales) due to lower levels of production of ethylene and greater priority of allocation by TKOC of ethylene to its own ethylene glycol production (as a result of which less of the ethylene that it produced was sold to the EQUATE Group to use in the production of polyethylene). The decrease was partially offset by a 1.3 per cent. increase in ethylene glycol sales volumes in 2015 as compared to 2014 (accounting for a U.S.$8,762 thousand increase in sales).

Sales for the year ended 31 December 2014 decreased by U.S.$13,624 thousand, or 1.6 per cent., to U.S.$827,768 thousand, as compared to U.S.$841,392 thousand for the year ended 31 December 2013. This decrease was primarily due to a 9.3 per cent. decrease in ethylene glycol prices (accounting for a U.S.$70,593 thousand decrease in sales), and a decrease in ethylene sales volumes (6.3 per cent.) to the EQUATE Group and TKSC in 2014 as compared to 2013 (accounting for a U.S.$14,668 thousand decrease in sales) due to greater priority of allocation by TKOC of ethylene to its own ethylene glycol production (as a result of which less of the ethylene that it produced was sold to the EQUATE Group to use in the production of polyethylene. The decrease was partially offset by a 10.4 per cent. increase in ethylene glycol sales volume in 2014 as compared to 2013 (accounting for a U.S. $71,637 thousand increase in sales).

Cost of Sales

Cost of sales for the year ended 31 December 2015 decreased by U.S.$1,629 thousand, or 0.5 per cent., to U.S.$336,131 thousand, as compared to U.S.$337,760 thousand for the year ended 31 December 2014. This decrease was primarily due to a U.S.$6,161 thousand decrease in cost of sales resulting from decreased ethylene sales volumes, a U.S.$1,287 thousand decrease in distribution costs, and a U.S.$742 thousand decrease in other costs in 2015 as compared to 2014. The decrease was partially offset by a U.S.$6,561 thousand increase in fixed manufacturing costs in 2015 as compared to 2014 due to an increase in the cost of the catalyst used in TKOC's ethylene glycol plants stemming from cyclical variations in catalyst performance.

Cost of sales for the year ended 31 December 2014 decreased by U.S.$10,924 thousand, or 3.1 per cent., to U.S.$337,760 thousand, as compared to U.S.$348,684 thousand for the year ended 31 December 2013. This decrease was primarily due to a U.S.$8,597 thousand decrease in fixed manufacturing costs and a U.S.$9,369 thousand decrease in variable manufacturing due to improved cost efficiencies in 2014 as compared to 2013. The decrease was partially offset by a U.S.$3,663 thousand increase in costs of sales resulting from an increase in ethylene glycol sales volumes and a U.S.$3,379 thousand increase in distribution costs in 2014 as compared to 2013.

Gross Profit

As a result of the factors described above, gross profit for the year ended 31 December 2015 decreased by U.S.$135,843 thousand, or 27.7 per cent., to U.S.$354,165 thousand, as compared to U.S.$490,008 thousand for the year ended 31 December 2014.

As a result of the factors described above, gross profit for the year ended 31 December 2014 decreased by U.S.$2,700 thousand, or 0.5 per cent., to U.S.$490,008 thousand, as compared to U.S.$492,708 thousand for the year ended 31 December 2013.

General, Administrative and Selling Expenses

General, administrative and selling expenses for the year ended 31 December 2015 decreased by U.S.$700 thousand, or 11.0 per cent., to U.S.$5,654 thousand, as compared to U.S.$6,354 thousand for the year ended 31 December 2014.

General, administrative and selling expenses for the year ended 31 December 2014 increased by U.S.$611 thousand, or 10.6 per cent., to U.S.$6,354 thousand, as compared to U.S.$5,743 thousand for the year ended 31 December 2013.

Other Income / Expenses

The principal component of TKOC's other income is derived from non-recurring income generating transactions.

Other income for the year ended 31 December 2015 was U.S.$617 thousand as compared to nil for the years ended 31 December 2014 and 31 December 2013. This increase was primarily due to the sale of miscellaneous scrap.

Foreign Exchange Gain / Loss

Foreign exchange loss for the year ended 31 December 2015 increased by U.S.$18 thousand, or 6.5 per cent., to U.S.$293 thousand, as compared to U.S.$275 thousand for the year ended 31 December 2014.

Foreign exchange loss for the year ended 31 December 2014 decreased by U.S.$547 thousand, or 66.5 per cent., to U.S.$275 thousand, as compared to U.S.$822 thousand for the year ended 31 December 2013.

Profit from Operations

As a result of the factors described above, profit from operations for the year ended 31 December 2015 decreased by U.S.$134,544 thousand, or 27.8 per cent., to U.S.$348,835 thousand, as compared to U.S.$483,379 thousand for the year ended 31 December 2014.

As a result of the factors described above, profit from operations for the year ended 31 December 2014 decreased by U.S.$2,764 thousand, or 0.6 per cent., to U.S.$483,379 thousand, as compared to U.S.$486,143 thousand for the year ended 31 December 2013.

Finance Costs

Finance costs for the year ended 31 December 2015 decreased by U.S.$823 thousand, or 9.3 per cent., to U.S.$8,044 thousand, as compared to U.S.$8,867 thousand for the year ended 31 December 2014. This decrease was primarily due to decrease in the outstanding loan balance in 2015 as compared to 2014 resulting from an instalment payment that took place in 2015.

Finance costs for the year ended 31 December 2014 decreased by U.S.$934 thousand, or 9.5 per cent., to U.S.$8,867 thousand, as compared to U.S.$9,801 thousand for the year ended 31 December 2013. This decrease was primarily due to decrease in the outstanding loan balance in 2014 as compared to 2013 resulting from an instalment payment that took place in 2014.

Finance Income

Finance income for the year ended 31 December 2015 decreased by U.S.$1,326 thousand, or 28.9 per cent., to U.S.$3,270 thousand, as compared to U.S.$4,596 thousand for the year ended 31 December 2014. This decrease was primarily due to a decrease in deposits in 2015 as compared to 2014.

Finance income for the year ended 31 December 2014 increased by U.S.$409 thousand, or 9.8 per cent., to U.S.$4,596 thousand, as compared to U.S.$4,187 thousand for the year ended 31 December 2013.

Profit Before Statutory Contributions and Board of Directors' Remuneration

As a result of the factors described above, profit before statutory contributions and Board of Directors' remuneration for the year ended 31 December 2015 decreased by U.S.$135,047 thousand, or 28.2 per cent., to U.S.$344,061 thousand, as compared to U.S.$479,108 thousand for the year ended 31 December 2014.

As a result of the factors described above, profit before statutory contributions and Board of Directors' remuneration for the year ended 31 December 2014 decreased by U.S.$1,421 thousand, or 0.3 per cent., to U.S.$479,108 thousand, as compared to U.S.$480,529 thousand for the year ended 31 December 2013.

Contribution to KFAS

Contribution to KFAS for the year ended 31 December 2015 decreased by U.S.$1,348 thousand, or 28.2 per cent., to U.S.$3,430 thousand, as compared to U.S.$4,778 thousand for the year ended 31 December 2014. This decrease was primarily due to the decrease in profit before tax in 2015 as compared to 2014, which is the basis for contribution to KFAS calculation.

Contribution to KFAS for the year ended 31 December 2014 increased by U.S.$455 thousand, or 10.5 per cent., to U.S.$4,778 thousand, as compared to U.S.$4,323 thousand for the year ended 31 December 2013. The increase was primarily attributable to exchange rate fluctuations of KWD to U.S. dollar and due to the fact that, having achieved the statutory reserve account threshold following its 2013 contribution to KFAS and no longer required to transfer funds to the statutory reserve account in 2014, TKOC was not required to deduct any such amount from its 2014 profit before statutory contributions, tax on subsidiaries (if applicable) and Board of Directors' remuneration prior to calculating its 2014 contribution to KFAS on the basis thereof.

Contribution to Zakat

Contribution to Zakat for the year ended 31 December 2015 increased by U.S.$7,175 thousand, or 1,000.7 per cent., to U.S.$7,892 thousand, as compared to U.S.$717 thousand for the year ended 31 December 2014. This increase was primarily due to a one-off retroactive Zakat settlement with the Ministry of Finance of U.S.$5,920 thousand, representing Zakat contributions payable during the 2010-2014 period, following the Kuwait government's determination that Zakat contributions were payable in respect of PIC's share of profit in TKOC. In addition, the contribution to Zakat in 2015 increased by U.S. $1,452 thousand as compared to 2014 due to charging PIC Zakat for 2015, which was partially offset by a U.S.$197 thousand decrease in Zakat expense due to lower profit before tax in 2015 as compared to 2014.

Contribution to Zakat for the year ended 31 December 2014 decreased by U.S.$4 thousand, or 0.6 per cent., to U.S.$717 thousand, as compared to U.S.$721 thousand for the year ended 31 December 2013.

Board of Directors' Remuneration

There was no change to Board of Directors' remuneration for the years ended 31 December 2015 and 31 December 2014.

Board of Directors' remuneration for the year ended 31 December 2014 increased by U.S.$5 thousand, or 6.8 per cent., to U.S.$79 thousand, as compared to U.S.$74 thousand for the year ended 31 December 2013.

Net Profit for the Year

As a result of the factors described above, net profit for the year ended 31 December 2015 decreased by U.S.$140,874 thousand, or 29.7 per cent., to U.S.$332,660 thousand, as compared to U.S.$473,534 thousand for the year ended 31 December 2014. The decrease is primarily due to the decreases in profit from operations, a decrease in net finance income and an increase in Zakat contribution.

As a result of the factors described above, net profit for the year ended 31 December 2014 decreased by U.S.$1,877 thousand, or 0.4 per cent., to U.S.$473,534 thousand, as compared to U.S.$475,411 thousand for the year ended 31 December 2013. The decrease is primarily due to the decrease in profit from operation and increases in contribution to KFAS, partially offset by a reduction in the net finance costs in 2014 as compared to 2013.

Cash Flows

The following table sets forth TKOC's consolidated cash flows for the six-month periods ended 30 June 2016 and 2015 and the years ended 31 December 2015, 2014 and 2013:

	For the six-month period ended 30 June		For the year ended 31 December		
	2016	2015	2015	2014	2013
			(U.S.$ thousand)		
Cash and cash equivalents at the beginning of the period	131,766	87,096	87,096	134,153	305,249
Net cash from / (used in) operating activities	123,304	190,012	441,007	607,991	557,458
Net cash from / (used in) investing activities	185,464	422,896	209,299	(89,437)	(145,335)
Net cash from / (used in) financing activities	(401,707)	(538,825)	(605,636)	(565,611)	(583,219)
Net (decrease) / increase in cash and cash equivalents during the period	(92,939)	74,083	44,670	(47,057)	(171,096)
Cash and cash equivalents at the end of the period	**38,827**	**161,179**	**131,766**	**87,096**	**134,153**

Net Cash from / (used in) Operating Activities

Net cash from operating activities for the six-month period ended 30 June 2016 decreased by U.S.$66,708 thousand, or 35 per cent., to U.S.$ 123,304 thousand, as compared to U.S.$190,012 thousand for the six-month period ended 30 June 2015. The decrease was primarily due to a U.S.$80,727 thousand decrease in operating profit and a U.S.$12,931 thousand change in due from / to related parties, partially offset by a U.S.$26,950 thousand change in trade and other payables, inventories, trade and other receivables.

Net cash from operating activities for the year ended 31 December 2015 decreased by U.S.$166,984 thousand, or 27.5 per cent., to U.S.$441,007 thousand, as compared to U.S.$607,991 thousand for the year ended 31 December 2014. This decrease was primarily due to a U.S.$134,234 thousand decrease in operating profit in 2015 and a U.S.$50,784 thousand change in due from / to related parties, partially offset by a U.S.$18,034 thousand change in trade and other payables, inventories and trade and other receivables which includes a U.S.$9,558 thousand decrease in allowance for doubtful receivables.

Net cash from operating activities for the year ended 31 December 2014 increased by U.S.$50,533 thousand, or 9.1 per cent., to U.S$607,991 thousand, as compared to U.S.$557,458 thousand for the year ended 31 December 2013. The increase was primarily due to a U.S.$27,128 thousand change in trade and other payables, inventories and trade and other receivables partially offset by a U.S.$29,673 thousand change in due from / to related parties and a U.S.$6,268 thousand decrease in operating profit.

Net Cash from / (used in) Investing Activities

Net cash from investing activities for the six-month period ended 30 June 2016 decreased by U.S.$237,432 thousand, or 56 per cent., to U.S.$185,464 thousand, as compared to U.S.$422,896 thousand for the six-month period ended 30 June 2015. This decrease was primarily due to a U.S.$236,929 thousand decrease (net placement and interest received) in short term deposits and a U.S.$503 thousand increase in purchase of property, plant and equipment.

Net cash from investing activities for the year ended 31 December 2015 was U.S.$209,299 thousand as compared to net cash used in investing activities of U.S.$89,437 thousand for the year ended 31 December 2014, a change of U.S.$298,736 thousand. This change was primarily due to a U.S.$294,316 thousand change (net maturity and interest received) in short term deposits and a U.S.$3,347 thousand decrease in purchase of property, plant and equipment and intangible assets.

Net cash used in investing activities for the year ended 31 December 2014 decreased by U.S.$55,898 thousand, or 38.5 per cent., to U.S.$89,437 thousand, as compared to U.S.$145,335 thousand for the year ended 31 December 2013. This decrease was primarily due to a U.S.$63,530 thousand decrease in net placement of short-term deposits including interest received, which was partially offset by a U.S.$7,632 thousand increase in purchase of property plant and equipment and intangible assets.

Net Cash from / (used in) Financing Activities

Net cash used in financing activities for the six-month period ended 30 June 2016 decreased by U.S.$137,118 thousand, or 25 per cent., to U.S.$401,707 thousand, as compared to U.S.$538,825 thousand for the six-month period ended 30 June 2015. This decrease was primarily due to a U.S.$140,880 thousand decrease in dividend payment, which was partially offset by a U.S.$3,762 thousand increase in repayments of long-term loan.

Net cash used in financing activities for the year ended 31 December 2015 increased by U.S.$40,025 thousand, or 7.1 per cent., to U.S.$605,636 thousand, as compared to U.S.$565,611 thousand for the year ended 31 December 2014. This increase was primarily due to a U.S.$34,270 thousand increase in dividend payment, and also a U.S.$5,755 thousand increase in repayments of long-term loan and interest.

Net cash used in financing activities for the year ended 31 December 2014 decreased by U.S.$17,608 thousand, or 3.0 per cent., to U.S.$565,611 thousand, as compared to U.S.$583,219 thousand for the year ended 31 December 2013. This decrease was primarily due to a U.S.$22,570 thousand decrease in dividend payment, which was partially offset by a U.S.$4,962 thousand increase in repayments of long-term loan and interest payment.

Discussion of the MEGlobal B.V. Group's Results of Operations and Cash Flows for the Years Ended 31 December 2015, 2014 and 2013

The financial information of the MEGlobal B.V. Group has been consolidated with EQUATE with effect from the MEGlobal Acquisition Date following the MEGlobal Acquisition. For more information in respect of the financial information of the MEGlobal B.V. Group for the six-month period ended 30 June 2016, see "—Discussion of the EQUATE Group's results of operations and cash flows for the six-month periods ended 30 June 2016 and 2015 and for the years ended 31 December 2015, 2014 and 2013".

Results of Operations

Comparison of the Years Ended 31 December 2015, 2014 and 2013

The following table sets forth, for the periods indicated, the income statement of the MEGlobal B.V. Group:

	For the year ended 31 December		
	2015	**2014**	**2013**
		(U.S.$ million)	
Net sales	2,911	3,431	3,691
Cost of sales	(2,813)	(3,287)	(3,508)
Selling, general and administrative expenses	(20)	(23)	(18)
Research expenses	(1)	(1)	(2)
Other (expenses) / income	(1)	1	27
Operating income	**76**	**121**	**190**
Net loss on foreign currency transactions	(3)	(2)	-
Interest income	10	9	4
Interest expense	(5)	(5)	(7)
Net finance income / (expenses)	**2**	**2**	**(3)**
Income before income taxes	**78**	**123**	**187**
Tax expense	-	(24)	(6)
Net income for the year	**78**	**99**	**181**

Net Sales

The MEGlobal B.V. Group derives net sales from the production and sale of ethylene glycol, polyethylene terephthalate and their co-products. Sales primarily consist of products produced by the MEGlobal Group and as well as products sourced from EQUATE, TKOC, Dow and third parties and sold by the MEGlobal B.V. Group's sales division. See "*Business—Ethylene Glycol business line—Overview*".

The following table sets forth, for the periods indicated, the percentage of total MEGlobal B.V. Group sales (before intragroup eliminations) comprised by the MEGlobal B.V. Group's most significant products:

	For the year ended 31 December		
Product	**2015**	**2014**	**2013**
		(per cent.)	
Ethylene glycol	88	87	87
Polyethylene terephthalate	12	13	13
Total	**100**	**100**	**100**

The following table sets forth the percent change in sales volumes and average prices of the MEGlobal Group's most significant products for the years ended 31 December 2015 and 2014 as compared to the years ended 31 December 2014 and 2013, respectively:

	For the year ended 31 December			
	2015		**2014**	
Product	**Sales volumes (change vs 2014)**	**Average price (change vs 2014)**	**Sales volumes (change vs 2013)**	**Average price (change vs 2013)**
		(per cent.)		
Ethylene Glycol	4.9	(17.9)	3.9	(10.0)
Polyethylene Terephthalate	2.9	(26.1)	0.3	(10.5)

Net sales for the year ended 31 December 2015 decreased by U.S.$520 million, or 15.2 per cent., to U.S.$2,911 million, as compared to U.S.$3,431 million for the year ended 31 December 2014. This decrease was primarily due to a 17.9 per cent. decrease in ethylene glycol prices and a 26.1 per cent. decrease in polyethylene terephthalate prices (accounting for decreases in sales of U.S.$534 million and U.S.$115 million, respectively), calculated as change in average prices on prior year volumes, partially offset by a 4.85 per cent. increase in ethylene glycol sales volumes and a 2.91 per cent. increase in polyethylene terephthalate sales volumes (accounting for increases in sales of U.S.$119 million and U.S.$10 million, respectively), calculated as change in volumes on current year average prices.

Net sales for the year ended 31 December 2014 decreased by U.S.$260 million, or 7.0 per cent., to U.S.$3,431 million, as compared to U.S.$3,691 million for the year ended 31 December 2013. This decrease was primarily due to 10.0 per cent. and 10.5 per cent. decreases, respectively, in ethylene glycol and polyethylene terephthalate prices (accounting for decreases in sales of U.S.$322 million and U.S.$51 million, respectively), partially offset by a 3.94 per cent. increase in ethylene glycol sales volumes (accounting for increases in sales of U.S.$113 million) and a 0.32 per cent. increase in polyethylene terephthalate sales volumes.

Cost of Sales

The principal components of the MEGlobal B.V. Group's cost of sales are its raw material costs, finish products costs (i.e. ethylene glycol purchases from EQUATE, TKOC, Dow and third parties), freight, duty and distribution expenses, utilities, staff costs, repairs and maintenance, the depreciation and amortisation of its plants and industrial equipment as well as intangibles.

Cost of sales for the year ended 31 December 2015 decreased by U.S.$474 million, or 14.4 per cent., to U.S.$2,813 million, as compared to U.S.$3,287 million for the year ended 31 December 2014. The cost of sales for ethylene glycol distributed and the raw material cost for manufacturing of polyethylene terephthalate decreased by 15 per cent. compared to 2014. This decrease was primarily due to a decrease in the ethylene glycol market price, which reduced the product purchase costs for ethylene glycol's distribution activity, and a decrease in contract paraxylene prices in Europe, which lowered the raw material cost for the polyethylene terephthalate business. Lower crude oil prices in 2015 as well as supply chain optimisation helped to lower freight expenses by U.S.$23 million. In 2015, the annual review of the recoverable amount of an intangible asset with an indefinite useful life resulted in an impairment of U.S.$17 million for the goodwill on the polyethylene terephthalate business as a consequence of lower forecast future profitability expectations.

Cost of sales for the year ended 31 December 2014 decreased by U.S.$221 million, or 6.3 per cent., to U.S.$3,287 million, as compared to U.S.$3,508 million for the year ended 31 December 2013. The cost of sales for ethylene glycol distributed and the raw material cost for manufacturing of polyethylene terephthalate decreased by 7 per cent. compared to 2013. This decrease was primarily due to a decrease in the ethylene glycol market price, which reduced the product purchase costs for ethylene glycol's distribution activity, and a decrease in both the ethylene glycol prices and the contract paraxylene prices in Europe, which lowered the raw material cost for the polyethylene terephthalate business. The decrease was partially offset by an increase in freight expenses incurred due to higher sales volumes in 2014.

Selling, General and Administrative Expenses

The principal components of the MEGlobal B.V. Group's general, administrative and selling expenses are promotion and advertising, staff costs, office supplies, marketing and general administrative and selling expenses. It also includes the depreciation of assets related to the general, administrative and selling function of the MEGlobal B.V. Group, such as office equipment, computer hardware and software.

Selling, general and administrative expenses for the year ended 31 December 2015 decreased by U.S.$3 million, or 13.0 per cent., to U.S.$20 million, as compared to U.S.$23 million for the year ended 31 December 2014. This decrease was primarily due to a realignment of a subsidiary's commercial organisation and the realised savings in employee costs. In addition, a bad debt reserve expense of U.S.$1 million recorded in 2014 was fully recovered in 2015.

Selling, general and administrative expenses for the year ended 31 December 2014 increased by U.S.$5 million, or 27.8 per cent., to U.S.$23 million, as compared to U.S.$18 million for the year ended 31 December 2013. This increase was primarily due to expenses related to a specific marketing and company event with customers and other company representatives, higher personnel-related costs and U.S.$1 million expense for bad debt reserve.

Research Expenses

The principal components of the MEGlobal B.V. Group's research expenses are expenses incurred by the Research and Development department for the MEGlobal B.V. Group's polyethylene terephthalate business line in Germany.

There was zero change to research expenses between the year ended 31 December 2015 and the year ended 31 December 2014.

Research expenses for the year ended 31 December 2014 decreased by U.S.$1 million, or 50 per cent., to U.S.$1 million, as compared to U.S.$2 million for the year ended 31 December 2013.

Other Expenses / Income

The principle components of MEGlobal B.V. Group's other expenses / income are derived from non-recurring and unusual transactions.

Other expenses for the year ended 31 December 2015 was U.S.$1 million, as compared to other income of U.S.$1 million for the year ended 31 December 2014. The expenses in 2015 were primarily attributable to U.S.$4 million expense in 2015 (i) to settle a VAT and tax litigation with respect to one MEGlobal B.V. Group entity and (ii) to reflect a potential liability for a VAT claim with respect to another MEGlobal B.V. Group entity, which was partially offset by U.S.$3 million income from the recovery of subsidies received from an entity to which the MEGlobal B.V. Group had disposed part of its polyethylene terephthalate business in 2008.

Other income for the year ended 31 December 2014 decreased to U.S.$1 million, as compared to U.S.$27 million for the year ended 31 December 2013. Upon conducting a review of its purchasing transactions with the MEGlobal Canada Group, which led to a change in an estimate in its 2012 tax filing, the MEGlobal B.V. Group had recorded other income of U.S$27 million in 2013 for prior year effect.

Operating Income

Operating income for the year ended 31 December 2015 decreased by U.S.$45 million, or 37.2 per cent., to U.S.$76 million, as compared to U.S.$121 million for the year ended 31 December 2014. This decrease was primarily due to the decrease in ethylene glycol and polyethylene terephthalate margins resulting from the decrease in sales prices in 2015 and the negative impact on cost of sales of the U.S.$17 million impairment charge for the polyethylene terephthalate business.

Operating income for the year ended 31 December 2014 decreased by U.S.$69 million, to U.S.$121 million, or 36.3 per cent., as compared to U.S.$190 million for the year ended 31 December 2013. This decrease was primarily due to the decrease in ethylene glycol and polyethylene terephthalate margins resulting from the decrease in sales prices in 2014, increased selling, general and administrative costs in 2014 and the impact on other income/expense of a one-time credit of U.S.$27 million in 2013.

Net Loss / Gain on Foreign Currency Transactions

MEGlobal B.V. Group's foreign exchange gain / loss results from the transaction effects of foreign currency exchange rate fluctuations. Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions and are recognised in profit or loss.

Net loss on foreign currency transactions for the year ended 31 December 2015 increased by U.S.$1 million, or 50 per cent., to U.S.$3 million, as compared to U.S.$2 million for the year ended 31 December 2014. The increase is primarily attributable to the further weakening of the Euro against the U.S. dollar in 2014. The MEGlobal B.V. Group had incurred slightly higher foreign exchange losses in 2015. Net loss on foreign currency transactions for the year ended 31 December 2014 increased by U.S.$2 million, as compared to zero for the year ended 31 December 2013. The increase is primarily a consequence of the weakening of the Euro against the U.S. dollar in 2014. The MEGlobal B.V. Group had incurred higher foreign exchange losses in 2014.

Interest Income

The principal components of the MEGlobal B.V. Group's interest income are interest income earned from short-term investment such as bank deposits and from loans to the MEGlobal Canada Group. as well as interest received on surplus funds deposited with Dow International Finance S.a.r.l. ("**DIFS**") as part of cash management arrangement and interest received on parking of surplus funds by one of its subsidiary.

Interest income for the year ended 31 December 2015 increased by U.S.$1 million, or 11.1 per cent., to U.S.$10 million, as compared to U.S.$9 million for the year ended 31 December 2014. This increase was primarily due to interest on investment of surplus funds by one of MEGlobal B.V.'s subsidiaries.

Interest income for the year ended 31 December 2014 increased by U.S.$5 million, or 125.0 per cent., to U.S.$9 million, as compared to U.S.$4 million for the year ended 31 December 2013. This increase was primarily due to increased lending by the MEGlobal B.V. Group to the MEGlobal Canada Group.

Interest Expense

The principal components of the MEGlobal B.V. Group's interest expense are interest costs on bank facilities and interest on credit line from DIFS.

There was no change to interest expense between the year ended 31 December 2015 and the year ended 31 December 2014.

Interest expense for the year ended 31 December 2014 decreased by U.S.$2 million, or 28.6 per cent., to U.S.$5 million, as compared to U.S.$7 million for the year ended 31 December 2013. This decrease was primarily due to repayment of finance lease obligations in 2013 and lower interest expenses on borrowing from DIFS.

Income Before Income Taxes

Income before income taxes for the year ended 31 December 2015 decreased by U.S.$45 million, or 36.6 per cent., to U.S.$78 million, as compared to U.S.$123 million for the year ended 31 December 2014. This decrease was primarily due to the decrease in ethylene glycol and polyethylene terephthalate margins resulting from the decrease in sales prices in 2015 and the negative impact on cost of sales of the U.S.$17 million impairment charge for the polyethylene terephthalate business.

Income before income taxes for the year ended 31 December 2014 decreased by U.S.$64 million, or 34.2 per cent., to U.S.$123 million, as compared to U.S.$187 million for the year ended 31 December 2013. This decrease was primarily due to the decrease in ethylene glycol and polyethylene terephthalate margins resulting from the decrease in sales prices in 2014, increased selling, general and administrative costs in 2014 and the impact on other income/expense of a one-time credit of U.S.$27 million in 2013.

Tax Expense

The entities that comprise the MEGlobal B.V. Group are subject to tax in the Netherlands, the United States of America, People's Republic of China, Mexico, Switzerland, Brazil, Germany and Italy. The tax expense comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. The volatile market environment and certain shifts and movements of business among the subsidiaries in the ordinary course of doing business, the relative share of ethylene glycol and polyethylene terephthalate, the share of manufactured and traded products and the different tax rates among the subsidiaries have an impact on the MEGlobal B.V. Group's effective tax rate.

Tax expense for the year ended 31 December 2015 decreased by U.S.$24 million, or 100.0 per cent., to nil, as compared to U.S.$24 million for the year ended 31 December 2014. The effective tax rate was zero per cent. in 2015 compared to 19.7 per cent. in 2014 The effects of different tax rates of subsidiaries operating outside of the Netherlands, resulting in a favourable impact of U.S.$23 million, offset the expected income tax at the Netherlands tax rate of 25 per cent. of U.S.$20 million payable on MEGlobal B.V. Group's reported income before income taxes of U.S.$78 million. Other effects such as tax effects of prior losses for which deferred tax assets have been unrecognised and expenses that are not tax deductible in certain tax jurisdictions amounted to a U.S.$3 million tax expense.

Tax expense for the year ended 31 December 2014 increased by U.S.$18 million, or 300.0 per cent., to U.S.$24 million, as compared to U.S.$6 million for the year ended 31 December 2013. The effective tax was 19.7 per cent. in 2014 compared to 3.2 per cent. in 2013. The effects of different tax rates of subsidiaries operating outside of the Netherlands, resulting in a favourable impact of U.S.$24 million, partially offset the expected income tax at the Netherlands tax rate of 25 per cent. of U.S.$31 million payable on MEGlobal B.V. Group's reported income before income taxes of U.S.$123 million. However, the tax effect of previous year losses for which deferred tax assets have been unrecognised led to a U.S.$16 million increase in tax expense and expenses that are not tax deductible in certain tax jurisdictions amounted to a U.S.$1 million tax expense.

Net Income for the Year

Net income for the year ended 31 December 2015 decreased by U.S.$21 million, or 21.2 per cent., to U.S.$78 million, as compared to U.S.$99 million for the year ended 31 December 2014. This decrease was primarily due to the decrease in operating income experienced in 2015, which was partially offset by the lower tax expense in 2015 as compared to 2014.

Net income for the year ended 31 December 2014 decreased by U.S.$82 million, or 45.3 per cent., to U.S.$99 million, as compared to U.S.$181 million for the year ended 31 December 2013. This decrease was primarily due to the decrease in operating income and increase in tax expense experienced in 2014, which was partially offset by an increase in net finance income in 2014 as compared to 2013.

Cash Flows

The following table sets forth the MEGlobal B.V. Group's consolidated cash flows the years ended 31 December 2015, 2014 and 2013:

	For the year ended 31 December		
	2015	2014	2013
		(U.S.$ million)	
Cash and cash equivalents at 1 January	13	14	21
Net cash from / (used in) operating activities	180	127	249
Net cash from / (used in) investing activities	(59)	(60)[(1)]	(232)[(1)]
Net cash from / (used in) financing activities	(115)	(68)[(1)]	(24)[(1)]
Net cash flows during the year	6	(1)	(7)
Cash and cash equivalents at 31 December	**19**	**13**	**14**

(1) Due to the consolidation of deposit and borrowings from DIFS into a single line item included under the heading "*Cash flows from financing activities*", the comparative figures for "Net cash from / (used in) investing activities" and "Net cash from / (used in) financing activities" have been restated to conform with the MEGlobal B.V. 2015 Consolidated Financial Statements.

Net Cash from / (used in) Operating Activities

Net cash from operating activities for the year ended 31 December 2015 increased by U.S.$53 million, or 41.7 per cent., to U.S.$180 million, as compared to U.S.$127 million for the year ended 31 December 2014. This increase was primarily due to favourable changes in net working capital items of U.S.$73 million, partially offset by U.S.$20 million lower net income related cash flows in 2015 compared to 2014.

Net cash from operating activities for the year ended 31 December 2014 decreased by U.S.$122 million, or 49.0 per cent., to U.S.$127 million, as compared to U.S.$249 million for the year ended 31 December 2013. This decrease was primarily due to lower net income related cash flows of U.S.$63 million and a decrease in net working capital items of U.S.$59 million.

Net Cash from / (used in) Investing Activities

Net cash used in investing activities for the year ended 31 December 2015 decreased by U.S.$1 million, or 1.7 per cent., to U.S.$59 million, as compared to U.S.$60 million for the year ended 31 December 2014. This decrease was attributable to a U.S.$139 million change (net received) of funds received / (transferred) from/to MEGlobal Canada, which was largely offset by a U.S.$47 million increase in acquisition of property, plant and equipment, US.$13 million toward the acquisition of intangible assets and U.S.81 million toward investment in US Gulf Coast Project.

Net cash used in investing activities for the year ended 31 December 2014 decreased by U.S.$172 million, or 74.1 per cent., to U.S.$60 million, as compared to U.S.$232 million for the year ended 31 December 2013. This decrease was primarily due to a decrease in lending to the MEGlobal Canada Group.

Net Cash from / (used in) Financing Activities

Net cash used in financing activities for the year ended 31 December 2015 increased by U.S.$47 million, or 69.1 per cent., to U.S.$115 million, as compared to U.S.$68 million for the year ended 31 December 2014. This increase was primarily due to a U.S.$88 million decrease in borrowing under the revolving syndicated loan facility partially offset by a U.S.$41 million decrease in investment of surplus funds with DIFS, compared to 2014.

Net cash used in financing activities for the year ended 31 December 2014 increased by U.S.$44 million, or 183.3 per cent., to U.S.$68 million, as compared to U.S.$24 million for the year ended 31 December 2013. This increase was primarily due to a U.S.$166 million change in borrowing under a syndicated term loan and revolving loan facility, partially offset by a U.S.$122 million decrease in investment of surplus funds with DIFS, as compared to 2013.

Liquidity and Capital Resources of the Group

The financial condition and liquidity of each of the EQUATE Group and TKOC is influenced by a variety of factors, including:

- its ongoing ability to generate cash from operations;
- the terms of its financing arrangements and its access to capital markets; and
- its working capital and capital expenditure requirements related to maintenance and expansions.

In each case, the cash requirements of each of the EQUATE Group and TKOC consist mainly of the following:

- working capital requirements;
- investments in the maintenance and improvement of its current operations; and
- the payment of dividends to the shareholders.

In each case, the sources of liquidity of each of the EQUATE Group and TKOC consist mainly of the following:

- cash generated provided by its operational activities;
- proceeds obtained from short- and long-term loans; and
- capital increases from the shareholders.

During the six-month period ended 30 June 2016, each of the EQUATE Group and TKOC used cash flow generated from operations primarily for dividend payment and accumulation of cash and cash equivalent assets. As of 30 June 2016, the Group's combined cash and cash equivalents amounted to U.S.$877 million, of which cash and cash equivalents attributable to the EQUATE Group amounted to U.S.$838 million and cash and cash equivalents attributable to TKOC amounted to U.S.$39 million. As of 30 June 2016, U.S.$3,000 million remained available to drawdown under the Group's existing financing arrangements. The Group believes that it will continue to be able to obtain sufficient credit to finance its working capital needs based on current market conditions.

Indebtedness and Financing Strategy of the Group

The following discussion of the Group's indebtedness and financing strategy contains financial information derived from the Group H1 2016 Combined Financial Statements appearing elsewhere in this Base Prospectus.

As of 30 June 2016, the Group's total outstanding indebtedness was U.S.$4,948 million, consisting of U.S.$2,948 million of short-term indebtedness (60 per cent. of its total indebtedness), and U.S.$2,000 million of long-term indebtedness (40 per cent. of its total indebtedness). As of 30 June 2016, all of the Group's outstanding indebtedness was denominated in U.S. dollar.

The Group's financing strategy has been to maintain sufficient funding liquidity and flexibility to support business requirement and operations through, among others, diversification of financing sources including conventional and Islamic bank facilities with onshore and international financial institutions.

As of the date of this Base Prospectus, all the Group's outstanding external indebtedness has been incurred by entities within the EQUATE Group. TKOC does not currently have any external third party indebtedness.

The following table sets forth the Group's principal indebtedness outstanding as of 30 June 2016:

Facility	Interest Rate	Final Maturity	Principal Indebtedness as of 30 June 2016 Short-Term Portion	Long-Term Portion	Total
				(U.S.$ million)	
Bridge Loan Facilities	1.2603% p.a.	17 December 2016[(1)]	2,948	-	2,948
Islamic Financing	2.58% p.a.	23 June 2021	-	188	188
Conventional Financing	2.58% p.a.	23 June 2021	-	1,812	1,812
Total			**2,948**	**2,000**	**4,948**

(1) With an optional six-month extension.

As of 30 June 2016, the Group was current with respect to the payment of principal and interest on its indebtedness and in compliance with the covenants related to such indebtedness. As of the date of this Base Prospectus, none of the Group's indebtedness is secured, although certain facilities are guaranteed on a joint and several basis by various Group companies, as described below.

Short-Term Indebtedness of the Group

The Group's short-term indebtedness was U.S.$2,948 million as of 30 June 2016, all of which is outstanding under the Group's Bridge Loan Facilities (as defined below).

Bridge Loan Facilities

On 17 December 2015, EQUATE, EQUATE Petrochemical B.V. and EQUATE Petrochemical Canada ULC (later amalgamated to become MEGlobal Canada) entered into bridge loan facilities amounting in aggregate to U.S.$6 billion (the "**Bridge Loan Facilities**") with a consortium of banks (including, among others, Citibank, N.A., Canadian Branch, Citibank, N.A., London Branch, HSBC Bank Middle East Limited, Bahrain Branch, HSBC Bank Middle East Limited, Kuwait Branch, HSBC Bank plc, JPMorgan Chase Bank N.A., London Branch, Intesa Sanpaolo, Dubai Branch, Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation –Dubai Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Dubai Branch, National Bank of Kuwait S.A.K.P. and Kuwait Finance House K.S.C.P.). The Bridge Loan Facilities are comprised of (i) a U.S.$4,060 million conventional A1 facility under which EQUATE Petrochemical B.V. and EQUATE Petrochemical ULC (now amalgamated with MEGlobal Canada) were the borrowers, (ii) a U.S.$1,440 million conventional A2 facility under which EQUATE was the borrower, and (iii) a U.S.$500 million murabaha facility under which EQUATE was the purchaser.

U.S.$5 billion was drawn under the Bridge Loan Facilities on 23 December 2015. The remaining availability amount of U.S.$1 billion remained undrawn and expired on 31 March 2016. The Bridge Loan Facilities have a 12-month tenor and are repayable on 17 December 2016, with a six month extension option, and carries an interest rate of 1.2603 per cent. per annum as of 30 June 2016. The Bridge Loan Facilities contains financial covenants requiring that the Group maintain a specified ratio of total net debt to EBITDA (as defined in the Bridge Loan Facilities). See "*Risk Factors—The Group has a significant amount of indebtedness which could limit its financial flexibility and its ability to access additional financing*".

On 29 June 2016, U.S.$2 billion of the outstanding amount under the Bridge Loan Facilities was prepaid using the proceeds of "Term Loan (A)" of each of the Murabaha Facility, the Conventional Onshore Facility and the Conventional Offshore Facility (each as defined below). The Group intends to refinance the balance of the outstanding amount under the Bridge Loan Facilities (U.S.$2,948 million) with the proceeds of the Certificates issued under the Programme and/or additional borrowing under its existing facilities.

The obligations of the borrower under the Bridge Loan Facilities are guaranteed, on a joint and several basis, by EQUATE, TKOC, MEGlobal B.V., EQUATE Petrochemical ULC (now amalgamated with MEGlobal Canada) and EQUATE Petrochemical B.V.

On 3 November 2016, EQUATE Petrochemical B.V. issued U.S.$2,250,000,000 in aggregate principal amount of notes which are guaranteed by EQUATE and TKOC under the GMTN Programme.

As a result of the notes issuance and the repayment of the Group's Bridge Loan Facilities using (i) the proceeds of the notes issuance and (ii) U.S.$500,000,000 drawn under a combination of the Murabaha Facility, Conventional Onshore Facility and Conventional Offshore Facility, as at the date of the Base Prospectus, the Group's current loans and borrowings are nil and non-current loans and borrowings amount to U.S.$4,750,000,000.

For additional information about this facility, see note 6, "Loans and Borrowings", of the notes to the Group H1 2016 Combined Financial Statements appearing elsewhere in this Base Prospectus.

Long-Term Indebtedness of the Group

Set forth below is the Group's long-term indebtedness as of 30 June 2016:

Long-Term Indebtedness as of 30 June 2016

Facility	Interest Rate	Final Maturity	Total Facility Amount	Amount Outstanding	Amount Available
				(U.S.$ million)	
Islamic Financing					
Murabaha Facility					
Revolving Credit Facility	LIBOR+spread	23 June 2019	94	-	94
Term Loan (A)	2.58%	23 June 2021	188	188	-
Term Loan (B).....................	LIBOR+spread	23 June 2019	188	-	188[(1)]
Total (Islamic Financing)			**470**	**188**	**282**
Conventional Financing					
Conventional Onshore Facility					
Revolving Credit Facility	LIBOR+spread	23 June 2019	94	-	94
Term Loan (A)	2.58%	23 June 2021	211.5	211.5	-
Term Loan (B).....................	LIBOR+spread	23 June 2019	211.5	-	211.5[(1)]
Conventional Offshore Facility					
Revolving Credit Facility	LIBOR+spread	23 June 2019	812	-	812
Term Loan (A)	2.58%	23 June 2021	1,600.5	1,600.5	-
Term Loan (B).....................	LIBOR+spread	23 June 2019	1,600.5	-	1,600.5[(1)]
Total (Conventional Financing)..........................			**4,530**	**1,812**	**2,718**
Total......................................			**5,000**	**2,000**	**3,000**

(1) Availability period expires 30 June 2017.

Islamic Financing

Murabaha Facility

On 23 June 2016, EQUATE entered into a U.S.$470 million murabaha facility agreement (the "**Murabaha Facility**") with Kuwait Finance House K.S.C.P. The Murabaha Facility is comprised of three tranches: (i) a U.S.$94 million three-year revolving credit facility tranche; (ii) a U.S.$188 million five-year term loan (A) and (iii) a U.S.$188 million three-year term loan (B). The proceeds of the Murabaha Facility have partially been used to refinance the Bridge Loan Facilities (see "*—Short-Term Indebtedness of the Group—Bridge Loan Facilities*").

Under each tranche of the Murabaha Facility, the borrower may select a murabaha period of three months, six months, or any other period agreed between the borrower and all of the lenders under the Murabaha Facility. The LIBOR which is used to calculate the profit amount shall be LIBOR for the period of time equal in length to the murabaha period selected by the borrower. The Murabaha Facility contains a financial covenant requiring that the Group maintain a specified ratio of total net debt to EBITDA (as defined for the purposes of the Murabaha Facility). See "*Risk Factors—The Group has a significant amount of indebtedness which could limit its financial flexibility and its ability to access additional financing*".

As of 30 June 2016, the borrower's obligations under the Murabaha Facility were guaranteed, on a joint and several basis, by EQUATE, TKOC, MEGlobal Canada, MEGlobal B.V. and EQUATE Petrochemical B.V.

For additional information about the Murabaha Facility, see note 6, "Loans and Borrowings", of the notes to the Group H1 2016 Combined Financial Statements appearing elsewhere in this Base Prospectus.

Conventional Financing

Conventional Onshore Facility

On 23 June 2016, EQUATE entered into a U.S.$517 million conventional onshore facility agreement (the "**Conventional Onshore Facility**") with the National Bank of Kuwait S.A.K.P (acting as agent) and certain lenders party thereto (including, among others, HSBC Bank Middle East Limited, Kuwait Branch and National Bank of Kuwait S.A.K.P.). The Conventional Onshore Facility is comprised of three tranches: (i) a U.S.$94 million three-year revolving credit facility tranche; (ii) a U.S.$211.5 million five-year term loan (A); and (iii) a U.S.$211.5 million three-year term loan (B). The proceeds of the Conventional Onshore Facility have partially been used to refinance the Bridge Loan Facilities (see "*—Short-Term Indebtedness of the Group—Bridge Loan Facilities*").

Under each tranche of the Conventional Onshore Facility, EQUATE may select an interest period of one month, three months, six months, or any other period agreed between EQUATE and all of the lenders of this facility. The Conventional Onshore Facility contains a financial covenant requiring that the Group maintain a specified ratio of total net debt to EBITDA (as defined for the purposes of the Conventional Onshore Facility). See "*Risk Factors—The Group has a significant amount of indebtedness which could limit its financial flexibility and its ability to access additional financing*".

As of 30 June 2016, EQUATE's obligations under the Conventional Onshore Facility were guaranteed, on a joint and several basis, by EQUATE, TKOC, MEGlobal B.V., EQUATE Petrochemical ULC (now amalgamated with MEGlobal Canada) and EQUATE Petrochemical B.V.

For additional information about the Conventional Onshore Facility, see note 6, "Loans and Borrowings", of the notes to the Group H1 2016 Combined Financial Statements appearing elsewhere in this Base Prospectus.

Conventional Offshore Facility

On 23 June 2016, MEGlobal Canada and EQUATE Petrochemical B.V. entered into a U.S.$4,013 million conventional offshore facility agreement (the "**Conventional Offshore Facility**") with the National Bank of Kuwait S.A.K.P (acting as agent) and certain lenders party thereto (including, among others, Citibank N.A., Canadian Branch, Citibank N.A., London Branch, HSBC Bank Middle East Limited, Bahrain Branch, The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank USA, N.A., Intesa Sanpaolo S.p.A., Dubai Branch, J.P. Morgan Securities Plc, Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation and the Bank of Tokyo-Mitsubishi UFJ, Ltd.). The Conventional Offshore Facility is comprised of three tranches: (i) a U.S.$812 million three-year revolving credit facility tranche; (ii) a U.S.$1,600.5 million five-year term loan (A); and (iii) a U.S.$1,600.5 million three-year term loan (B). The proceeds of the Conventional Offshore Facility have partially been used to refinance the Bridge Loan Facilities (see "*—Short-Term Indebtedness of the Group—Bridge Loan Facilities*").

Under each tranche of the Conventional Offshore Facility, MEGlobal Canada and EQUATE Petrochemical B.V. may select an interest period of one month, three months, six months, or any other period agreed between the borrower and all of the lenders under this facility. The Conventional Offshore Facility contains a financial covenant requiring that the Group maintain a specified ratio of total net debt to EBITDA (as defined for the purposes of the Conventional Offshore Facility). See "*Risk Factors—The Group has a significant amount of indebtedness which could limit its financial flexibility and its ability to access additional financing*".

As of 30 June 2016, MEGlobal Canada's and EQUATE Petrochemical B.V.'s obligations under the Conventional Offshore Facility were guaranteed, on a joint and several basis, by EQUATE, TKOC, MEGlobal B.V., EQUATE Petrochemical ULC (now amalgamated with MEGlobal Canada) and EQUATE Petrochemical B.V.

For additional information about the Conventional Offshore Facility, see note 6, "Loans and Borrowings", of the notes to the Group H1 2016 Combined Financial Statements appearing elsewhere in this Base Prospectus.

Off-Balance Sheet Arrangements of the Group

See "—*Foreign Currency Exchange Risk*" for a list of off-balance sheet forward exchange contracts as of 30 June 2016 that each of EQUATE and TKOC enters into from time to time to manage its foreign currency exposure risks. See also note 11, "Operating Leases", of the notes to the Group H1 2016 Combined Financial Statements appearing elsewhere in this Base Prospectus.

Contractual Commitments and Capital Expenditures of the Group

Contractual Commitments

The following table summarises the Group's significant external contractual obligations and commitments as of 30 June 2016:

	Payments Due by Period		
	Less than One Year	More than One Year	Total
		(U.S.$ million)	
Letters of credit and guarantee	171	-	171
Capital commitments	57	-	57
Ethylene reservation fees[1]	-	630	630
License for U.S. Gulf Coast project[2]	2	-	2
Total	**230**	**630**	**860**

(1) The ethylene reservation fee represents the fee payable by the Group in respect of an ethylene glycol plant. U.S.$315 million is payable in 2017 and the remaining U.S.$315 million is payable in 2019.

(2) MEGlobal Americas Inc. entered into agreements with various parties related to the development of an ethylene glycol plant in the Gulf Coast of the United States. The plant is scheduled to come on stream in 2019. See "*Business—Ethylene Glycol business line—Facilities—U.S. Gulf Coast Project*".

In the ordinary course of business, the Group has entered into long-term supply arrangements for feedstock and raw materials, which are not reflected in the above table. See "*Related Party Transactions*". In addition, the obligations of the Group under its short and long term indebtedness are not included in this table and are described under "*—Indebtedness and Financing Strategy of the Group*". Finally, the table above does not include the Group's obligations under foreign exchange contracts, which are described below under "*—Quantitative and Qualitative Disclosures about Market Risk Relating to the Group—Foreign Exchange Risk*".

Capital Expenditures

For the six-month period ended 30 June 2016, the Group made capital expenditures of U.S.$82 million. These primarily include capital expenditures in connection with a new ethylene glycol facility project being built in the U.S. Gulf Coast, de-bottlenecking projects at its facility in Shuaiba, Kuwait, the construction of a headquarters building in Kuwait and the procurement of capital spares. The Group estimates that capital expenditures for the year ended 31 December 2016 will be approximately U.S.$284 million, which will be used in connection with investments related to the above-mentioned projects. The Group expects the total cost of construction for the U.S. Gulf Coast project will be U.S.$2 billion, phased over the next four years. See "*Business—Ethylene Glycol business line—Facilities—U.S. Gulf Coast Project*".

Quantitative and Qualitative Disclosures about Market Risk Relating to the Group

In the ordinary course of the Group's business, it is exposed to a variety of market risks arising from fluctuations in foreign currency exchange rates, interest rates and commodity prices.

It is the Group's policy to assess the potential and consolidated impact of market risks and to mitigate and assess risks in accordance with the risk management policies developed by its Finance Committee.

No member of the Group enters into financial instruments for trading or speculative purposes.

Interest Rate Risk

As of 30 June 2016, all of the Group indebtedness bore interest at a floating rate. In the event that interest had increased by one per cent. the interest expenses of EQUATE and TKOC would have increased by U.S.$25 million for the six-month period ended 2016. The Group does not currently hedge its interest rate exposure but the management of the Group actively monitors interest rate risks.

Foreign Currency Exchange Risk

The Group undertakes certain transactions denominated in foreign currencies and accordingly are subject to exchange rate fluctuations. As of 30 June 2016, all of the Group's outstanding indebtedness was denominated in U.S. dollars.

The EQUATE Group's and TKOC's on-balance sheet exposure to foreign currency denominated monetary assets and monetary liabilities as of 31 December 2015 were as follows:

	Euro	Kuwaiti Dinar	Other
		(U.S.$ million)	
EQUATE Group			
Assets	28	23	6
Liabilities	(1)	(379)	-
Net exposure	**27**	**(356)**	**6**
TKOC			
Assets	8.8	0.9	-
Liabilities		(5.6)	-
Net exposure	**8.8**	**(4.7)**	**-**

The following exchange rates were applied to translate the monetary assets and liabilities as of 31 December 2015 for each of the EQUATE Group and TKOC:

U.S. dollar	**Reporting Date Mid-spot rate**
Euro	0.915
Kuwaiti Dinar	0.304

For the year ended 31 December 2015, a five per cent. weakening of the U.S. dollar against the Euro and Kuwaiti dinar, with all other variables held constant and not taking into account the impact of the Group's foreign exchange hedging activities described below, would have had a negative impact of U.S.$16.4 million on the EQUATE Group's profit.

For the year ended 31 December 2015, a five per cent. weakening of the U.S. dollar against the Euro and Kuwaiti dinar, with all other variables held constant and not taking into account the impact of the Group's foreign exchange hedging activities described below, would have had a negative impact of U.S.$0.2 million on the TKOC's profit.

The Group hedges its foreign currency exposure risks by entering into forward foreign exchange contracts on a monthly basis. The Group had the following net notional forward foreign exchange contracts (off-balance sheet exposure) set forth below as of 30 June 2016:

	30 June 2016
	(U.S.$ million)
Long position	
KD	315
CAD	352
Euro	25
Others	133
Short position	
CAD	450
Others	193

The fair value of the Group's forward foreign exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate.

Commodity Price Risk

The Group is exposed to commodity price risk associated with fluctuation in the market price of its products as a result of supply and demand dynamics in the petrochemical industry and the impact of global economic conditions on its margins. See further "—*Factors Affecting Operating Results*".

Critical Accounting Judgements and Key Sources of Estimation Uncertainty Relating to the Group

The preparation of the financial statements of the Group included elsewhere in this Base Prospectus requires the EQUATE Group or TKOC, as the case may be, to apply certain accounting policies and make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, including the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and Assumptions

In preparing its financial statements, the Group makes estimates concerning a variety of matters. Some of these matters are highly uncertain, and its estimates involve judgments it makes based on the information available to it. In the discussion below, the Group has identified several of these matters for which its financial presentation would be materially affected if it either: (i) used different estimates; or (ii) change its estimates in the future in response to changes that are reasonably likely to occur. Unless otherwise indicated, the matters identified below are relevant to each of the EQUATE Group and TKOC.

The discussion addresses only those estimates that the Group considers most important based on the degree of uncertainty and the likelihood of a material impact if it used a different estimate. There are many other areas in which the Group uses estimates, but the Group believes that the likely reasonable effect of different estimates is not material to its financial presentation. Summaries the Group's significant accounting policies are contained in note 2, "Basis of preparation" and note 3, "Significant accounting policies" of the notes to the Group H1 2016 Combined Financial Statements appearing elsewhere in this Base Prospectus.

Retirement Benefit Obligation

The cost of providing retirement benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each statement of financial position date. Actuarial valuations are based on a number of assumptions and require significant judgements made by management. The management of the EQUATE Group believes that the assumptions used in determining the retirement benefit obligation using actuarial valuation method are reasonable.

Acquisition Accounting

The EQUATE Group assesses the fair value of assets and liabilities assumed in an acquisition on a provisional basis. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the assessed fair values, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Deferred Tax Assets

The net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded on the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes reasonable judgments and estimates based on taxable profits and expectations of future income. As tax losses do not expire in Germany and Italy, utilisation of these tax losses require management to consider taxable profits well into the future. This significant long-term view increases the uncertainty of such projections. As a result of this and certain limits on annual tax loss usage, the EQUATE Group limits its consideration of German and Italian tax losses to 10 years, which is considered a more foreseeable future, even though the ability to potentially utilise the tax losses extends beyond this period.

Impairment of Loans and Receivables

The management of the Group periodically reviews items classified as loans and receivables to assess whether an allowance for impairment should be recorded in the statement of profit or loss. Management estimates the amount and timing of future cash flows when determining the level of allowance required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

Impairment of Other Tangible and Intangible Assets and Useful Lives

Management of the Group tests annually whether tangible and intangible assets have suffered impairment in accordance with accounting policies. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

During the year, the Group reviews the estimated useful life over which its tangible assets are depreciated and intangible assets are amortised. Management of the Group is satisfied that the estimates of useful life are appropriate. The depreciation and amortisation charged for the year may change significantly if actual life is different than the estimated useful life.

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. This is typically assessed at the end of each financial year unless there is a specific triggering event. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Legal Contingencies

Legal contingencies cover a wide range of matters threatened in various jurisdictions against the Group. Provisions are recorded for pending litigation when it is determined that an unfavourable outcome is probable and the amount of loss can be reasonably estimated, after consideration of advice from attorneys. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of the settlement may materially vary from estimates.

Recent Developments

EQUATE and TKOC established the GMTN Programme on 17 October 2016 with EQUATE Petrochemical B.V. as the issuer. On 3 November 2016, EQUATE Petrochemical B.V. issued U.S.$2,250,000,000 of notes in aggregate which are guaranteed, jointly and severally, and not severally, by EQUATE and TKOC under the GMTN Programme.

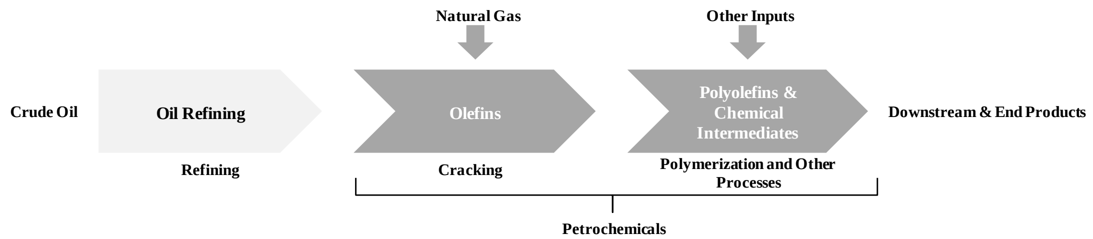
The notes, which were issued in two tranches maturing in 2022 and 2026, were offered pursuant to Rule 144A and Regulation S and are admitted to the Official List, and to trading on the Main Securities Market, of the Irish Stock Exchange. The two tranches have respective coupons of three per cent. and 4.25 per cent. per annum.

As a result of the notes issuance and the repayment of the Group's Bridge Loan Facilities using (i) the proceeds of the notes issuance and (ii) U.S.$500,000,000 drawn under a combination of the Murabaha Facility, Conventional Onshore Facility and Conventional Offshore Facility, as at the date of the Base Prospectus, the Group's current loans and borrowings are nil and non-current loans and borrowings amount to U.S.$4,750,000,000.

The projections and other information set forth in this section have been derived from external sources including the PCI Ethylene Oxide & Glycol –World Supply & Demand Report –2015, IHS 2016 World Analysis –Ethylene Oxide and Monoethylene Glycol –Report, IHS 2016 World Analysis –Polyethylene –Report and IHS 2016 World Analysis –Polyester –Report, which are reports prepared by independent consultants to the chemical industry, among others. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. The Group believes that these industry publications, surveys and forecasts are reliable but the Group has not independently verified them and cannot guarantee their accuracy or completeness.

Overview

The petrochemicals markets comprise all products derived from crude oil and natural gas, and include olefins, polymers and various petrochemical chemical intermediate products directly or indirectly derived from olefins.



Olefins are the basic building blocks used to create a variety of petrochemical products. Petrochemicals are widely used in consumer and industrial applications ranging from plastics and packaging to construction and cosmetics. Owing to their physical properties and affordability, petrochemicals and their derivatives continue to replace more traditional materials, such as metal, glass, ceramics, paper and wood, in an expanding list of end-use applications. Growing demand from key end user applications including consumer and retail goods, construction, food and industrial packaging, transportation, textile and healthcare, are major growth drivers for global petrochemical market.

Ethylene Glycol Market Overview

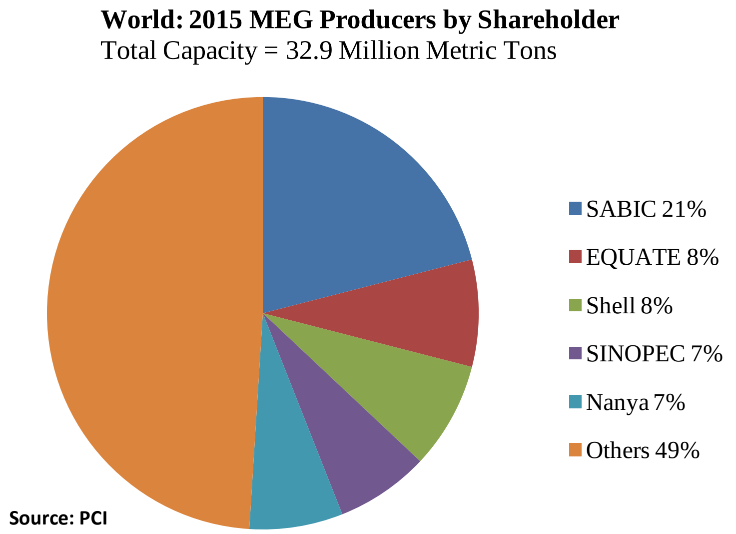
Description

Ethylene glycol, which includes monoethylene glycol, diethylene glycol, triethylene glycol and tetraethylene glycol is a colourless, low-volatility, low viscosity, hygroscopic liquid. Ethylene glycol and its derivatives play a significant role in the petrochemical industry due to the fact that they can serve as versatile intermediates in a wide range of applications. Ethylene glycol is used in the production of a range of products including polyester fibre, polyethylene terephthalate resins, automotive liquids and other chemical products. Of the applications, approximately 85 per cent. of the end use comprises (a) polyester fibre, primarily used in fabrics, clothing and furnishings, and (b) polyethylene terephthalate resins, which are primarily used for bottled water and food packaging (Source: *IHS 2016 World Analysis –Ethylene Oxide and Monoethylene Glycol –Report*).

Competitive Landscape

Ethylene glycol is manufactured by the oxidation of ethylene with oxygen in the presence of catalysts. The cost of ethylene contributes to 70 to 80 per cent. of the total cost to manufacture ethylene glycol. Therefore, a manufacturer who can obtain competitively priced ethylene on a sustainable basis is likely to be well positioned to remain profitable over the petrochemicals cycle. Most ethylene glycol producers compete strategically to develop a sustainable cost advantaged position in ethylene, which translates to a competitive advantage in manufacturing ethylene glycol. Manufacturing cost of ethylene is dependent primarily on the price of the feedstock used. For example, based on third party industry data for September 2016, the cash cost to manufacture ethylene using ethane feedstock is estimated to be approximately U.S.$200 per metric ton whereas the cost using light naphtha as feedstock is estimated to be approximately U.S.$500 per metric ton. This cost differential is mainly a result of the differential in the price of ethane and oil. The current forecast by experts is that ethane-based manufacture of ethylene is likely to be cost advantaged for the foreseeable future.

The chart below presents the top producers grouped by shareholder of monoethylene glycol by capacity for 2015 (Source: *PCI Ethylene Oxide & Glycol –World Supply & Demand Report –2015*).



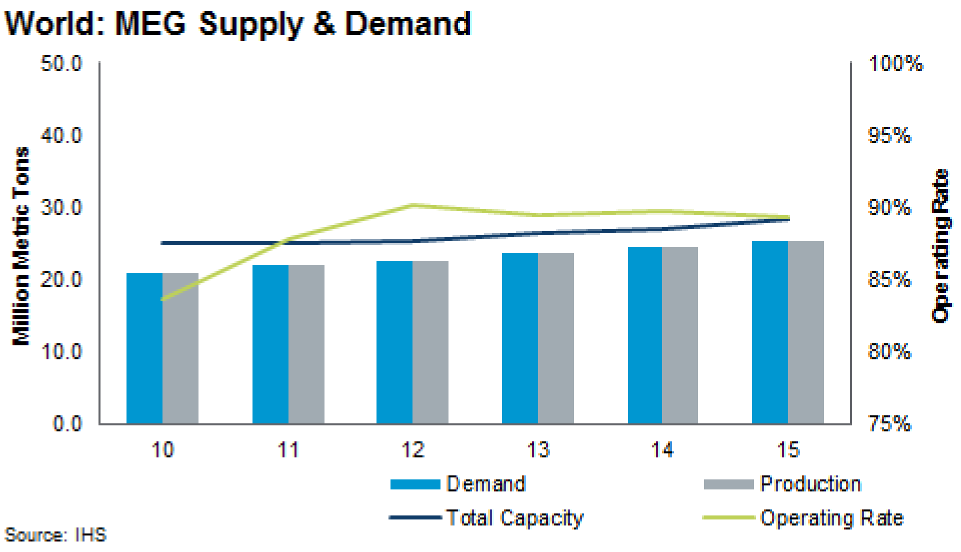
(1) The market share of each company and its affiliates (other than the Group) is calculated by dividing the 2015 annual capacity of each company (including its affiliates) by the 2015 global monoethylene glycol capacity figure as reported by PCI, which is 32.9MMT.

(2) Total capacity represents the 2015 global annual capacity of each company (including its affiliates) as reported by PCI (other than the Group, which reflects the Group's estimates of its capacity).

Demand by End Markets and Regions

The driving force behind the continued growth in demand for ethylene glycol is expected to be the continued growth for polyester condensation fibre in Asia and polyethylene terephthalate packaging resin in all regions. Polyester condensation (poly melt) for these two end uses accounts for more than 95 per cent. of global ethylene glycol demand. The growth in demand for polyester fibre accounts for two-thirds of poly melt. Growth of polyester fibre has been as high as eight to 10 per cent. in China during 2007-2011 period, although that growth has slowed recently, correlating closely to the reduction in global GDP growth. Polyester has correlated with demand growth of ethylene glycol which grew at an average rate of four to five per cent. over 2010 to 2014 although that rate has slowed recently. Asia has been generating approximately one million metric tons of new ethylene glycol demand annually since 2012. (Source: *IHS 2016 World Analysis –Ethylene Oxide and Monoethylene Glycol –Report*).

The following graph sets forth the historical production and demand growth rates between 2010 to 2014, and the estimated rate for 2015, based on supply and demand for monoethylene glycol. As per IHS, demand for and production of monoethylene glycol grew at an average annualised growth rate of four per cent. between 2010 to 2014. From 2015 to 2025, IHS projects that production capacity will continue to increase, but demand will increase at a slower pace resulting in a decline in operating rates (the percentage of a company's total production capacity that is being used) over the period:

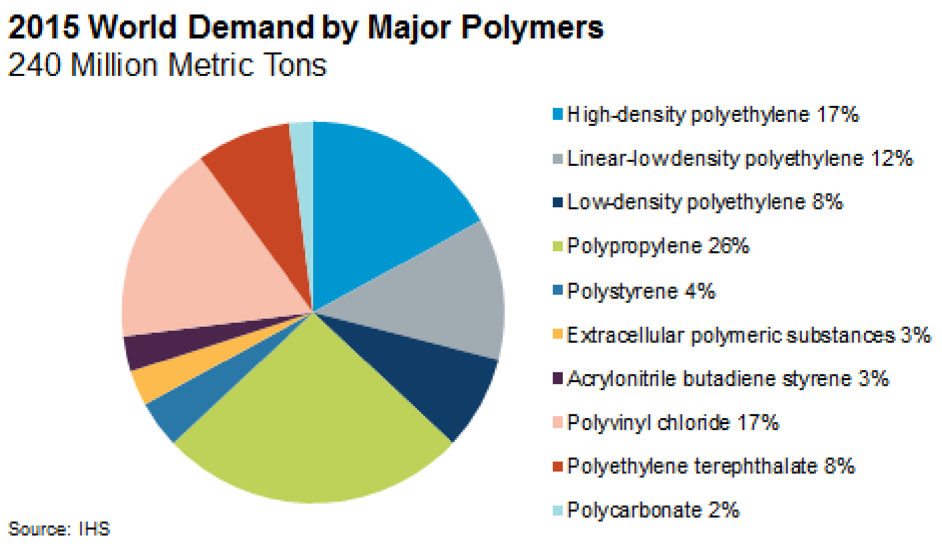


Polyethylene Market Overview

Description

Polyethylene, which includes low density polyethylene, high density polyethylene and linear low density polyethylene polyolefins is the single largest category of thermoplastics in the world, representing 38 per cent. of the 232MMT global thermoplastic market in 2015 (Source: *IHS 2016 World Analysis – Polyethylene –Report*). It is relatively low cost, and is capable of being moulded, extruded and cast into many various shapes. It is a versatile polymer used in a wide range of moulding and extruding applications such as retail and consumer goods, household and food containers, industrial and chemical containers, toys, food and non-food packaging film and sheet, as well as industrial and agricultural applications.

The following graph presents world consumption of polyethylene by polymer type for 2015:



Competitive Landscape

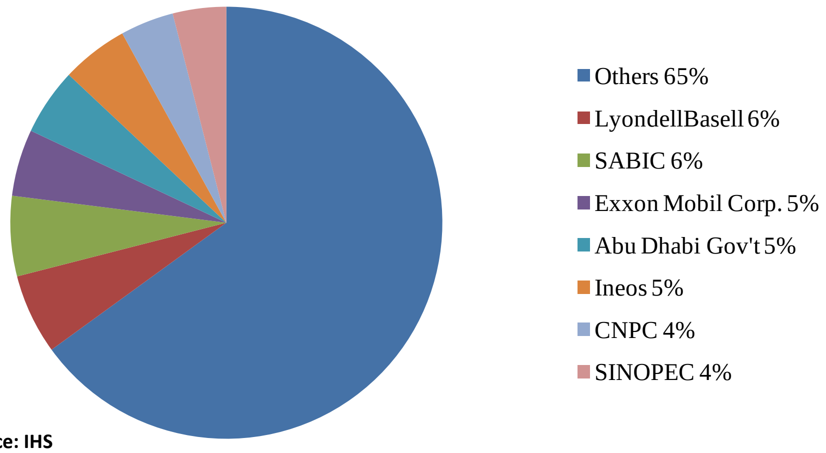
The global polyethylene market is changing dramatically in response to the advancing industrialisation of the emerging markets, shifts in the global energy landscape, introduction and application of new, or in some cases older, technology, improvements in global communications and trade liberalisation. Investments are increasingly concentrated in feedstock cost-advantaged or high demand growth areas such as the Middle East, North America and the Asia Pacific region, particularly China. In North America, low cost feedstock from shale gas is revitalizing the polyethylene business, making polyethylene exports highly competitive globally and leading to significant investments in the region in the second half of the decade. The Middle East continues to add capacity and extend its position as the world's largest net exporter of polyethylene, although the pace has slowed compared to the past few years (Source: *IHS 2016 World Analysis –Polyethylene –Report*).

The cost to produce commodity polyethylene is significantly influenced by the cost of ethylene, which contributes to 80 per cent. to 90 per cent. of the cost of manufacturing polyethylene.

High-Density Polyethylene:

High-density polyethylene represents the largest portion of polyethylene capacity, with more than 100 active producers. The chart below presents the top producers grouped by shareholder of high-density polyethylene by capacity for 2015 (the Group accounted for 0.96 per cent. of global capacity during this period).

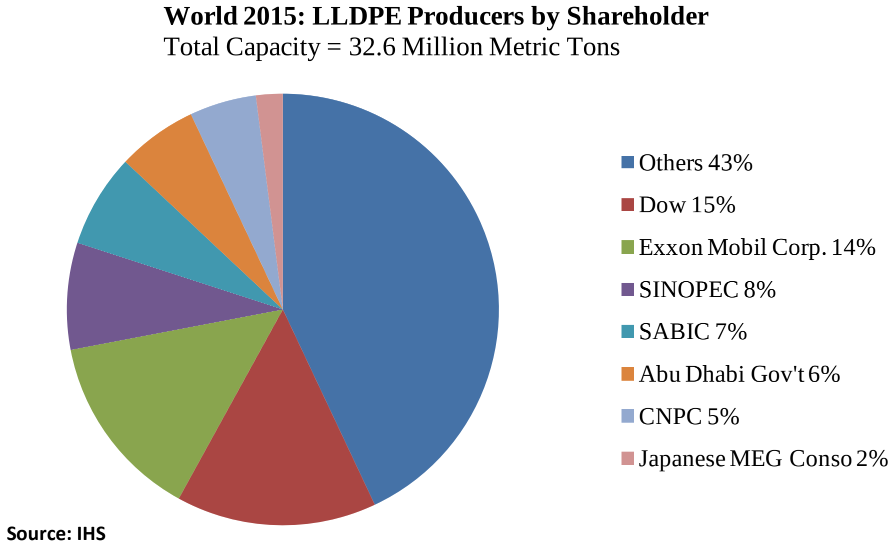
World 2015: HDPE Producers by Shareholder
Total Capacity = 46.8 Million Metric Tons



Source: IHS

Linear-Low Density Polyethylene:

Linear-low density polyethylene, the resin type introduced in the market and technically considered an advanced version of low-density polyethylene, has grown to represent the second largest portion of polyethylene capacity. The chart below presents the top producers grouped by shareholder of linear-low density polyethylene by capacity for 2015 (the Group accounted for 1.41 per cent. of global capacity during this period).

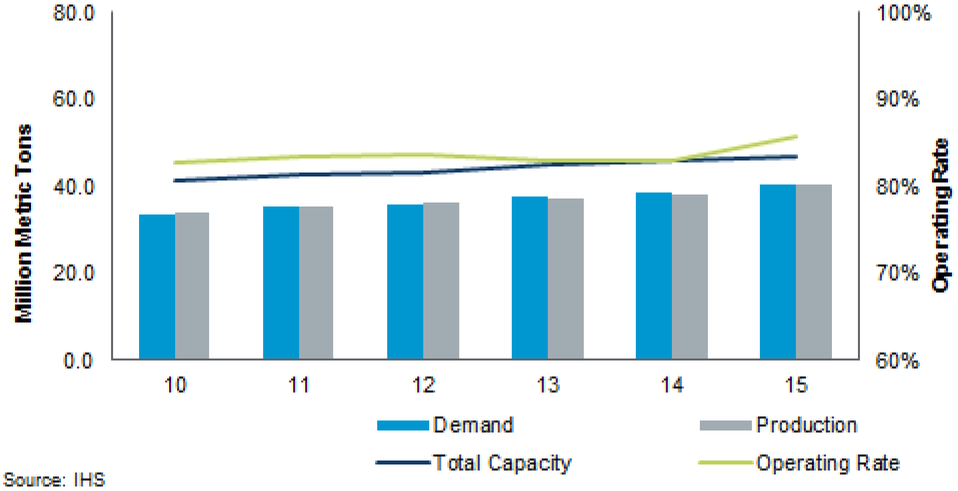


Demand by End Markets and Regions

Polyethylene will continue to be used in applications and solutions where it can deliver a cost advantage and/or performance enhancement as well as convenience and safety benefits. Conventional polyethylene polymers continue to have opportunities to replace traditional materials in numerous applications. The growth of polyethylene demand has been fuelled by its use as a preferred material in end-use applications within market segments such as consumer and retail goods, food and beverage packaging, non-food and industrial packaging, household and chemical containers, construction and agricultural films, and healthcare and hygiene applications. Film and sheet, representing over 50 per cent. of global polyethylene consumption, is by far the largest segment. Film includes multiple applications, ranging from food packaging, liners to refuse bags, stretch film, cast films and shrink films. Blow moulding and injection moulding, combined, consume just over 25 per cent. with their individual shares almost equally divided between themselves. High-density polyethylene blow-moulded bottles used for milk, juice, motor oil, and laundry detergent are the largest single end-use within blow moulding. Various applications, which themselves differ greatly in size, use injection moulding applications. Pipes and profiles (which refer to pressure and non-pressure pipes, including sewage systems and conduits) are the only other major demand segment accounting for seven per cent. of global polyethylene consumption. (Source: *IHS 2016 World Analysis –Polyethylene –Report*).

The following graph sets forth the historical production and demand growth rates between 2010 to 2014, and the estimated rate for 2015, based on supply and demand for high-density polyethylene. According to IHS, demand for high-density polyethylene grew at an average annualised growth rate of 3.7 per cent. between 2010 to 2014 whereas production of high-density polyethylene grew at a corresponding rate of 3.4 per cent. over the same period. When production capacity for high-density polyethylene continues to grow, the operating rates are expected to decline until the growth in demand can absorb the additional supply:

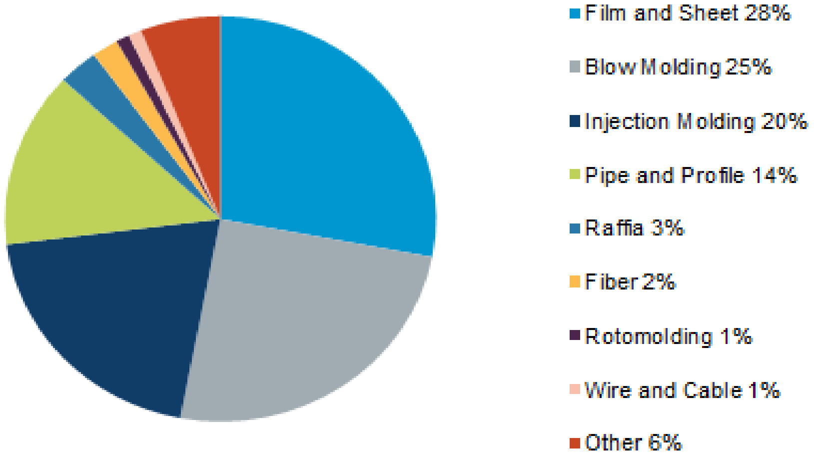
World: HDPE Supply & Demand



Source: IHS

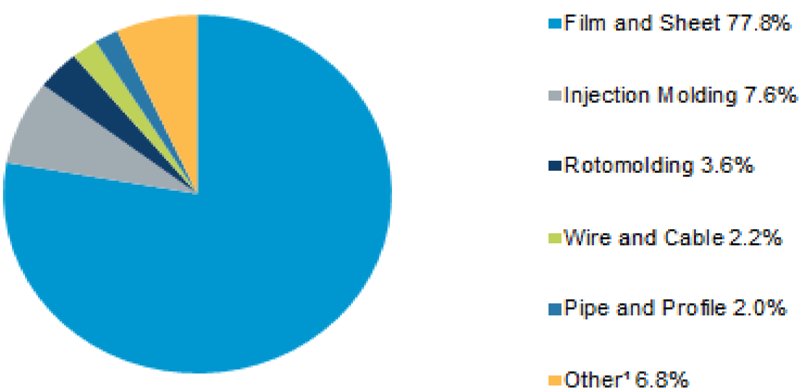
The following chart shows the development of world high-density polyethylene and linear-low density polyethylene consumption by end market for 2014:

World Consumption of HDPE by End Use – 2014



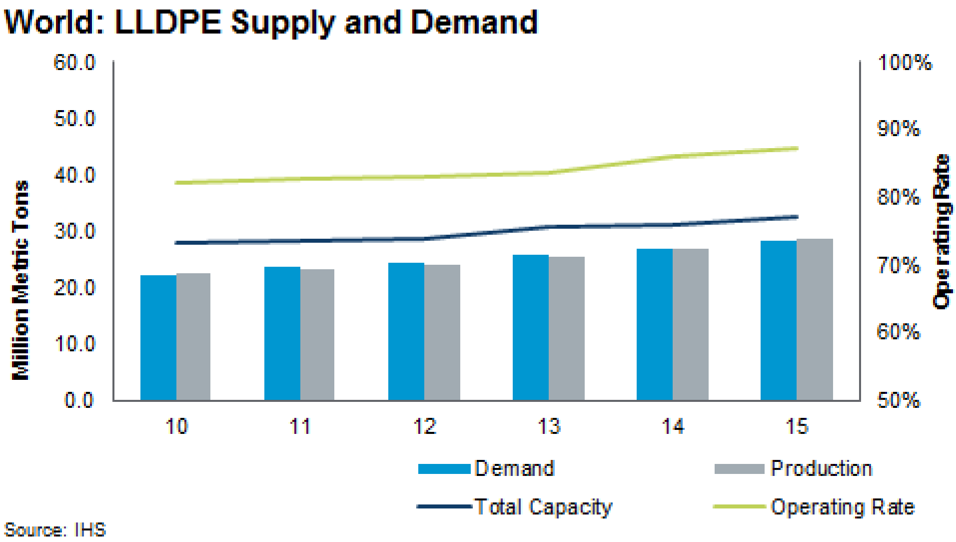
Source: IHS

World Consumption of LLDPE – 2014



Note:
1. Includes extrusion coating, blow molding, rafta and other uses
Source: IHS

The following graph sets forth the historical production and demand growth rates between 2010 to 2014, and the estimated rate for 2015, based on supply and demand for linear-low density polyethylene. As per IHS, demand for linear-low density polyethylene grew at an average annualised growth rate of 5.0 per cent. between 2010 to 2014 whereas production of linear-low density polyethylene grew at a corresponding rate of 4.7 per cent. over the same period. When production capacity for linear-low density polyethylene continues to grow, the operating rates are expected to decline until the growth in demand can absorb the additional supply:



Polyethylene Terephthalate Market Overview

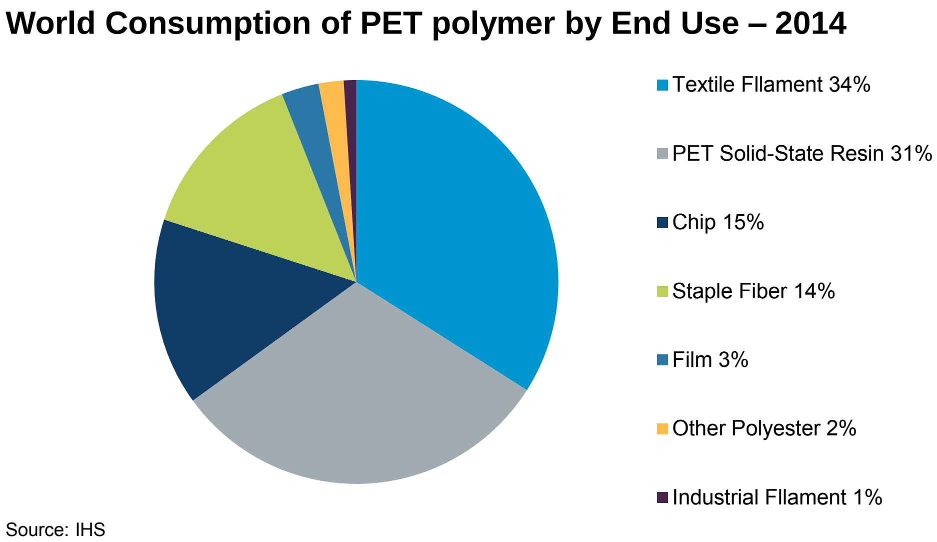
Description

Polyethylene terephthalate (commonly referred to as polyester), which is made from the polymerisation of monoethylene glycol and purified terephthalic acid, is the common chemical name for the polymer which is processed to make polyester fibre, polyethylene terephthalate packaging resin, and oriented polyethylene terephthalate films. The total of the various forms of polyester fibres (including staple, textile filament and industrial filament) accounts for approximately 65 per cent. of the global market, polyethylene terephthalate packaging resins for 30 per cent., and the remainder consisting of oriented polyethylene terephthalate films and other end uses.

Demand by End Markets and Regions

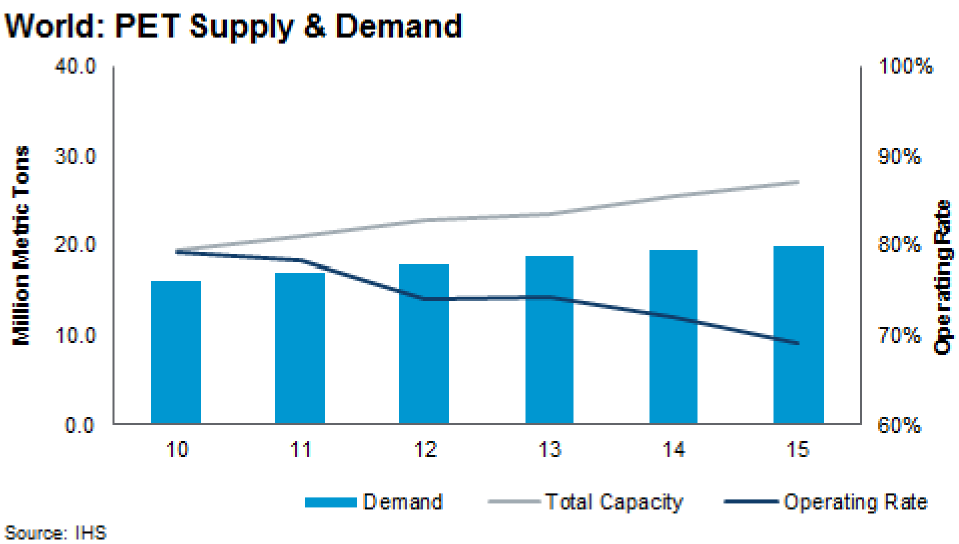
Population growth and increasing per capita consumption by the growing middle class in developing countries drives global fibre demand growth. Polyester fibre now commands nearly a 50 per cent. share of the market and is the largest fibre type by volume. Its ample availability, advantaged cost position, and performance characteristics relative to competing materials has positioned polyester fibre to take the largest share of demand growth for all natural and synthetic fibres. (*Source: IHS 2016 World Analysis – Polyester –Report*).

The following graph sets forth the world consumption of polyethylene terephthalate polymer by end use for 2014:



Polyethylene terephthalate capacity expansions continue to outpace demand growth in almost every year since 2010 except in 2013 when both matched as a few planned capacity expansions were delayed. Between 2014 and 2015, these expansions came on stream, adding almost three times more capacity than demand growth during these years. Operating rates have dipped below 70 per cent. levels in 2015 and are at historical lows. The world now has over 7.5 million metric tons of surplus capacity, as against a 3 million metric ton surplus in 2010. (*Source: IHS 2016 World Analysis –Polyester –Report*).

The following graph sets forth the historical total capacity and demand growth rates between 2010 to 2014, and the estimated rate for 2015, based on supply and demand for polyethylene terephthalate. As per IHS, demand for polyethylene terephthalate grew at an average annualised growth rate of 4.2 per cent. between 2010 to 2014 whereas total capacity of polyethylene terephthalate grew at a corresponding rate of 6.8 per cent. over the same period. When production capacity for polyethylene terephthalate continues to grow, the operating rates are expected to decline until the growth in demand can absorb the additional supply:



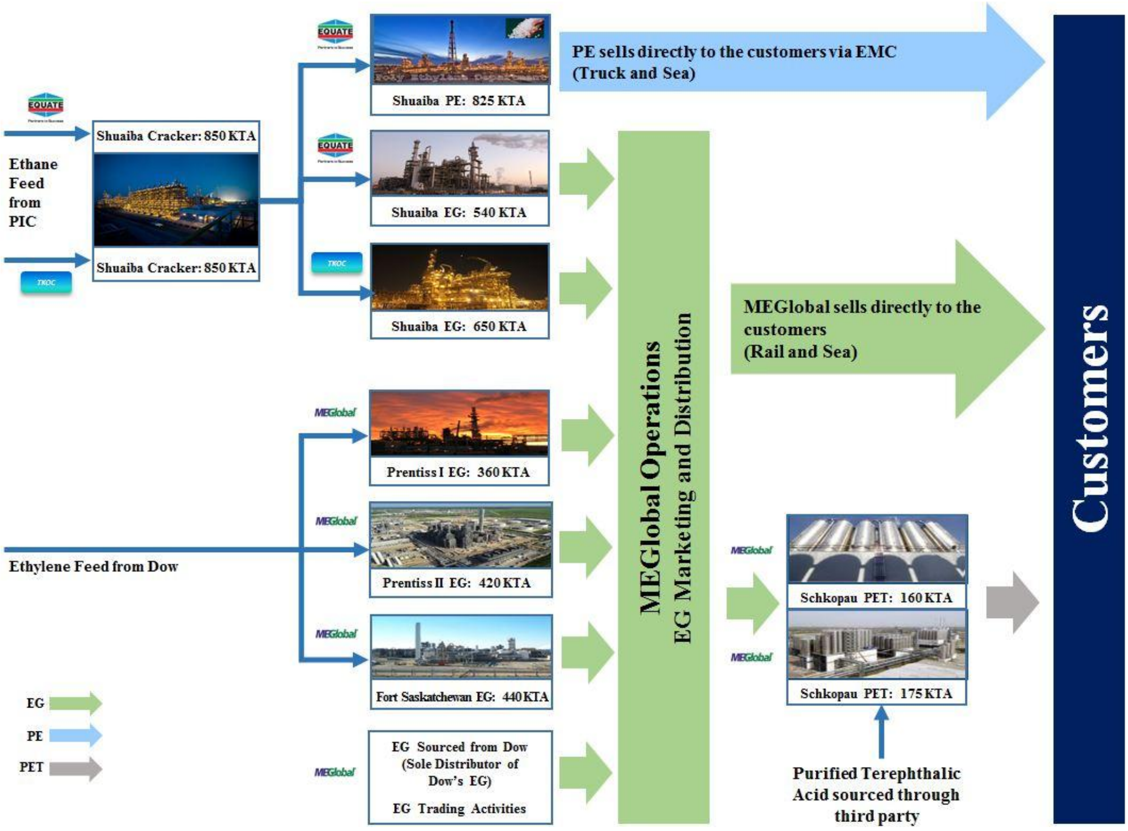
BUSINESS

Group Overview

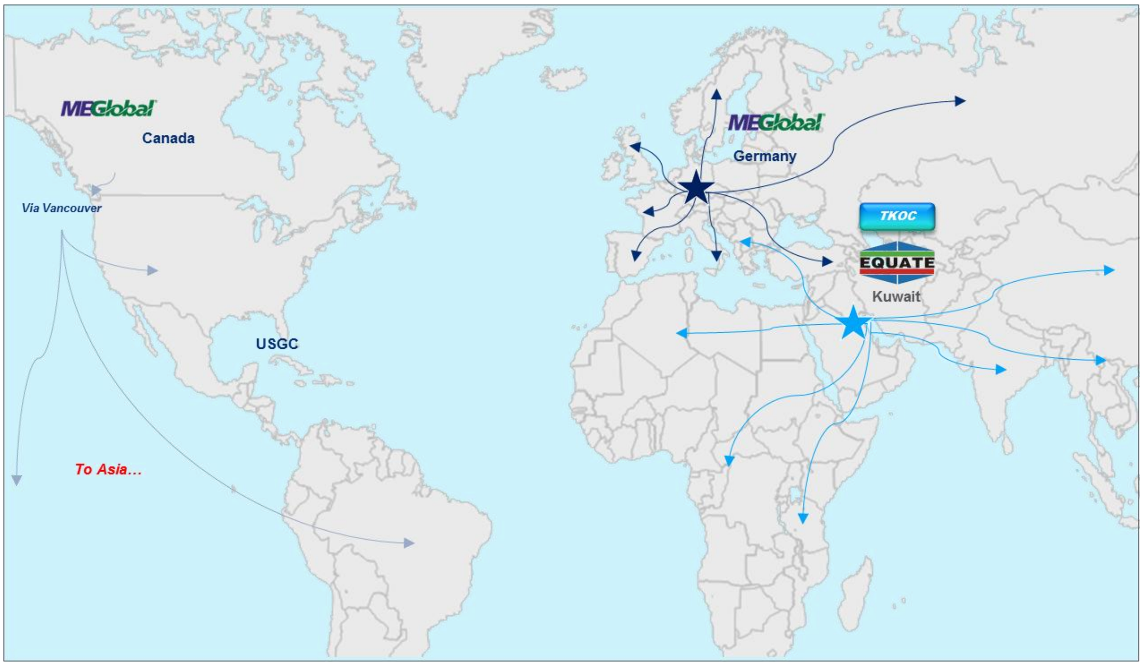
The Group is the largest producer of petrochemical products in Kuwait and one of the leading producers of petrochemical products in the Middle East by sales and production volume, according to market reports. The Group produces, distributes and markets ethylene glycol, polyethylene and their co-products globally, including to Asia, North and South America, the Middle East, Turkey, India, Pakistan and Europe, and produces, distributes and markets polyethylene terephthalate in Europe. As of and for the year ended 31 December 2015, the Group was the world's second largest producer of ethylene glycol by capacity according to PCI and the world's second largest distributor of ethylene glycol by sales volume according to the Group's internal calculations which are based on data published by PCI. See "*Presentation of Financial and Other Information—Historical and Current Market and Industry Data*".

The Group's business has vertically integrated chemical facilities and production technologies. The Group operates five manufacturing sites in three countries. As of 30 June 2016, the Group's total production capacity was approximately 3,570KTA of which 56 per cent. was in Kuwait, 34 per cent. was in Canada and 10 per cent. was in Germany.

The manufacturing process and product flow of the Group's integrated facilities are set out below:



The following map sets forth the geographical locations of the Group's production facilities and the Group's product distribution footprint around the globe:



The Group principally operates through three business lines: Ethylene Glycol, Polyethylene and Polyethylene Terephthalate. Each of EQUATE, TKOC and MEGlobal Canada manufactures ethylene glycol: EQUATE has an ethylene glycol plant in the Shuaiba Industrial Area in Kuwait with a production capacity of 540KTA; TKOC has an ethylene glycol plant in the Shuaiba Industrial Area in Kuwait with a production capacity of 650KTA; and MEGlobal Canada has three ethylene glycol plants in Prentiss and Fort Saskatchewan in Alberta, Canada with a combined production capacity of 1,220KTA. EQUATE also produces polyethylene and has a polyethylene plant in the Shuaiba Industrial Area in Kuwait with a production capacity of 825KTA. Equipolymers GmbH, a wholly-owned subsidiary of MEGlobal B.V., produces polyethylene terephthalate and has two polyethylene terephthalate plants in Schkopau, Germany with a combined production capacity of 335KTA.

The Group's Ethylene Glycol and Polyethylene business lines use ethane-based ethylene as feedstock. The Group's production facilities in Kuwait source ethane-rich gas from PIC. The ethane-rich gas is processed into ethylene by two ethane crackers each of which are owned by EQUATE and TKOC. These ethane crackers, which have production capacities of 850KTA each, are integrated into the Group's polyethylene and ethylene glycol production facilities in the Shuaiba Industrial Area in Kuwait. The Group's ethylene glycol production facilities in Canada source ethylene from Dow's ethane cracker in Fort Saskatchewan, and this ethylene is transported to MEGlobal Canada's Prentiss and Fort Saskatchewan production facilities by pipeline.

The Group benefits from low-cost, high-quality feedstock through long-term supply agreements with its principal shareholders, Dow and PIC, and based on its internal research and market reports, the Group believes that its feedstock costs are highly competitive. See further "*—Competitive Strengths—Low cost feedstock under long-term feedstock supply agreements*". In addition, the Group's operations in Kuwait are strategically located near the Shuaiba Industrial Area port and benefit from the competitive rates of power in the Middle East which to date have generally been significantly lower than the cost of utilities in other regions of the world.

Moreover, the Group has a global ethylene glycol distribution platform with regional business centres around the world that support the sales and marketing function of its Ethylene Glycol business line, including in Hong Kong, Shanghai, Dubai, Horgen and Houston. The Group's feedstock contracts, integrated facilities and distribution operations position it as a low-cost producer that is able to capture attractive margins across the value chain, with the benefit of certainty of feedstock supply and access to a global distribution platform.

The Group's products are used primarily by other industries as raw materials to produce or manufacture products used in end markets. A significant proportion of the Group's products sales are used in consumer-driven end markets including textiles and food and beverage packaging. The Group believes that these industries are less susceptible than other sectors to economic recessions. See "*—Ethylene Glycol business line—Sales, Marketing and Customers*", "*—Polyethylene business line—Sales, Marketing and Customers*" and "*—Polyethylene Terephthalate business line—Sales, Marketing and Customers*"

The following chart presents the sales generated by each of the Group's business lines for the six-month period ended 30 June 2016:

Group sales	**For the six-month period ended 30 June 2016**
	(U.S.$ million)
Ethylene Glycol	1,077
Polyethylene	389
Polyethylene Terephthalate	160
Total[1]	**1,626**

This total does not include the limited sales that EQUATE generates from the sale of ethylene to TKSC and managing and operating the production facilities of, and providing utilities to, TKSC, KARO and PIC, which amounted to U.S.$125 million for the six-month period ended 30 June 2016. See further "*—Business lines*".

The following chart presents the adjusted EBITDA generated by each of the Group's business lines for the six-month period ended 30 June 2016:

Group adjusted EBITDA[1]	**For the six-month period ended 30 June 2016**
	(U.S.$ million)
Ethylene Glycol	336
Polyethylene	155
Polyethylene Terephthalate	3
Total[2]	**494**

(1) See "*Presentation of Financial and Other Information—Use of Alternative Performance Measures*" and "*Selected Financial And Other Information—The Group*".

(2) This total does not include the adjusted EBITDA on limited sales that EQUATE generates from the sale of ethylene to TKSC and managing and operating the production facilities of, and providing utilities to, TKSC, KARO and PIC, which amounted to U.S.$4 million for the six-month period ended 30 June 2016. See further " *—Business lines*".

Ethylene Glycol business line. The Group's Ethylene Glycol business line produces, markets and distributes ethylene glycol. As of and for the year ended 31 December 2015, the Group was the world's second largest producer of ethylene glycol by capacity according to PCI and the world's second largest distributor of ethylene glycol by sales volume according to its internal calculations which are based on data published by PCI. See further "*Presentation of Financial and Other Information—Historical and Current Market and Industry Data*". For the year ended 31 December 2015, the Group produced 2,640KMT of ethylene glycol. Ethylene glycol and its derivatives play a significant role in the chemicals industry as they can serve as versatile intermediates in a wide range of applications due to their chemical properties. Ethylene glycol is used in the production of a wide range of products including polyester fibre, polyethylene terephthalate resins, automotive liquids, including antifreeze, and other chemical products. The primary products manufactured by the Group's Ethylene Glycol business line are monoethylene glycol ("**MEG**") and diethylene glycol ("**DEG**").

For the six-month period ended 30 June 2016, the Group's Ethylene Glycol business line generated U.S.$1,077 million in sales, which represented 63 per cent. of the Group's total sales.

The Group produces ethylene glycol at its manufacturing sites in Kuwait and Canada. The following table sets forth the Group's production volumes by product and the manufacturing facility for the periods indicated.

					Production Volume				
					For the six-month period ended 30 June		For the year ended 31 December		
Producer	Business line	Products[(1)]	Place of Production	Production capacity	2016	2015	2015	2014	2013
EQUATE................	EGs	MEG (92%) DEG (8%)	Shuaiba Industrial Area, Kuwait	540KTA	218KMT	299KMT	586KMT	526KMT	567KMT
TKOC	EGs	MEG (92%) DEG (8%)	Shuaiba Industrial Area, Kuwait	650KTA	368KMT	378KMT	812KMT	815KMT	734KMT
MEGlobal..............	EGs	MEG (91%) DEG (9%)	Prentiss I, Prentiss II, Fort Saskatchewan, Canada	360KTA 420KTA 440KTA	614KMT	622KMT	1,242KMT	1,203KMT	1,166KMT

(1) The product percentage split is an approximation. Higher glycols such as triethylene glycol which is a by-product of ethylene glycol production are omitted from product percentage split. Such by-products account for approximately one to two per cent. of total ethylene glycol production volume.

In addition, the Group's Ethylene Glycol business line also markets and distributes ethylene glycol and is the world's second largest distributor of ethylene glycol by sales volume for the year ended 31 December 2015 according to the Group's internal calculations which are based on data published by PCI. See "*Presentation of Financial and Other Information—Historical and Current Market and Industry Data*". The Group's global ethylene glycol distribution platform has business centres around the world that support the sales and marketing function of its Ethylene Glycol business line, including in Hong Kong, Shanghai, Dubai, Horgen and Houston. As a global ethylene glycol market leader that participates in all regions, the Group has the ability to adjust regional ethylene glycol supply and demand imbalances by adjusting ethylene glycol volume supplied to a particular region.

Polyethylene business line. The Group's Polyethylene business line produces polyethylene at its manufacturing facility in Kuwait. For the year ended 31 December 2015, the Group produced 744KMT of polyethylene. Polyethylene, including low-density polyethylene, linear low-density polyethylene and high-density polyethylene polyolefins, is the single largest category of the world's thermoplastics, representing 38 per cent. of the 232MMT global thermoplastic market in 2015 according to IHS. It is a relatively low cost and versatile polymer used in a wide range of moulded and extruded applications such as household and food containers, toys, food and non-food packaging film and sheet. The primary products manufactured by the Group's Polyethylene business line are high-density ("**HDPE**") and linear low-density ("**LLDPE**") grades of polyethylene.

For the six-month period ended 30 June 2016, the Group's Polyethylene business line generated U.S.$389 million in sales and represented 23 per cent. of the Group's total sales.

The following table sets forth the Group's productions volumes and the manufacturing facility for the periods indicated.

					Production Volume				
					For the six-month period ended 30 June		For the year ended 31 December		
Producer	Business line	Products[(1)]	Place of Production	Production capacity	2016	2015	2015	2014	2013
EQUATE................	PE	HDPE (62%) LLDPE (38%)	Shuaiba Industrial Area, Kuwait	825KTA	379KMT	372KMT	744KMT	638KMT	775KMT

(1) The product percentage split can vary from year to year based on production mix.

Polyethylene Terephthalate business line. The Group's Polyethylene Terephthalate business line produces polyethylene terephthalate and also distributes and markets polyethylene terephthalate in Europe. For the year ended 31 December 2015, the Group produced 317KMT of polyethylene terephthalate. Polyethylene terephthalate is produced by combining modified ethylene glycol and purified terephthalic acid. It is a widely recycled plastic and comprises a high proportion of post-consumer wastes. Polyethylene terephthalate is used in the production of beverage, food and other liquid containers, and also in the production of extruded films and sheets and thermoforming applications.

For the six-month period ended 30 June 2016, the Group's Polyethylene Terephthalate business line generated U.S.$160 million in sales, which represented 9 per cent. of the Group's total sales.

The Group produces polyethylene terephthalate at its manufacturing site in Germany. The following table sets forth the Group's polyethylene terephthalate production volumes for its two polyethylene terephthalate plants located at a single production facility in Germany for the periods indicated.

				Production Volume				
				For the six-month period ended 30 June		For the year ended 31 December		
Producer	Business line	Place of Production	Production capacity	2016	2015	2015	2014	2013
Equipolymers (a subsidiary of MEGlobal B.V.)	PET	Schkopau, Germany	335KTA	170KMT	167KMT	317KMT	308KMT	307KMT

In addition, the Group's Polyethylene Terephthalate business line also markets and distributes polyethylene terephthalate produced by its operations in Germany, primarily to Europe.

The Group's History

1995: EQUATE was established in 1995 as a closed joint stock company organised under the laws of Kuwait to promote the petrochemicals sector in Kuwait. It represents Kuwait's first international petrochemicals joint venture. As of the date of this Base Prospectus, the state-owned PIC owns 42.5 per cent., Dow owns 42.5 per cent., Boubyan Petrochemical Company K.S.C. owns 9 per cent. and Al-Qurain Petrochemicals Industries Company K.S.C. owns 6 per cent., of the issued share capital of EQUATE. See further "*Description of EQUATE—Principal Shareholders*".

1997: EQUATE commenced operations in 1997 as the first manufacturer of ethylene, polyethylene and ethylene glycol in Kuwait. The sale of petrochemicals products by EQUATE accounts for a major part of Kuwait's export value from non-oil sources. Initially, EQUATE's facilities comprised of one ethane cracker with a design capability of 787.5 KTA, one polyethylene facility with a design capability of 450 KTA and one ethylene glycol plant with a design capability of 400 KTA of monoethylene glycol.

2004: TKOC was established in 2004 as a closed joint stock company organised under the laws of Kuwait to implement the "Olefins II" project as part of the "Greater EQUATE" expansion project. TKOC is another joint venture between PIC and Dow and as of the date of this Base Prospectus, the shareholders (and their respective shareholding) of TKOC are identical to that of EQUATE. See further "*Description of TKOC—Principal Shareholders*". The Olefins II project was an addition to EQUATE's olefins complex and comprised an ethane cracker with a production capacity of 850KTA and an ethylene glycol plant with a production capacity of 650KTA. The Olefins II complex is managed by EQUATE under an operations and management services agreement, pursuant to which EQUATE receives a management fee as operator. Adjacent to the Olefins II complex is a styrene plant owned by TKSC (and managed by EQUATE) which produces 450,000 tons of styrene monomer per year. The two facilities are integrated into a single complex and the production is marketed to the Middle East, Asia and Europe.

2004: MEGlobal B.V. was established as a private limited liability company organised under the laws of the Netherlands and MEGlobal Canada was established as an unlimited liability company organised under the laws of Canada, in each case, in July 2004. The MEGlobal Group represented another joint venture between PIC and Dow in which each of PIC and Dow (through their subsidiaries) owned a 50 per cent. equity stake in each of MEGlobal B.V. and MEGlobal Canada respectively at the time of their establishment. With production facilities in Canada which were previously owned and operated by Dow prior to the establishment of this joint venture, the MEGlobal Group is principally involved in the manufacturing, supply and marketing of ethylene glycol.

2008: The multi-billion dollar "Greater EQUATE" expansion project which increased Kuwait's polyethylene and ethylene glycol production capacities by 225KTA and 650KTA respectively was completed and became operative in 2008. The Greater EQUATE project comprises EQUATE, TKOC and:

- Kuwait Paraxylene Production Company ("**KPPC**"), which is majority-owned by the Kuwait government and represents Kuwait's sole venture into aromatics. It has a production capacity of 830KTA of paraxylene for export and also supplies benzene to TKSC (as defined below), in which it is a shareholder; and

- The Kuwait Styrene Company ("**TKSC**"), a public-private partnership between Dow and KARO. It has a production capacity of 450KTA of styrene monomer, an ethylene derivative.

TKOC, KPPC and TKSC are located in an integrated petrochemical complex which is adjacent to EQUATE's existing complex in the Shuaiba Industrial Area. TKOC's, KPPC's and TKSC's production facilities are managed by EQUATE, for which EQUATE receives a management fee in return.

2009: TKOC's Olefins II complex started production. EQUATE successfully completed the expansion of its polyethylene production capacity from 600KTA to 825KTA.

2011: Equipolymers GmbH (which was a wholly-owned subsidiary of Equipolymers B.V.) was merged with MEGlobal B.V. as part of the Equipolymers and MEGlobal merger.

2015: In December 2015, MEGlobal Canada and MEGlobal B.V. were acquired by the EQUATE Group for consideration of U.S.$2.997 billion (net of U.S.$202.5 million, the amount of a loan from MEGlobal B.V. that the EQUATE Group repaid). A diagram of the Group's corporate structure as of the date of this Base Prospectus and which reflects the acquisition of the MEGlobal Group by the EQUATE Group is set forth in "*—The Group's Corporate Structure*".

2016: EQUATE's polyethylene production facility underwent a de-bottlenecking process which was completed in August 2016. This has resulted in an additional 175KTA to its polyethylene production capacity. Furthermore, a ground-breaking ceremony for the U.S. Gulf Coast Project took place on 8 August 2016. See further "*—Ethylene Glycol business line—Facilities—U.S. Gulf Coast Project*".

Competitive Strengths

The Group believes that the factors set forth below provide it with a competitive advantage in the markets in which it competes:

Low-cost feedstock under long-term feedstock supply agreements. The Group uses ethane-based ethylene as feedstock for the production processes in its manufacturing sites in Kuwait and in Canada which accounts for approximately 90 per cent. of the Group's production capacity. Feedstock is the most significant direct cost associated with the production of ethylene glycol and polyethylene. As a result of the following factors and according to the Group's internal research and market reports, the Group has long-term secure access to feedstock at a cost which it believes is highly competitive (based on internal analysis and market reports).

Low-cost long-term feedstock supply agreements. The Group has access to competitively priced feedstock under long-term supply contracts with its principal shareholders, Dow and PIC. In Kuwait, the Group's production facilities receive first priority to ethane rich gas supplied by PIC from Kuwait National Petroleum Company's associated gas processing plants within the Mina Al-Ahmadi refinery, which is located adjacent to the Group's production facilities in the Shuaiba Industrial Area, under feedstock supply agreements with PIC for an indefinite term. In Canada, the Group's production facilities source 95 per cent. of its ethylene requirements from Dow's Fort Saskatchewan (Alberta) ethane cracker under a long-term supply contract with Dow which expires on 30 June 2024 with two five-year extensions exercisable at the Group's sole option (see "*Related Party Transactions—Feedstock Supply Agreements*").

Efficiency of ethane-based crackers. Ethylene is typically produced from crackers that use ethane, propane, butane or light naphtha as feedstock. The Group's cracker portfolio are all ethane-based. Ethane-based crackers are much less capital intensive compared to crackers which use products other than ethane as feedstock, and one of the advantages of ethane-based crackers is that they produce fewer by-products. The feedstock conversion to ethylene of an ethane-based cracker is approximately 20 per cent. to 30 per cent. higher than that of light naphtha because ethane-based crackers produce very few by-products.

Comparative advantage of ethane-based ethylene as feedstock. Even at the current low levels of crude oil price, producers who use ethane-based ethylene as feedstock will continue to maintain a significant cost advantage compared to naphtha-based crackers. In particular, the price of ethane-based ethylene from the Middle East is among the lowest in the world.

Fully integrated global platform for the production and distribution of petrochemicals. The Group has five manufacturing sites on three continents (with production facilities in Kuwait, Canada and Germany) with a total production capacity of approximately 3,570KTA as of 30 June 2016. Each of these sites is integrated with a major cracker which is either owned by the Group or by a third party. The Group is the largest petrochemicals producer in Kuwait. The Group's sites are located near raw materials, refineries, associated pipeline and (in the case of Kuwait) port infrastructure. As of 31 December 2015, the Group was the second largest producer of ethylene glycol by capacity in the world according to PCI.

Favourable economics across the value-chain. Based on the Group's internal research and market reports, the Group believes that its cost of production is highly competitive as a result of the following factors:

Strategic locations. The Group's ethane crackers and downstream petrochemical production units in Kuwait are located adjacent to the Kuwait National Petroleum Company's associated gas processing plant, while the feedstock for the Group's Canadian petrochemical production units are supplied by pipelines connecting the Group's petrochemical production units in Canada with Dow's Fort Saskatchewan (Alberta) ethane cracker. This allows the Group to reduce its raw material transportation cost. In addition, the Group's production units in Kuwait are strategically located near the Shuaiba Industrial Area port which reduces the Group's logistical cost associated with the export of its products.

Low-cost utilities. The Group's manufacturing facilities in Kuwait, which account for more than half of the Group's production, benefit from the competitive rates of utilities in the Middle East which to date have been generally lower than the cost of utilities in other regions of the world, thereby reducing the cost of production in the Group's Kuwaiti operations.

Global ethylene glycol market maker. As a result of the acquisition of MEGlobal Group, the Group is the world's second largest distributor of ethylene glycol by sales volume for the year ended 31 December 2015 according to its internal calculations which are based on data published by PCI. See "*Presentation of Financial and Other Information—Historical and Current Market and Industry Data*". By serving as a global ethylene glycol market maker, the Group can react quickly to market changes and adjust regional supply by redirecting its products from one region to another in order to achieve the highest net sales price (after adjusting for third party transport costs).

Strong adjusted EBITDA margin despite challenging market conditions. The prices of polyethylene and ethylene glycol tend to be correlated with crude oil prices in the long-term and recent declines in the prices of polyethylene and ethylene glycol have reflected declines in the price of oil. Market trends indicate that over the period starting from the fourth quarter of 2014 until the end of the first half of 2016, the price of Brent crude oil declined by nearly 50 per cent., and ethylene glycol prices declined by approximately 30 per cent. over the same period. Despite the price of the OPEC reference basket reaching a low of U.S.$26.01 in January 2016, the Group nonetheless posted a combined adjusted EBITDA of U.S.$521 million or a combined adjusted EBITDA margin of 31 per cent. for the six-month period ended 30 June 2016, primarily supported by the Group's competitive advantage in respect of its access to low-cost feedstock and its marketing strategy. Notwithstanding these downward price trends over the last three years and in 2016, the Group has maintained solid financial performance.

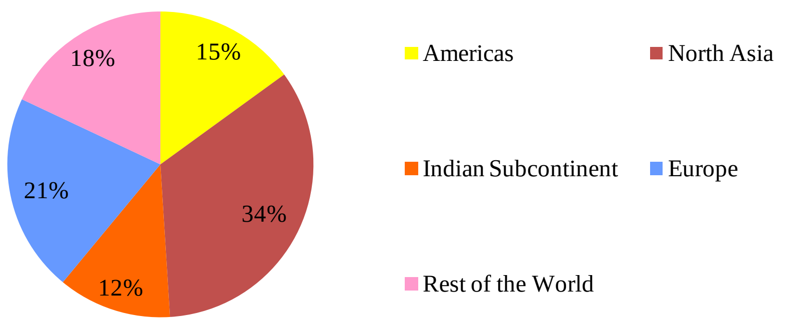
High barriers to entry. The petrochemicals industry is in general characterised by high-barriers to entry, and this is particularly so for ethylene glycol. The construction of new ethylene glycol plants requires a substantial level of capital investment and there is a shortage of engineering firms with the capacity to build new plants. In addition, there are only three major technology providers for ethylene glycol production globally giving rise to technological barriers to production know-how. Moreover, operators in the petrochemical industry face significant regulatory compliance costs associated with manufacturing processes which deal with chemical waste and emissions.

Additional growth potential as a result of the U.S. Gulf Coast project. The Group is experienced in the construction of new petrochemical facilities and was involved in the building and construction of the five production facilities that it has across three countries. The Group's new project involves the construction of a world-scale 750KTA ethylene glycol plant in the U.S. Gulf Coast which is expected to become operational in 2019. See further "*—Ethylene Glycol business line—Facilities—U.S. Gulf Coast Project*". This new plant in the U.S. Gulf Coast will benefit from competitively priced ethylene supply from Dow's new ethane cracker (see "*—Ethylene Glycol business line—Facilities—U.S. Gulf Coast Project*") and is expected to add 750KTA of gross production capacity to the Group's ethylene glycol portfolio. The Group believes that this new facility will be one of only a handful of similar new competitively priced ethylene glycol plants expected in the coming years.

Strategic importance to shareholders. The Group enjoys a high level of support from its major shareholders Dow and PIC, who are themselves important players in the global petrochemical industry. The Group is a joint venture between Dow, one of the largest chemical companies in the world by revenue and PIC, an indirect subsidiary owned by the government of Kuwait (the "**Government**"). Each of Dow and PIC owns a 42.5 per cent. equity stake in EQUATE and TKOC. EQUATE and TKOC are important contributors to Kuwait's economy. 95 per cent. of Kuwait's export revenue is derived directly or indirectly from the oil, gas and petrochemical sector, and EQUATE contributes over 60 per cent. of Kuwait's non-oil export revenue. As a result, the Group believes that the Group's operations in Kuwait will have the continued support of the Government including by way of provision of a dedicated berth for shipping at the Shuaiba Industrial Area port and competitively priced feedstock. Dow in turn offers the Group global management expertise, access to Dow's production technology and know-how, as well as supply of competitively priced feedstock to the Group's Canadian operations (and its proposed U.S. Gulf Coast operations).

Diversified geographic end-markets. The Group's petrochemical products are sold to customers in diverse geographic locations. The following diagram sets forth the Group's third party sales by region for the six-month period ended 30 June 2016.

Six-month Period Ended 30 June 2016



The Group believes such market diversity reduces the Group's reliance on a particular economy or region.

Experienced management team. The Group's senior management team and members of its board of directors are appointed by Dow and PIC. The Group's management team has extensive experience in the chemical industry, including in leading companies such as Dow and PIC.

Business Strategy

Maintain market leading position in ethylene glycol. As a global ethylene glycol market leader that participates in all regions, the Group has the ability to react quickly to market changes and adjust regional supply by redirecting its products from one region to another in order to achieve the highest net sales price (after adjusting for third party transport costs). The Group intends to maintain its market-leading position by providing excellent customer service through reliability of supply through its multi-sourcing platform and efficient logistics operations. In addition, the Group adopts an "over-commitment" strategy whereby it commits to sell approximately 13 per cent. over its annual production volume. This helps support the Group's market leading position and secures demand for the additional ethylene glycol production capacity that it will have upon completion of its proposed U.S. Gulf Coast project, see "—*Ethylene Glycol business line—Facilities—U.S. Gulf Coast Project*".

Maintain direct marketing channels. The Group has its own marketing channels and distribution platforms which enables it to sell products manufactured by its Ethylene Glycol business line and Polyethylene Terephthalate business line directly to customers without using third party distributors. The Group intends to maintain such direct sales channels to ensure it captures margin across the value chain. This also enables the Group to develop and maintain long-term relationships with valued customers and allows it to exercise better control over its customer portfolio.

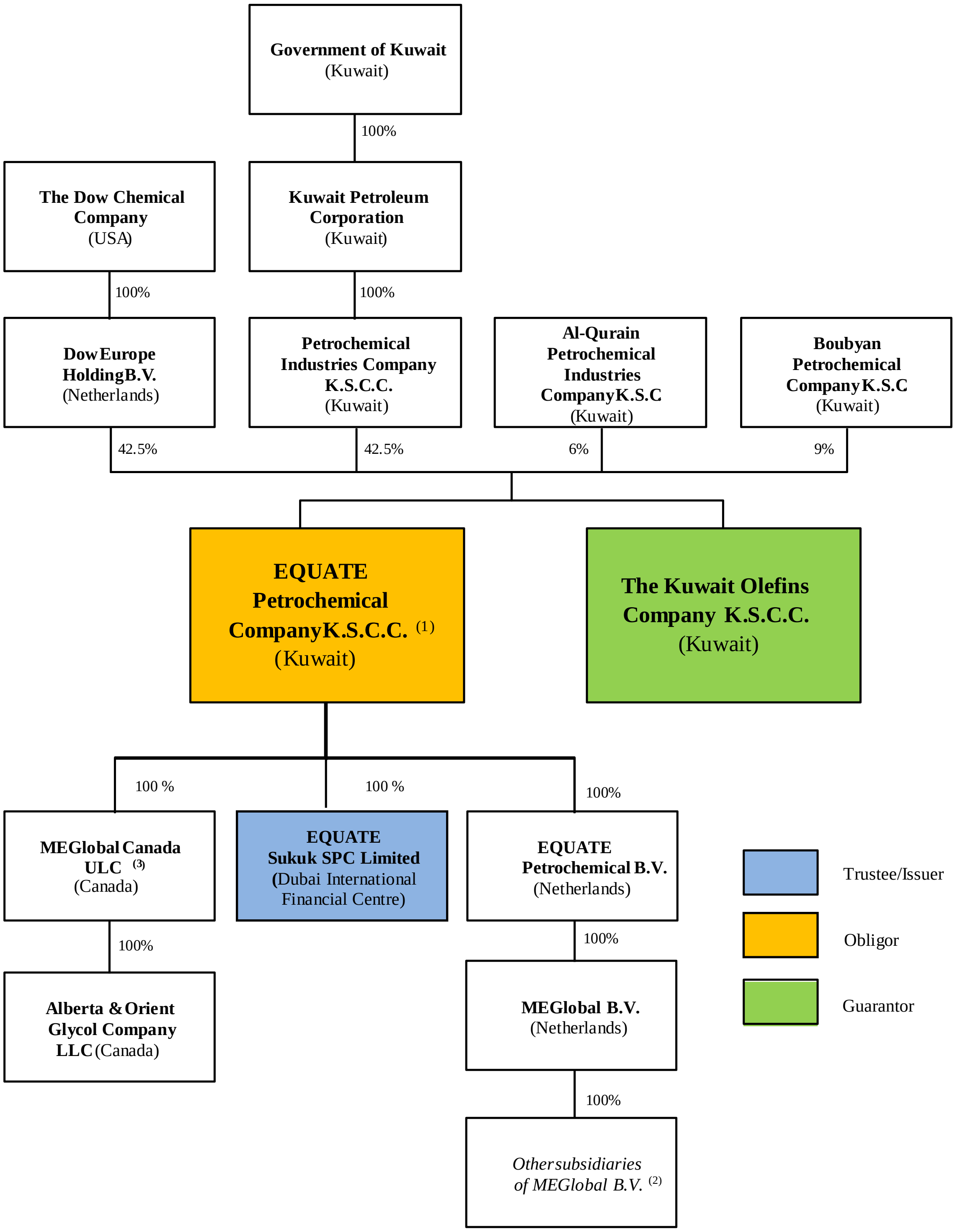
Selective customer portfolio management. The Group actively manages its customer portfolio and selects its customer base by evaluating potential customers against criteria driven by its business strategy, including but not limited to, the value contribution, strategic fit (where relevant), geographical alignment and creditworthiness of potential customers. This helps the Group effectively manage the consistency of its business, maintain its supply position, streamline its receivables as well as concentrate its sales activity on high-value customers.

Maximise utilisation of assets. The Group strives to operate its facilities at full capacity as it believes this allows it to maintain positive margins and cashflows, even during downturns in industry cycles or customer demand, more readily than some of its competitors who have higher production costs. For the year ended 31 December 2015, the Group's production facilities were operating at: a weighted average of 110 per cent. across its ethylene glycol production facilities; 90 per cent. for its polyethylene production facility; and 95 per cent. for its polyethylene terephthalate production facility. The Group seeks to achieve growth in production volume by improving utilisation rates with the defined availability of an asset, improving availability of an asset by minimising planned and unplanned facility downtime and improving capacity of an asset through de-bottlenecking projects. The Group has a strong track record of achieving continuous improvements in production capacity through de-bottlenecking and improving catalyst efficiency.

Continue to attract talented employees and foster a performance driven culture. The Group employs carefully crafted talent and performance management strategies, policies and processes to ensure that the right talent is attracted, engaged, motivated and retained to maximise its performance and contribution to the Group. The Group has long and short-term incentives programmes in place for employees which are designed to motivate individuals and teams to contribute to the Group's strategic objectives.

Maintain world-class environmental, health and safety ("EH&S") excellence. The Group is dedicated to continually improving its EH&S performance. The Group ensures that all employees receive appropriate training, thereby enabling them to effectively contribute to EH&S performance and EH&S improvement processes. It is the Group's policy to design its processes and manufacture and distribute its products in a responsible manner so that its employees, customers, the public and the environment are protected from avoidable risks. The Group's strategy is to continue achieving world-class injury and environmental compliance ratings. For example, in 2015 MEGlobal Canada received the Safety and Health Analysis, Recognition and Exchange (SHARE) Excellence in Safety Award from the Chemical Industry Association of Canada, which recognised excellent safety performance over a continuous period of five years. In 2014, MEGlobal Canada was also awarded the Best Performer (Site) Award by the Industrial Occupational Safety and Health Council for the fourth year in a row, which recognised its excellent safety record at manufacturing facilities in Fort Saskatchewan, Alberta and Prentiss, Alberta. In 2011, EQUATE was also the first company in Kuwait to earn the Responsible Care® 14001 certification.

The Group's Corporate Structure



(1) Certain treasury shares, representing 5.26 per cent. of the shareholding in EQUATE, were repurchased under a previous share buy-back program and are now held by EQUATE.

(2) The other subsidiaries of MEGlobal B.V. are MEGlobal Americas Inc. (incorporated in the United States), MEGlobal Asia Limited (incorporated in Hong Kong), MEGlobal Comercio Do Brasil Ltda (incorporated in Brazil), MEGlobal Europe GmbH (incorporated in Switzerland), MEGlobal Mexico S.A., de C.V. (incorporated in Mexico), MEGlobal Trading Group Ltd (incorporated in China), Equipolymers GmbH (incorporated in Germany), Equipolymers SrL (incorporated in Italy) and MEGlobal International FZE (incorporated in the United Arab Emirates and wholly-owned by MEGlobal Europe GmbH).

(3) As part of the pre-closing steps to the acquisition of the MEGlobal Group, MEGlobal Canada Inc. was renamed as MEGlobal Canada ULC. Several entities were subsequently amalgamated and MEGlobal Canada ULC was chosen to be the surviving entity.

Description of the Group

- Each of EQUATE and TKOC, have the same shareholders and have historically operated under common management and control. See further "*Description of EQUATE*" and "*Description of TKOC*". Each of EQUATE and TKOC have production facilities in the Shuaiba Industrial Area of Kuwait for the manufacturing of ethylene glycol and (in the case of EQUATE only) polyethylene. See further "*Business*".

- MEGlobal Canada (including its subsidiary) was acquired by EQUATE on 23 December 2015. MEGlobal Canada was previously owned by Dow Chemical Canada Inc. and PicCan Holdings Inc. MEGlobal Canada is the holding company of Alberta & Orient Glycol Company LLC which has manufacturing facilities in Canada that specialise in the production of ethylene glycol.

- MEGlobal B.V. (including its subsidiaries) was acquired by EQUATE Petrochemical B.V., which is a wholly-owned subsidiary of EQUATE and a financing vehicle for the Group, on 23 December 2015. MEGlobal B.V. was previously owned by Dow and PIC. MEGlobal B.V. primarily specialises in the sale and distribution of ethylene glycol and polyethylene terephthalate for the Group. It is the holding company of a number of subsidiaries which serve as regional business centres to support the sales and marketing of ethylene glycol and polyethylene terephthalate. It is also the holding company of Equipolymers GmbH which has a production facility in Germany that manufactures and sells polyethylene terephthalate. See further "*Business*".

Business lines

The Group reports its results of operations based on three product-based business lines through which its operations are managed:

- ***Ethylene Glycol business line***. The Group's Ethylene Glycol business line produces, markets and distributes ethylene glycol. The two principal products the Group manufactures in this business line are monoethylene glycol and diethylene glycol. As of and for the year ended 31 December 2015, the Group was the world's second largest producer of ethylene glycol by capacity according to PCI and the world's second largest distributor of ethylene glycol by sales volume with a market share of 8 per cent according to the Group's internal calculations which are based on data published by PCI. See "*Presentation of Financial and Other Information—Historical and Current Market and Industry Data*". For the six-month period ended 30 June 2016, the Group's Ethylene Glycol business line's sales amounted to U.S.$1,077 million, or 63 per cent. of the Group's total sales.

- ***Polyethylene business line***. The Group's Polyethylene business line manufactures two grades of polyethylene: high-density polyethylene and linear low-density polyethylene. For the year ended 31 December 2015, the Group had 0.96 per cent. of the global market share by capacity for high-density polyethylene and 1.41 per cent. of the global market share by capacity for linear low-density polyethylene according to IHS. For the six-month period ended 30 June 2016, the Group's Polyethylene business line's sales amounted to U.S.$389 million, or 23 per cent. of the Group's total sales.

- ***Polyethylene Terephthalate business line***. The Group's Polyethylene Terephthalate business line produces and markets polyethylene terephthalate on a regional basis, primarily to Europe. According to the Group's internal analysis using industry data (see "*Presentation of Financial and Other Information—Historical and Current Market and Industry Data*"), as of 30 June 2016, the Group was the third largest European manufacturer of polyethylene terephthalate, with a market share of 10 per cent. by capacity in the European polyethylene terephthalate market. For the six-month period ended 30 June 2016, the Group's Polyethylene Terephthalate business line's sales amounted to U.S.$160 million, or 9 per cent. of the Group's total sales.

In addition to the product-based business lines set forth above, EQUATE also generates limited sales from sale of ethylene produced by its ethane-crackers in Kuwait to TKSC and managing and operating the production facilities of, and providing utilities to, TKSC, KPPC and PIC. See further "*Related Party Transactions—Services Agreements*" and "*Related Party Transactions—Others*". For the six-month period ended 30 June 2016, such sales and services amounted to U.S.$78 million, or 5 per cent. of the Group's total sales.

Ethylene Glycol business line

Overview

The Group's Ethylene Glycol business line produces, markets and distributes ethylene glycol. As of and for the year ended 31 December 2015, the Group was the world's second largest producer of ethylene glycol by capacity according to PCI and the world's second largest distributor of ethylene glycol by volume according to its internal estimates which are based on data published by PCI. See "*Presentation of Financial and Other Information—Historical and Current Market and Industry Data*".

Ethylene glycol and its derivatives play a significant role in the chemicals industry due to the fact that they can serve as versatile intermediates in a wide range of applications due to its chemical properties. Especially significant is resin formation, including the condensation with dimethyl terephthalate or terephthalic acid resulting in a polyester resin. The reactivity and solubility of ethylene glycol provide the basis for many applications.

The Group manufactures ethylene glycol at two facilities in Kuwait and at three facilities in Canada which have a combined annual production capacity of 2,410KTA. For the year ended 31 December 2015 the Group manufactured 2,640KMT of ethylene glycol.

The Group's Ethylene Glycol business line trades through EQUATE's subsidiary MEGlobal B.V., which together with its affiliate company MEGlobal Canada and their subsidiaries, were acquired by the EQUATE Group in December 2015. For the year ended 31 December 2015, MEGlobal marketed and distributed approximately 3.4MMT of ethylene glycol. The Group maintains its leadership position by participating in all key markets by geography and application. Moreover, the Group announces monthly benchmark prices in key regions such as Asia and the Americas to demonstrate its market leadership. The Group deploys an "over-commitment" strategy in respect of ethylene glycol sales to support its market leading position. The Group commits to sell approximately 3.0MMT to 3.1MMT of ethylene glycol per annum, which represents an approximately 20 per cent. annual commitment above its annual ethylene glycol production volume. The Group supports this strategy by having in-house trading capabilities and a multi-sourcing platform that allows it to source additional ethylene glycol from Dow and from third parties on the spot market, and through reliable and efficient supply and logistics operations. For the year ended 31 December 2015, the Group committed to sell 3.4MMT of ethylene glycol (comprising of 3.2MMT of monoethylene glycol and 0.2MMT of diethylene glycol) of which 76 per cent. of the ethylene glycol was manufactured by the Group itself, 10 per cent. was sourced from Dow and 14 per cent. was sourced from third parties by way of spot purchases.

For the six-month period ended 30 June 2016 the Group's Ethylene Glycol business line generated U.S.$1,077 million in sales, representing 63 per cent. of the Group's total sales.

Products

The Group's Ethylene Glycol business line produces monoethylene glycol and diethylene glycol. Monoethylene glycol is the most important of the commercially available glycols. Diethylene glycol is a by-product in the manufacturing of monoethylene glycol and accounts for approximately eight to 10 per cent. of the Group's Ethylene Glycol business line's total production volume. Accordingly, inventories of diethylene glycol can vary as its production is dictated by the production of monoethylene glycol rather than market demand.

Monoethylene glycol is predominantly used in the manufacturing of polyester fibre, polyethylene terephthalate food and beverage packaging containers and antifreeze in automotive.

Diethylene glycol is predominantly used in the manufacturing of unsaturated polyester resin, polyurethane and cutting fluid.

Facilities

The Group owns five ethylene glycol production facilities. Three of the Group's facilities are located in Canada and two of its facilities are located in Kuwait. The following table sets forth the production volumes by product and the manufacturing facility for the periods indicated.

					Production Volume				
					For the six-month period ended 30 June		For the year ended 31 December		
Producer	Business line	Products[(1)]	Place of Production	Production capacity	2016	2015	2015	2014	2013
EQUATE	EGs	MEG (92%) DEG (8%)	Shuaiba Industrial Area, Kuwait	540KTA	218KMT	299KMT	586KMT	526KMT	567KMT
TKOC	EGs	MEG (92%) DEG (8%)	Shuaiba Industrial Area, Kuwait	650KTA	368KMT	378KMT	812KMT	815KMT	734KMT
MEGlobal	EGs	MEG (91%) DEG (9%)	Prentiss I, Prentiss II, Fort Saskatchewan, Canada	360KTA 420KTA 440KTA	614KMT	622KMT	1,242KMT	1,203KMT	1,166KMT

(1) The product percentage split is an approximation. Higher glycols such as triethylene glycol which is a by-product of ethylene glycol production are omitted from product percentage split. Such by-products account for approximately one to two per cent. of total ethylene glycol production volume.

U.S. Gulf Coast Project

The Group is in the process of constructing a world-scale 750KTA ethylene glycol plant in the U.S. Gulf Coast. This new plant will be located adjacent to Dow's planned ethane cracker in Freeport, Texas which is expected to be commissioned in 2019, and will benefit from competitively priced ethylene feedstock from Dow's new ethane cracker. On 23 December 2015, Dow and MEGlobal Americas Inc., a wholly-owned subsidiary of MEGlobal B.V., entered into a master project agreement and an ethylene supply agreement in relation to this new plant. See "*Related Party Transactions*". Given its location, the new plant will have easy access to the port facilities located at Freeport, Texas for export purposes.

The Group has completed the final stage of obtaining its permit from the Texas Commission on Environmental Quality ("**TCEQ**"), with the public review process of the final draft of its TCEQ permit concluding on 8 October 2016. The Group received no comments or objections to this final draft and is awaiting issuance of its TCEQ permit. As the public review process has been completed, the Group is now permitted to begin construction.

The groundbreaking ceremony for the project took place on 8 August 2016 and site development has begun. The project team for the project is in the process of procuring and awarding engineering, procurement, construction and management contracts. The Group has placed orders for long term delivery items such as reactors and cycle gas compressors. In addition to the ethylene supply agreement with Dow set forth above, MEGlobal Americas Inc. has also entered into an oxygen supply agreement with Dow. Other third party agreements for supply and services are currently being negotiated. This new plant will operate using advanced METEOR™ Ethylene Oxide/Ethylene Glycol Process Technology and METEOR™ EO-RETRO Catalyst technology licensed from Dow, which has had proven success in a number of production facilities around the world.

The Group expects that the production capacity added by this plant will help the Group leverage its global distribution footprint for ethylene glycol. The Group estimates that the total cost of construction for the project will be U.S.$2 billion phased over the next four years, and expects to fund the Project using the Group's operational cash flows and cash balances.

Raw Materials and Energy

Feedstock

The most significant direct cost associated with the production of ethylene glycol is feedstock. Feedstock accounted for approximately 66 per cent. of the Group's variable cost of ethylene glycol production for the six-month period ended 30 June 2016.

The feedstock used by the Group's manufacturing facilities in Kuwait is ethane-rich gas supplied by PIC from Kuwait National Petroleum Company's associated gas processing facilities in the Mina Al-Ahmadi refinery under supply agreements for an indefinite term pursuant to which each of EQUATE and TKOC receives first priority supply. at a competitive rate. The ethane-rich gas is then processed into ethylene by two ethane-crackers that are integrated into the Group's production facilities in the Shuaiba Industrial Area in Kuwait and used as feedstock in the production of ethylene glycol. The price of the ethane-rich gas is revised annually according to a pre-agreed formula set out in the relevant supply agreement.

The Group's Canadian operations purchases ethane-based ethylene from Dow Chemical Canada Inc. at a competitive rate under a long-term supply agreement which matures on 30 June 2024, with two five-year extensions, until 30 June 2029 and 30 June 2034, respectively, exercisable at the Group's sole option. See further "*Related Party Transactions*". The ethylene supplied by Dow under this supply agreement currently covers more than 95 per cent. of the Group's Canadian operation's input requirement. The remaining portion of the Group's input requirement is sourced from spot purchases. The competitively priced feedstock supplied by Dow Chemical Canada Inc. gives the Group's Canadian operations a significant cost advantage over other naphtha-based producers who typically use naphtha-based ethylene, even at current low price levels of crude oil. The ethane-based ethylene is supplied to the Group's Canadian manufacturing facilities via pipelines from Dow's Fort Saskatchewan (Alberta) ethane cracker, which minimises logistic cost and enhances the profitability of the Group's Canadian operations.

As a result of these long-term supply agreements and according to the Group's internal research and market reports, the Group believes that the cost of ethylene for its Kuwait and Canadian operations is highly competitive. See further "*—Competitive Strengths—Low-cost feedstock under long-term feedstock supply agreements*" and "*Related Party Transactions*".

Energy and Water

Energy and water is supplied to the Group's manufacturing sites in Kuwait by the Ministry of Energy and Public Authority of Industry in Kuwait. The Group benefits from the lower costs of utilities in the Middle East which to date have generally been significantly lower than the cost of utilities in other regions of the world.

Energy is supplied to the Group's manufacturing sites in Canada by Dow from its Alberta facilities under services contracts with Dow. See further "*Related Party Transactions*". Water for the Group's Fort Saskatchewan manufacturing site in Canada is supplied by Dow under services contracts, while water for the Prentiss manufacturing site is sourced from rivers which are located close to the site.

Sales, Marketing and Customers

All products manufactured by the Group's Ethylene Glycol business line are marketed and sold through EQUATE's subsidiary MEGlobal B.V., which is the second largest distributor of ethylene glycol in the world by sales volume in 2015 according to the Group's internal estimates which are based on data published by PCI. See "*Presentation of Financial and Other Information—Historical and Current Market and Industry Data*". For the year ended 31 December 2015, the Group marketed and distributed approximately 3.4MMT of ethylene glycol. The Group markets and sells the vast majority of the products manufactured by its Ethylene Glycol business line directly to end-users in key regional markets such as China, the Indian Subcontinent, the Middle East, Europe and the Americas without the use of third party distributors. The Group has regional business centres located in Hong Kong, Shanghai, Dubai, Horgen and Houston to facilitate the sales and maintain customer relationships. The Group markets and sells limited amount of its products through third party agents or distributors in Pakistan, China and North Americas.

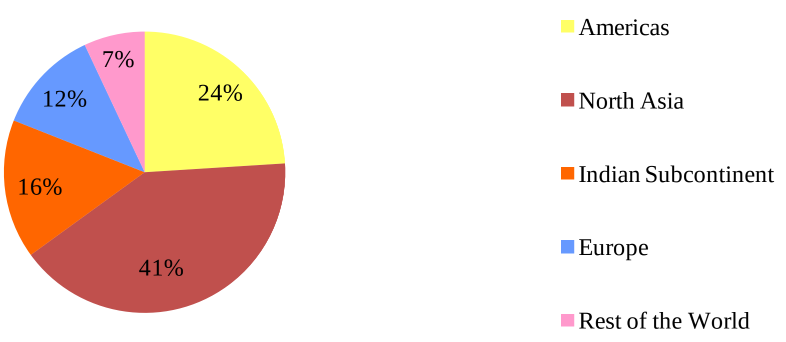
In addition to marketing and selling the ethylene glycol manufactured by it, the Group also actively participates in the ethylene glycol spot market to demonstrate its market leadership. The Group deploys an "over-commitment" strategy in respect of ethylene glycol sales to support its market leading position. The Group commits to sell approximately 3.0MMT to 3.1MMT of ethylene glycol per annum, which represents an approximately 20 per cent. annual commitment above its current annual ethylene glycol production capacity. The Group supports this strategy by having in-house trading capabilities and a multi-sourcing platform which sources additional ethylene glycol from Dow and from third parties on the spot market, and through reliable and efficient supply and logistics operations.

Monoethylene glycol, which accounts for approximately 93 per cent. of the Group's ethylene glycol sales, is largely a commodity product leaving little scope for differentiation by quality among the major producers. Accordingly, the Group strives to differentiate itself from its competitors through excellent customer service by having multiple regional business centres to facilitate sales and maintain customer relationships, and also through reliability of supply through its multi-sourcing platform. The Group also actively manages its customer portfolio, see "—*Business Strategy—Selective customer portfolio management*". As a result of its strategy, the Group has a number of longstanding supply relationships with its customers. Sales to the Group's top twenty customers accounted for two-thirds of its total ethylene glycol sales, and sales to its top ten customers accounted for over 50 per cent. of its total ethylene glycol sales, for the six-month period ended 30 June 2016. The vast majority of ethylene glycol are sold under annual contracts.

The Group mainly markets and sells monoethylene glycol to the polyester fibre industry, the packaging industry (where ethylene glycol is used as a raw material for the manufacture of polyethylene terephthalate food and beverage packaging containers) and the automotive industry (where ethylene glycol serves as a raw material for the manufacture of automotive liquids and antifreeze). The Group mainly markets and sells diethylene glycol to the construction industry (where diethylene glycol serves as a raw material for the manufacture of unsaturated polyester resins, polyester polyol and cutting fluid).

Set forth below is a breakdown by geography of the sales of the Group's Ethylene Glycol business line for the six-month period ended 30 June 2016:

Ethylene Glycol Sales for the Six-Month Period Ended 30 June 2016



Competition

The Group is the world's second largest distributor of ethylene glycol by capacity for the year ended 31 December 2015, with a market share of 8 per cent. according to its internal calculations which are based on data published by PCI. See "*Presentation of Financial and Other Information—Historical and Current Market and Industry Data*". The Group mainly markets and sells ethylene glycol to the polyester fibre industry, the automotive industry, the packaging industry and the construction industry. Set forth below is a table outlining for the year ended 31 December 2015 the production capacity of monoethylene glycol and the 2015 market share for the Group and for its principal competitors, according to the Group's internal calculations which are based on data published by PCI.

Company	Market Share[(1)]	Capacity[(2)]
	(per cent.)	*(MMT)*
SABIC and its joint ventures	21	6.9
The Group	8	2.6
SINOPEC and its joint ventures	7	2.3
Nanya and its joint ventures	7	2.3

Source: PCI.

(1) The market share of each company and its affiliates (other than the Group) is calculated by dividing the 2015 annual capacity of each company (including its affiliates) by the 2015 global monoethylene glycol capacity figure as reported by PCI, which is 32.9MMT.

(2) The capacity for each company and its affiliates (other than the Group) is the 2015 global annual capacity of that company (including its affiliates) as reported by PCI.

Technology and Intellectual Property

As the Group's major shareholder Dow is one of the world's leading developer and proprietor of chemicals production technology, the Group believes the most cost-effective way to acquire technology applicable to the Group's business is to license Dow's world-class technologies. This enables the Group to leverage its relationship with Dow and eliminates the need for research expenditure. After acquiring a technology, the Group devotes considerable effort to further develop and effectively apply the technology with a view to continuously improve its competitive position.

The Group has licensed from Union Carbide Corporation, a wholly-owned subsidiary of Dow, ethylene glycol processes (including its METOR-II ethylene glycol process for TKOC's operations) for the Group's ethylene glycol manufacturing facilities in Kuwait.

The Group has licensed from Union Carbide Chemicals and Plastics Company Inc., an indirect wholly-owned subsidiary of Dow, process technologies for the production of monoethylene glycol and diethylene glycol at the Group's manufacturing facilities located in Prentiss I, Alberta, Canada and purified ethylene oxide, monoethylene glycol and diethylene glycol at the its manufacturing facility located in Fort Saskatchewan, Alberta, Canada. The Group has also licensed from Union Carbide Chemicals and Plastics Company Inc. process technologies for the production of monoethylene glycol, diethylene glycol and higher glycols at the Group's manufacturing facility located in Prentiss II, Alberta, Canada.

The licences held by the Group's Ethylene Glycol business line are for an indefinite term and are all fully paid-up.

Polyethylene business line

Overview

The Group's Polyethylene business line produces polyethylene. For the year ended 31 December 2015, according to IHS, the Group's market share by capacity was 0.96 per cent. in the global high-density polyethylene resin market and 1.41 per cent. in the global linear low-density polyethylene resin market.

Polyethylene is the world's most versatile and widely used plastic and is single largest category of thermoplastics in the world, representing 38 per cent. of the 232MMT global thermoplastic market in 2015 according to IHS. It is relatively low cost, and because it is capable of being moulded, extruded and cast into many various shapes, it is a versatile polymer used in a wide range of moulding and extruding applications such as household and food containers, toys, food and non-food packaging film and sheet.

The Group manufactures high-density and linear low-density grades of polyethylene at its manufacturing facility in Kuwait, which has an annual production capacity of 825KTA. For the year ended 31 December 2015 the Group manufactured 744KMT of polyethylene.

EQUATE Marketing Company E.C. ("**EMC**"), an affiliate of the Group which is jointly owned by Dow and PIC, is the Group's exclusive sales agent for the marketing and sales of polyethylene produced by the its Kuwait operations, styrene produced by TKSC and benzene produced by KPPC and not consumed by TKSC, on a worldwide basis. It has established marketing channels directly through its own offices as well as through other agencies. It has three sales offices in Asia (Hong Kong, Singapore, and Beijing) in addition to an office in Kuwait. EMC's main commercial activities are carried out using Kuwait as an operational base. See "*Related Party Transactions—Marketing and Sales Agreements*".

For the six-month period ended 30 June 2016 the Group's Polyethylene business line generated U.S.$389 million in sales, representing 23 per cent. of the Group's total sales.

Products

The Group's Polyethylene business line produces high-density and linear low-density grades of polyethylene. For the year ended 31 December 2015, the Group produced 744KMT of polyethylene of which approximate 59 per cent. was high-density polyethylene and 41 per cent. was linear low-density polyethylene.

The following table describes the principal applications of the products manufactured by the Group's Polyethylene business line:

Product	Applications
High-density polyethylene	Used for tubular film extrusion, blow moulding of large size containers as well as small to medium size bottles. Used as raw material in the manufacturing of high strength grocery sacks, shopping and produce bags, high quality thin films for multiwall sack liners, replacement of thin paper products, closed head shipping containers, packaging for household, industrial chemicals (including detergents, fabric softeners), toiletries, cosmetics and food products, extruding sheets and profiles including corrugated drainage pipes.
Linear low density polyethylene	Used as a raw material in thin gauge liner films, garment bags and other industrial and consumer packaging applications requiring toughness and puncture resistance, industrial liners, blown film stretch wrap, heavy-duty films, general-purpose blown films for a variety of application.

Facilities

The Group owns one polyethylene production facility in Kuwait. The following table sets for the production volumes by product for such manufacturing facility for the periods indicated.

					Production Volume				
					For the six-month period ended 30 June		For the year ended 31 December		
Producer	Business line	Products[(1)]	Place of Production	Production capacity	2016	2015	2015	2014	2013
EQUATE................	PE	HDPE (59%) LLDPE (41%)	Shuaiba Industrial Area, Kuwait	825KTA	379KMT	372KMT	744KMT	638KMT	775KMT

(1) The product percentage split is based on approximate production volume numbers for the year ended 31 December 2015

The Group's polyethylene production facility has recently undergone a de-bottlenecking process in August 2016. This has resulted in an additional 175KTA to the Group's current production capacity resulting in a total production capacity of 1,000KTA.

Raw Materials and Energy

Feedstock

The most significant direct cost associated with the production of polyethylene is feedstock. Feedstock accounted for approximately 79 per cent. of the Group's variable cost of polyethylene production for the six-month period ended 30 June 2016.

The Group's Polyethylene business line uses the same feedstock supplied by PIC as the Group's ethylene glycol manufacturing facilities in Kuwait. See further "*—Ethylene Glycol business line—Raw Materials and Energy—Feedstock*". As a result of long-term supply agreements in place, the Group's Polyethylene business line has reliable long-term access to feedstock at a cost which the Group believes, according to its internal research and market reports, is highly competitive. See further "*—Competitive Strengths—Low cost feedstock under long-term feedstock supply agreements*". The Group takes into account factors including product prices, net margin and contractual commitments when it determines the allocation of ethylene as feedstock between its Ethylene Glycol business line and its Polyethylene business line production.

Energy and Water

As with the Kuwaiti manufacturing facilities in the Group's Ethylene Glycol business line, energy and water is supplied to the Group's polyethylene manufacturing facility by the Ministry of Energy and Public Authority of Industry. Accordingly, the Group benefits from the competitive rates of utilities in the Middle East which to date have been generally lower than the cost of utilities in other regions of the world.

Sales, Marketing and Customers

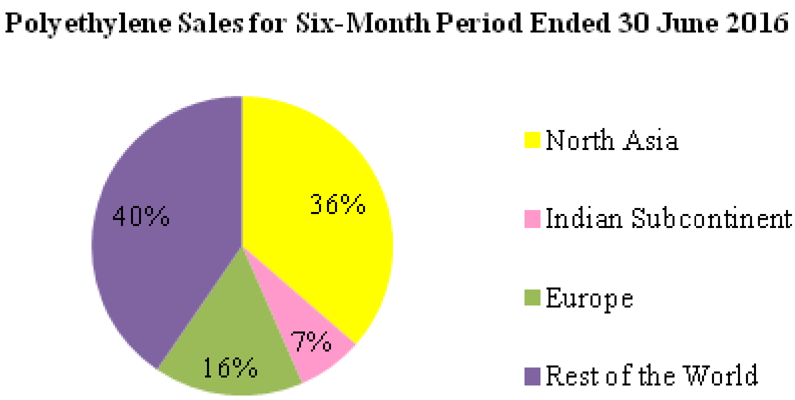
EMC is the Group's exclusive sales agent for the marketing and sales of polyethylene produced by EQUATE, on a worldwide basis pursuant to a polyethylene marketing agreement dated 28 May 1996 between the parties. See further "*Related Party Transactions*". EMC also has marketing agreements for styrene produced by TKSC and benzene produced by KPPC.

EMC is an affiliate of EQUATE and each of Dow and PIC has an indirect shareholding of 50.1 per cent. and 49.9 per cent. respectively in EMC. EMC was incorporated in Bahrain in 1996 for the purpose of marketing EQUATE's petrochemicals products. Since the establishment of MEGlobal in 2004 for the distribution of the Group's ethylene glycol, EMC was only responsible for the marketing of the Group's polyethylene production. EMC has established marketing presence directly through its own offices as well as through other channels, with the majority of its sales carried out directly with its customers. It has three sales offices in Asia (Hong Kong, Singapore, and Beijing) in addition to an office in Kuwait. EMC's main commercial activities are carried out using Kuwait as an operational base.

EMC is responsible for establishing commitments with customers for sales of polyethylene, providing technical service to these customers, settling customer claims within guidelines and authorisation limits set by EQUATE. In return for its services, EQUATE reimburses all the actual expenses incurred by EMC.

The Group's polyethylene resins are stored in Kuwait and transported to customers in Jordan and the GCC region by truck, using overland routes. The polyethylene resins sold to the Asian, European, Turkish, North African and Indian Subcontinent regions are shipped from the Shuaiba port in Kuwait, which is adjacent to the Group's polyethylene manufacturing facility.

Although polyethylene is for the most part a commodity product, there is scope to differentiate on the basis of the quality of the product. Accordingly, the Group seeks to target growing and profitable end-use applications by providing differentiated product and value offering, and through active management of its customer portfolio, see "*—Business Strategy—Selective customer portfolio management*". The Group mainly sells polyethylene to customers in the flexible and food packaging, industrial packaging, agricultural packaging medical and hygiene and household and industrial chemical application industries across widespread geographies. Set forth below is a breakdown of the Group's polyethylene sales by geography for the six-month period ended 30 June 2016:



The terms of the Group's sales vary between regions. The Group has standard form contracts in place for approximately 60 per cent. of its customers. In more mature markets such as Europe, the Group typically has contracts of one to two years duration which include mutually agreed pricing mechanisms. In other regions such as the MENA region and the Indian Subcontinent, the Group has standard form contracts in place with the customers in those regions where prices are negotiated on either a monthly or yearly basis linked to industry benchmarks. The Group does not have any customers in its Polyethylene business line who constitute more than 5 per cent. of its annual polyethylene production.

Competition

For the year ended 31 December 2015, the Group had 0.96 per cent. of the global market share by capacity for high-density polyethylene and 1.41 per cent. of the global market share by capacity for linear low-density polyethylene, according to IHS.

The Group's principal competitors in the global polyethylene industry are ExxonMobil and other Middle Eastern polyethylene suppliers with a similar geographic footprint and which also have access to competitively-priced feedstock including Saudi Arabia Basic Industries Corporation (SABIC), Rabigh Refining and Petrochemical Company (Petro Rabigh), National Industrialisation (Tasnee), Qatar

Chemical and Petrochemical Marketing and Distribution Company Q.J.S.C. (Muntajat) and Abu Dhabi Polymers Company LLC (Borouge).

Set forth below is a table outlining the volume of high-density polyethylene manufactured and the market share of the Group's principal competitors for the year ended 31 December 2015.

Company	**Market Share**	**Volume**
	(per cent.)	*(KMT)*
Borouge	3.42	1,595
ExxonMobil	2.71	1,265
SABIC	1.53	715
EQUATE	**0.96**	**450**
Petro Rabigh	0.64	300

Source: IHS. The market share of Tasnee and Muntajat were not reported.

Set forth below is a table outlining the volume of linear low-density polyethylene manufactured and the market share by the Group's principal competitors for the year ended 31 December 2015.

Company	**Market Share**	**Volume**
	(per cent.)	*(KMT)*
ExxonMobil	12.56	3,995
Borouge	2.22	705
Petro Rabigh	1.89	600
EQUATE	**1.41**	**450**
SABIC Europe	0.55	175

Source: IHS.

Technology and Intellectual Property

The Group has licensed Union Carbide Corporation's Unipol® polyethylene technology for the manufacturing of polyethylene in Kuwait by EQUATE. The license is for an indefinite term and is fully paid-up.

Polyethylene Terephthalate business line

Overview

The Group's Polyethylene Terephthalate business line produces, markets, sells and distributes polyethylene terephthalate products which it operates through EQUATE's subsidiary Equipolymers GmbH. The Group primarily sells polyethylene terephthalate products to Europe with limited sales to the Middle East through a direct sales force located in Germany, France and Italy. According to the Group's internal analysis using industry data (see "*Presentation of Financial and Other Information—Historical and Current Market and Industry Data*"), for the year ended 31 December 2015 the Group was one of the twenty largest global polyethylene terephthalate manufacturers by capacity, and as of 30 June 2016, was the third largest European manufacturer of polyethylene terephthalate by capacity with a 10 per cent. market share in the European polyethylene terephthalate market.

Polyethylene terephthalate is used by the packaging industry primarily for the production of bottles due to its transparency, light weight and sturdiness. Bottles manufactured from polyethylene terephthalate are tasteless and therefore satisfy the strict regulatory standards for food and drink packaging. Polyethylene terephthalate is the most widely recycled plastic in the world; around 30 per cent. of polyethylene terephthalate globally is collected and recycled, primarily in the fibre sector but also in part in the bottle recycling industry.

The Group manufactures polyethylene terephthalate at its facility in Schkopau, Germany which has two production lines with an annual combined production capacity of 335KTA. For the year ended 31 December 2015, the Group manufactured and sold 317KMT of polyethylene terephthalate.

The Group is a leader in sustainable packaging solutions due to its proprietary chemical recycling process by which a certain portion of recycled polyethylene terephthalate is used as a feedstock in the manufacturing of polyethylene terephthalate marketed under the Group's VIRIDIS™ brand. The Group believes it is the preferred supplier of polyethylene terephthalate to global consumer brand owners that focus on sustainable packaging solutions. The technology used to manufacture products marketed under the Group's VIRIDIS™ brand is patented and owned by the it and this technology is less energy intensive than the polyethylene terephthalate production technology used by its competitors.

The Group primarily markets and sells its polyethylene terephthalate products directly to customers in Europe through a direct sales force located in Germany, France and Italy. In addition, the Group sells less than 10 per cent. of its polyethylene terephthalate products through third party agents.

For the six-month period ended 30 June 2016 the Group's Polyethylene Terephthalate business line generated U.S.$160 million in sales, representing 9 per cent. of the Group's total sales.

Products

All the polyethylene terephthalate grades produced by the Group's Polyethylene Terephthalate business line are approved by major global brand owners in the mineral water, carbonated soft drink and detergent sector.

The Group's Polyethylene Terephthalate business line produces the following range of products which are sold and marketed under the trademark LIGHTER™:

- *LIGHTER C PET COPOLYMERS*. These are polyethylene terephthalate polymers produced from purified terephthalic acid and ethylene glycol. While these polymers have been specifically designed for the production of beverage, food and other liquid containers, they are also suitable for the production of extruded films and sheets and thermoforming applications. The Group sells various grades of this product with different intrinsic viscosity.

- *LIGHTER S PET COPOLYMERS*. These are polyethylene terephthalate polymers produced from purified terephthalic acid and ethylene glycol. Compared to the corresponding LIGHTER C PET COPOLYMERS, they provide enhanced infrared heating rates, thus improving the operation of the stretch blow moulding process, either increasing the maximum output or reducing the reheat energy. While these polymers have been specifically designed for the production of beverage, food and other liquid containers, they are also suitable for the production of extruded films and sheets and thermoforming applications. The Group sells various grades of this product with different intrinsic viscosity.

- *LIGHTER VIRIDIS PET COPOLYMERS*. These are similar to LIGHTER S PET COPOLYMERS in composition, apart from the fact that they have been manufactured using the Equipolymers' proprietary chemical recycling process that allows the incorporation of up to 10 per cent. recycled polyethylene terephthalate coming from post-consumer containers. LIGHTER VIRIDIS PET COPOLYMERS provide the same characteristics and performance of the corresponding LIGHTER S PET COPOLYMERS grade, including the benefit of enhanced infrared heating rates. The Group sells various grades of this product with different intrinsic viscosity.

In addition to the above, the Group has developed the two following new grades of polyethylene terephthalate in response to market needs:

- *BISNEINEX™*. This is a polyester polymer modified for improved performance in thick-walled preform applications. This is designed as polycarbonate replacement to be used in large containers. BISNEINEX™ is particularly suitable for injection moulding of thick-wall preforms and for the production of large volume containers under over one litre.

- *ANTAREX™*. This is a polyester polymer modified for improved performance in high pressure applications. ANTAREX™ provides good mechanical properties and a wide processing range on injection moulding machines. ANTAREX™ is particularly suitable for the production of pressurised containers (including aerosol containers) that require increased mechanical strength and improved crack resistance.

Facilities

The Group owns two polyethylene terephthalate plants located at a single manufacturing facility in Schkopau, Germany. The following table sets forth the production volumes for the Group's polyethylene terephthalate production facility for the period indicated.

				Production Volume				
				For the six-month period ended 30 June		For the year ended 31 December		
Producer	Business line	Place of Production	Production capacity	2016	2015	2015	2014	2013
Equipolymers (a subsidiary of MEGlobal B.V.)	PET	Schkopau, Germany	335KTA	170KMT	167KMT	317KMT	308KMT	307KMT

The Group subcontracts the operations of its polyethylene terephthalate manufacturing facility to Dow under a manufacturing service agreement.

Raw Material and Energy

The Group's Polyethylene Terephthalate business line uses two key raw materials for the production of polyethylene terephthalate: monoethylene glycol which accounts for approximately 29 per cent. of the input volume and purified terephthalic acid which accounts for approximately 71 per cent. of the input volume.

The most significant direct cost is purified terephthalic acid. The Group purchases purified terephthalic acid from major purified terephthalic acid producers in Europe and in the Far East under annual contracts.

Monoethylene glycol is the second most significant component of the Group's cost of polyethylene terephthalate production. The Group's Polyethylene Terephthalate business line receives all of its monoethylene glycol from the MEGlobal Group.

Utilities are supplied to the Group's production facility in Germany by Dow pursuant to a Manufacturing Service Agreement between Dow and Equipolymers. Utilities account for less than 10 per cent. of the Group's variable cost of polyethylene terephthalate sales.

Sales, Marketing and Customers

The Group's Polyethylene Terephthalate business line directly markets and sells polyethylene terephthalate products to customers without using third party distributors. The Group mainly markets and sells its polyethylene terephthalate products to global consumer brand owners in the carbonated soft drink, mineral water and detergent sectors. For the six-month period ended 30 June 2016, the Group's top ten customers accounted for over 75 per cent. of total polyethylene terephthalate sales, and its top five customers accounted for 60 per cent. of total polyethylene terephthalate sales.

The Group largely sells polyethylene terephthalate products in bulk and transports its products overland using transportation contracts that Dow, the operator of the Group's polyethylene terephthalate production facility under a Manufacturing Service Agreement, has with the main European carriers.

For the six-month period ended 30 June 2016, over 60 per cent. of the Group's polyethylene terephthalate sales was sold under contracts which are typically of one to two years duration with pricing either freely negotiated, cost-plus or market referenced (such as to PCI or ICIS public quotes). Product pricing under sales contracts can therefore change on a monthly basis. The remaining polyethylene terephthalate sales volume was sold to the spot market with monthly negotiation on pricing.

The Group sold approximately 99 per cent. of its polyethylene terephthalate products to Europe (with limited sales to the Middle East) through a direct sales force located in Germany, France and Italy for the six-month period ended 30 June 2016.

The Group primarily focuses on marketing its polyethylene terephthalate products to customers located in regions near its production facility in Schkopau, Germany to reduce transportation costs. The Group is well positioned to access its key customers in Europe due to the location of its polyethylene terephthalate production facility in Central Europe. The Group also actively manages its customer portfolio, see "—*Business Strategy—Selective customer portfolio management*".

Competition

According to the Group's internal analysis using industry data, for the year ended 31 December 2015 the Group was one of the twenty largest global polyethylene terephthalate manufacturers by capacity and as of 30 June 2016 was the third largest European manufacturer of polyethylene terephthalate by capacity with a 10 per cent. market share in the European polyethylene terephthalate market.

The Group's main competitors are Indorama, JBF and Lotte Chemical, each of which has production facilities in Europe. According to the Group's internal analysis using industry data, as of 30 June 2016, these competitors held 32 per cent. (Indorama), 13 per cent. (JBF) and 11 per cent. (Lotte Chemical) of the European polyethylene terephthalate market as measured by capacity. The Group also faces competition from non-European manufacturers from South Korea, Indonesia, India and Turkey exporting to Europe. Non-European manufacturers held 25.7 per cent. of the market share in the European polyethylene terephthalate market for the year ended 31 December 2015 according to market data published by the European Community's Eurostat. These non-European manufacturers impact the European polyethylene terephthalate market by limiting the ability of European manufacturers to increase margin due to high capacity surplus in the regions of these non-European manufacturers.

Technology and Intellectual Property

The Group has licensed from Dow processes, patents and other know-how for the production of polyethylene terephthalate at the Group's manufacturing facility in Schkopau, Germany. The license is fully paid up.

The Group owns a proprietary chemical recycling process that allows the incorporation of up to 10 per cent. recycled polyethylene terephthalate in the manufacture of new polyethylene terephthalate. This recycled polyethylene terephthalate can be sourced from post-consumer containers. Compared to the mechanical recycling process which is standard practice in the industry, the Group's chemical recycling process allows it to produce recycled polyethylene terephthalate with better uniformity and consistency, and with less contaminants, than the recycled polyethylene terephthalate produced by its competitors.

The Group also has a Research and Development department and a laboratory at its manufacturing facility in Germany. The Group's laboratory performs specific analysis for customers of its Polyethylene Terephthalate business line and validates other research and development findings. In addition to serving in-house customers, the Group also provide the services of its laboratory in the open market as part of its sales offering. The Group is the only laboratory in Europe to be certified by the Coca Cola Company.

Environment, Health and Safety

Overview

The Group's facilities and operations are subject to a wide range of environmental, health and safety ("**EH&S**") laws and regulations in all of the jurisdictions in which it operates. These requirements govern, among other things, the manufacture, storage, handling, treatment, transportation and disposal of hazardous substances and wastes, wastewater discharges, air emissions (including GHG (as defined below) emissions), noise emissions, operation and closure of landfills, human health and safety, process safety and risk management and the clean-up of contaminated sites. Many of the Group's operations require permits and controls to monitor or prevent pollution. The Group has incurred, and will continue to incur, substantial ongoing capital and operating expenditures to ensure compliance with current and future EH&S laws, regulations and permits or the more stringent enforcement of such requirements.

Violations of EH&S requirements may result in substantial fines or penalties, the imposition of other civil or criminal sanctions, clean-up costs, claims for personal injury, health or property damages, requirements to install additional pollution control equipment, or restrictions on, or the suspension of, the Group's operating permits or activities.

Other EH&S laws and regulations may impose product or raw material use, import or sale restrictions on the Group or on its customers. For example, it is possible that certain of the Group's products or by-products or the raw materials it uses may, in the future, be classified as hazardous or harmful, which could impact the Group's production or demand for its products and, in turn, could materially and adversely affect its business and/or results of operations.

For the years ended 31 December 2015, 2014 and 2013, the Group incurred U.S.$3.06 million, U.S.$15.66 million and U.S.$7.33 million on EH&S related capital expenditure at its facilities.

In 2012, a fire-related accident took place at EQUATE's ethylene glycol production facility in Kuwait. Operations at the plant were suspended for three months but there were no casualties and the damages caused by the fire were covered by insurance.

In 2013, there were six spills accounting for 21MT in the Group's Kuwait operations. An investigation was conducted on the cause of the spills and this was followed by a two-day workshop on the loss of primary containment for all the manufacturing facilities to educate on the causes of the spills and actions plans developed from the investigation. As a result, instances and volume of spills were reduced in 2014 to a single spill of 15.5MT. The spillage was contained in a secondary containment and had not potential to harm people, community or cause damage to equipment as per the American Petroleum Institute's Recommended Practice 754 (on Process Safety Performance Indicators for the Refining and Petrochemical Industries) Tiers 1 and 2 classification.

As of the date of this Base Prospectus, the Group's operations are nonetheless currently in material compliance with all EH&S laws, regulations and permits. The Group actively addresses compliance issues in connection with its operations and properties and believes that it has systems in place to ensure that environmental costs and liabilities will not have a material adverse impact on it. Nevertheless, estimates of future environmental costs and liabilities are inherently imprecise, and the imposition of unanticipated costs or obligations could have a material adverse effect on the Group's business, financial condition or results of operations in any period in which those costs are incurred.

Air Emissions and Climate Change Regulations and Initiatives

EU Emissions Trading Scheme

The Group's operations in Europe are covered by the European Union Emissions Trading Scheme ("**EU ETS**"), an EU-wide trading system for industrial greenhouse gas ("**GHG**") emissions. Industrial sites receive or purchase allowances to emit GHGs and must surrender one allowance for each tonne of carbon dioxide emitted. Companies which emit less GHGs than their allowances cover are able to sell the excess allowances, whereas those which emit more must buy additional allowances through the EU ETS. The EU ETS is in its third phase of implementation, which requires a 20 per cent. reduction in GHG emissions by 2020 and a 30 per cent. reduction if an international agreement is reached under which other developed countries commit to comparable efforts.

Specified Gas Emitters Regulation, Canada

Alberta is covered by the Specified Gas Emitters Regulation (the "**SGER**"), which came into effect on 1 July 2007. The SGER requires facilities which emit 100,000 tons or more of carbon dioxide equivalent GHGs per year to reduce their emissions intensity. The Group's Canadian manufacturing facilities are regulated facilities under the SGER. Regulated facilities which are not able to meet their reduction obligations through improvements to their technology or other direct methods can do so by: (i) purchasing or using emissions performance credits, (ii) contributing to the climate change and emissions management fund at a price of 15 Canadian dollars per MT of carbon dioxide equivalent GHG, or (iii) purchasing Alberta-based offset credits.

Regulated facilities which are able to reduce their emissions intensity more than they are required to do so can generate additional emissions performance credits, which can be used to offset emissions in future years or sold to other regulated facilities.

Regulations on Chemical Products and Other Hazardous Substance

Promulgating the Environment Protection Law

In 2014, the National Assembly of Kuwait approved the enactment of the Environmental Protection Law (the "**EPL**").

Under the EPL, a wide number of activities which may have adverse impacts on the environment are regulated or prohibited, and these activities have been broadly categorised into categories, including: managing specific chemical substances; managing hazardous, medical and solid municipal waste and sludge; preventing pollution to land and agricultural environments; preventing pollution which may be harmful air quality, such as GHGs; and preventing pollution to water and coastal environments, including from vessels and land sources. The penalties for violating the EPL may include fines, compensation for any damage caused and, for more severe violations, imprisonment.

The EPL also establishes:

- the Environment Supreme Council, which is in charge of drafting environmental protection policies and various administrative tasks;
- the Environment Police, a specialised martial unit tasked with the enforcement of environmental laws and regulations; and
- the Environment Protection Fund, which will fund projects aimed to protect the environment, rehabilitate damaged sites and support environmental education and research.

The EPL is framework legislation and does not aim to address every aspect relating to environmental protection. Instead, it delegates to the Environmental Public Authority the power to issue executive by-laws and subsequent standards to implement the objectives of the EPL

*EU Registration, Evaluation, and Authorisation of Chemicals ("**REACH**") Regulation and the Classification and Labelling and Packaging ("**CLP**") Regulation*

The EU regulates chemical products within the EU by imposing on all affected industries the responsibility for ensuring and demonstrating the safe manufacture, use and disposal of chemicals. The REACH Regulation, which came into effect in 2007, requires the registration of all chemicals manufactured and imported into the EU (either alone, in mixtures or in articles) with the new European Chemicals Agency ("**ECHA**"). The regulation requires formal documentation of the relevant data required for hazard assessments for each substance registered as well as development of risk assessments for their registered uses. Most uses of high hazard substances, such as carcinogens, will require authorisation by the ECHA. REACH requires extensive toxicological data, documentation and risk assessments for many of the Group's chemical products and raw materials. As a corollary to the REACH Regulation, the EU has recently adopted the CLP Regulation to harmonise the EU's system of classifying, labelling and packaging chemical substances with the United Nation's Globally Harmonised System. The regulation is expected to standardise communication of hazard information of chemicals and to promote regulatory efficiency. It introduces new classification criteria, hazard symbols and labelling phrases, while taking account of elements that are part of the current EU legislation.

Canadian Environmental Protection Act, 1999

The Canadian Environmental Protection Act, 1999 has a wide scope of powers in relation to protection of the environment, including: setting out processes to assess risks to the environment and human health posed by substances used commercially; providing tools to manage toxic substances, other pollution and wastes and imposing timeframes on managing these substances; and ensuring the most harmful substances are phased out or not released into the environment in any measurable quantity.

The Prohibition of Certain Toxic Substances Regulations, 2012, Canada

The Prohibition of Certain Toxic Substances Regulations, 2012 (the "**PCTSR**") are regulations in force in Canada which prohibit the manufacture, use, sale, offer for sale or import of certain toxic substances, and products containing these substances, and also impose reporting and record-keeping obligations on any person dealing with these substances. The PCTSR specifies and prohibits the use of certain chemicals in Canada. The Group's operations in Canada do not use any of the prohibited chemicals.

Prevention of Major Accidents and Process Safety

Risks are inherent in the chemical and petrochemical businesses, particularly risks associated with safety, health and the environment, and each of the Group's facilities actively assesses and manages such risks as required by law. Within the European Union, an EU directive on the control of major accident hazards (the "**Seveso II Directive**"), regulates facilities that present a risk of accidents involving dangerous substances and imposes specific plans and procedures on them, particularly for the storage of such substances. The Seveso II Directive provides for control measures aimed at preventing and limiting the consequences of major accidents. All of the Group's major production sites are in the top tier of regulation under the Seveso II Directive due to the quantity of dangerous substances stored at them. As such, the Group must establish a major accident prevention policy, safety reporting system, safety management system and emergency plan compliant with the requirements of the Seveso II Directive.

In Canada, all of the Group's manufacturing facilities are subject to the Province of Alberta's Occupational Health and Safety Act, Occupational Health and Safety Regulation and Occupational Health and Safety Code (together the "**Alberta OH&S Law**"). The Alberta OH&S Law contains a broad number of rules and restrictions in order to minimise the occurrence of workplace accidents. These restrictions include limiting exposure to chemical and biological hazards, protection from motor equipment and vehicles and emergency response procedures.

Environmental Remediation and Closure Liabilities

Many of the Group's sites have an extended history of industrial chemical processing, storage and related activities. The Group may be required from time to time to investigate and remediate releases of hazardous materials or contamination at or migrating from certain of these sites, as well as properties it formerly owned, leased or operated. The Group could also be responsible for investigating and cleaning up contamination at off-site locations where its predecessors were once based or it disposed of or arranged for the disposal or treatment of hazardous wastes. Under some environmental laws, liability can be imposed regardless of whether the owner or operator knew of or caused the contamination and regardless of whether the practices that resulted in the contamination were legal at the time they occurred. In connection with contaminated properties, as well as the its operations generally, the Group also could be subject to claims by government authorities, individuals and other third parties seeking damages for alleged personal injury or property damage resulting from hazardous substance contamination or exposure caused by its operations, facilities or products.

As set out in the operating license for its facilities located in Alberta, Canada, the Group is required to survey soil and groundwater conditions surrounding the facilities and submit the results of these surveys to Alberta Environment and Parks. If an event which could adversely affect the soil and groundwater conditions were to occur, the Group would be required to submit a separate report to Alberta Environment and Parks detailing its suggested proposals to mitigate the effects of the event. The Group is not currently aware of any material claims or clean-up obligations in relation to any of its sites. The discovery of previously unknown contamination, however, or the imposition of new obligations to investigate or remediate contamination at the Group's facilities, could result in substantial unanticipated costs. The Group could be required to establish or substantially increase financial reserves for such obligations or liabilities and, if it fails to accurately predict the amount or timing of such costs, the related impact on its business, financial condition or results of operations in any period in which those costs need to be incurred could be material.

The Group's Commitment

The Group is strongly committed to excellent EH&S performance. The Group participates in the Responsible Care® programme, a global chemical industry initiative, which establishes international standards for environmental, occupational health and safety practices for chemical manufacturers. In 2011, EQUATE became the first company in Kuwait to earn the Responsible Care® 14001 certification. Through its participation in this programme, the Group adopted policies and procedures that require it to follow detailed instructions in matters of health, safety and the environment.

In 2003, the Group adopted a Management Implementation Plan to ensure the safety of its employees. As part of the plan, the Group sets annual safety-related departmental goals and objectives, and establishes site-based EH&S committees and teams to ensure it achieves its goal for zero EH&S recordable incidents relating to personal injury, process safety and environmental incidents. Branching out of this are departmental level focus teams as well as safety officers for various facilities. In 2014, the Group dedicated around 25,000 hours toward training its employees on EH&S issues. With its preventative care initiatives and the employees' EH&S training, the Group had no fatalities reported among its work force in 2014. Four injuries, however, were recorded, with an incident rate of 0.05 in 2014; this was slightly less than the incident rate of 0.06 in 2013. The Group has had no fatalities at any of its facilities since the inception of EQUATE.

The Group also has in place a Production Stewardship Program which offers material safety data sheets, product-specific safety training, storage and handling guidelines, regulatory information (where appropriate) and advice on clean-up procedures and accidental spill.

The Group has provided its customers with material safety data sheets to help customers understand the Group's products' risk profile, including their potential health effects, hazards and environmental impact. The Group uses external laboratories for the certification of its products to meet the requirements of EU regulations such as REACH. See further "*—Regulations on Chemical Products and Other Hazardous Substance*".

In 2015, the Group adopted a Smart Water Initiative for its operations in Kuwait with the aim to reduce its water footprint. As part of the programme, the Group established two seawater-cooling towers to recycle water onsite in its Kuwait facilities.

Quality Management

The Group employs international systems of environmental and quality management, and follows RC 14001 (a Responsible Care® management system certified by the International Council of Chemical Associations), ISO 14001 (an internationally recognised environmental control standard) and ISO 9001:2008 (an internationally recognised quality control standard). The Group also conducts internal environmental audits on a regular basis and undergoes annual external environmental audits as part of its compliance with RC 140001 and ISO 140014 certifications.

Employees

As of 31 December 2015 the Group had approximately 1,500 employees (measured as full-time equivalents ("**FTEs**")) in its operations around the world.

Some of the Group's employees in Kuwait are members of a trade union. In Kuwait, trade union members are restricted to Kuwaiti nationals and around 500 of the Group's employees are represented by this union. Collective bargaining is a regular negotiation process between the trade union, EQUATE's human resources department and EQUATE's management. Historically, the Group has enjoyed good labour relations and is committed to maintaining these relationships.

The Group's manufacturing facilities in Germany are staffed by employees of Dow who operate the Group's facilities in accordance with its Operations, Maintenance and Services Agreements with Dow. These employees are represented by local trade unions and are covered by collective bargaining agreements.

Employee Benefit Plans

The Group has various employee benefit and pension plans in accordance with the law, conditions and practices in the countries in which the relevant Group company operates.

The Group companies in Kuwait provide end-of-service gratuities to employees on completion of employment in accordance with Kuwaiti labour law.

The Group company in Canada operates a non-contributory defined benefit plan (the "**Defined Benefit Plan**") for its employees. The Defined Benefit Plan became effective on 1 July 2004 and replaced the former pension plans in place at the time. The Defined Benefit Plan was closed to new entrants on 31 December 2011 when a new defined contribution plan was introduced for employees hired on or after 1 January 2012.

MEGlobal Canada also provides certain health and welfare benefits to retired employees. These benefits, which are supplemental to provincial health care plans, cover eligible employees who are over the age of 50 and who have completed a minimum of ten years of credited active service. MEGlobal Canada and the retiree share the costs of these benefits. This unfunded benefit plan is cancellable by MEGlobal Canada.

A number of the wholly-owned subsidiaries of MEGlobal B.V. also have employee benefit and defined contribution plans in place. Employees in MEGlobal Americas Inc. and MEGlobal Europe GmbH participate in MEGlobal B.V. Group sponsored health, welfare and pension programmes. Employees in MEGlobal Asia Limited also participate in MEGlobal B.V. Group sponsored health and welfare programmes, while participating in Dow Chemical Pacific Limited's sponsored pension plans. Employees in MEGlobal International FZE participate in Dow Export GmbH's sponsored health and welfare programmes, with the exception of life insurance which is in the name of the MEGlobal B.V. Group. Employees in MEGlobal Trading Group Ltd participate in Dow China sponsored health, welfare and pension programmes and employees in Equipolymers SrL participate in legally mandatory and Dow Italy sponsored health, welfare and pension programmes.

Insurance

The Group carries an all-risk insurance policy for its assets, as well as policies for public, products and pollution liability, general and excess liability, directors' and officers' liability, workers' compensation, employee life and medical insurance, automobile liability and marine cargo insurance. The Group believes its policies are in accordance with customary industry practices, including deductibles and coverage amounts.

DESCRIPTION OF THE TRUSTEE

General

The Trustee was incorporated in the DIFC on 13 October 2016 as a special purpose company under the Companies Law, DIFC Law No. 3 of 2006 and the Special Purpose Company Regulations and with registered number 2286.

Registered Office

The Trustee's registered office is c/o Maples Fund Services (Middle East) Limited, Office 616, 6th Floor, Liberty House, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates, and its telephone number is +971 4511 4200.

Business of the Trustee

The primary purpose of the Trustee is to issue the Certificates and to undertake any ancillary activities. The Trustee is a newly formed DIFC entity and, as the date of the Base Prospectus, has not commenced business and does not have any substantial assets or liabilities save for rights under the Transaction Documents.

Administration

Maples Fund Services (Middle East) Limited acts as the corporate service provider of the Trustee (in such capacity, the "**Corporate Service Provider**"). The office of the Corporate Service Provider serves as the general business office of the Trustee. Through the office, and pursuant to the terms of a corporate services agreement dated 22 November 2016 entered into between the Trustee and the Corporate Service Provider (the "**Corporate Services Agreement**"), the Corporate Service Provider has agreed to perform in the UAE and/or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee and the provision of certain clerical, administrative and other services until termination of the Corporate Services Agreement. The Trustee and the Corporate Service Provider have also entered into a registered office agreement (the "**Registered Office Agreement**") for the provision of registered office facilities to the Trustee. In consideration of the foregoing, the Corporate Service Provider will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement and Registered Office Agreement provide that either the Trustee or the Corporate Service Provider may terminate such agreements upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement and the Registered Office Agreement provide that either party shall be entitled to terminate such agreements by giving at least one month's notice in writing to the other party with a copy to the DIFC Registrar of Companies. Furthermore, the Corporate Service Provider has the right to terminate such agreements in the event that there is a change in the shareholding of the Trustee or the Trustee has breached, or is unable to satisfy, any of its obligations under the Certificates or the relevant Transaction Documents to which it is a party. The Corporate Service Provider will be subject to the overview of the Trustee's Board of Directors. The Corporate Service Provider's principal office is Office 616, 6th Floor, Liberty House, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates. The directors of the Trustee are employees and/or officers of the Corporate Service Provider. The Trustee has no employees and is not expected to have any employees in the future.

Directors

The directors of the Trustee are:

Name	**Principal Occupation**
Aaron Bennett..	Vice President of Maples Fund Services (Middle East) Limited
Andrew Millar	Regional Head of Fiduciary, Middle East of Maples Fund Services (Middle East) Limited

No director of the Trustee has any actual or potential conflicts of interest between the director's private interests and the director's duties to the Trustee.

The directors of the Trustee do not hold any direct, indirect, beneficial or economic interest in any of the shares of the Trustee.

As a matter of DIFC law, each director of the Trustee is under a duty to act honestly and in good faith with a view to the best interests of the Trustee, regardless of any other interests the director may have.

The business address of the directors of the Trustee is c/o Maples Fund Services (Middle East) Limited, Office 616, 6th Floor, Liberty House, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.

Secretary

Maples Fund Services (Middle East) Limited – see address above.

Share Capital

The Trustee has an authorised share capital of U.S.$100 consisting of 100 shares of U.S.$1 nominal value each, of which all 100 shares have been issued and fully paid up as at the date of this Base Prospectus. All of the issued shares are fully-paid and are held by EQUATE.

DESCRIPTION OF EQUATE

Overview

EQUATE was established in 1995 as a closed joint stock company organised under Law No. 15 of 1960 concerning the Commercial Companies Law (as amended) of Kuwait (the "**Commercial Companies Law of Kuwait**"). The Commercial Companies Law has since been replaced by Law No. 1 of 2016 on the Promulgation of the Companies Law (the "**Companies Law of Kuwait**"), which came into effect on 1 February 2016. EQUATE is registered with the Ministry of Commerce and Industry in Kuwait under registration number 63392. EQUATE's registered office is Olympia Tower, 6th Floor, Salmiya, Kuwait and its telephone number is +965 1898888. EQUATE was established to promote the petrochemicals sector in Kuwait and it was Kuwait's first international petrochemicals joint venture. It is the first manufacturer of ethylene, polyethylene and ethylene glycol in Kuwait and commenced commercial operations in 1997. Initially, EQUATE's facilities comprised of one ethane cracker with a design capability of 787.5 KTA, one polyethylene facility with a design capability of 450 KTA and one ethylene glycol plant with a design capability of 400 KTA of monoethylene glycol. In 2009, the capacity of the polyethylene plant was increased to 825 KTA. In August 2016, EQUATE completed a de-bottlenecking process in respect of its polyethylene plant, which increased the capacity of its polyethylene plant to 1,000KTA.

In addition to owning and operating the ethylene glycol and polyethylene production facilities described above, EQUATE also operates and manages a polypropylene plant owned by PIC located in the Shuaiba Industrial Area and the Greater EQUATE project, which comprises TKOC, KPPC and TKSC. See further "*Business—The Group's History*". EQUATE receives a management fee under separate operating and maintenance agreements for its role as operator of the Greater EQUATE project. For a description of these agreements, see "*Related Party Transactions—Services Agreements*".

In accordance with its articles of association, the objects of EQUATE are to engage in the manufacturing of all kinds of petrochemical products and other products affiliated therefrom, to sell, buy, trade, export, import all such products and to engage in any other activities relating thereto including construction and leasing of the necessary services.

Board of Directors

EQUATE's board of directors (the "**EQUATE Board**") is responsible for the management of its business. It is composed of ten members that meet at least six times a year as required by Kuwaiti law. The EQUATE Board has a duty under Kuwaiti law to act in the best interests of EQUATE and decisions relating to EQUATE are made by the EQUATE Board. Moreover, EQUATE has in place a Code of Business Conduct.

The current board members were elected or re-elected by EQUATE's shareholders during the annual shareholders' meeting held on 13 April 2016, and EQUATE does not have alternate members.

The following table lists the current members of the EQUATE Board:

Name	Position
Hosnia Hashim	EQUATE Board Chairman
Raja Zeidan	EQUATE Board Vice Chairman
Dabbous Al-Dabbous	EQUATE Board Member
Sheikh Mubarak Al-Sabah	EQUATE Board Member
Abdullah Al-Sumaiti	EQUATE Board Member
Fahad Al-Dihani	EQUATE Board Member
Luis Antuna	EQUATE Board Member
Luciano Poli	EQUATE Board Member
Javier Constante	EQUATE Board Member
Naser Al Dousari	EQUATE Board Member

The business address where each member of the EQUATE Board can be contacted is Olympia Tower, 6th Floor, Salmiya, Kuwait.

As of the date of this Base Prospectus, there are no actual conflicts of interest between the private interests or other duties of the directors listed above although potential conflicts of interest may arise in the future between the private interests or other duties of the directors listed above and their duties to EQUATE.

The following is a summary of the business experience of the members of the EQUATE Board:

Hosnia Hashim is the deputy chief executive officer ("**Deputy CEO**") of PIC. Mrs. Hashim is also the Vice President of Operations of the Kuwait Petroleum Exploration Company, a role which she assumed in June 2013, and currently sits on the board of the Kuwait National Petroleum Company ("**KNPC**") and the Kuwait Drilling Company. Previously, Mrs. Hashim held positions as the Deputy Chief Operating Officer of the North Kuwait Asset of Kuwait Oil Company ("**KOC**") and Deputy Managing Director of the West Kuwait Asset of KOC. Mrs. Hashim has a bachelor's degree in Chemical Engineering from Kuwait University.

Raja Zeidan is the Vice President Middle East Corporate Development at Dow Europe. He also serves on the boards of EMC, TKOC, TKSC, MEGlobal and Equipolymers, all of which are joint ventures involving PIC and Dow. Mr. Zeidan was instrumental in developing Dow's overall hydrocarbon business in Canada, Switzerland and the United Kingdom. Mr. Zeidan joined Dow in 1982 and held various sales and marketing positions in the Middle East organisation and worked in Kuwait, UAE, Saudi Arabia and Dow's Middle East/Africa's headquarter in Geneva before he joined the hydrocarbons department. Mr. Zeidan has a Master's degree in Chemical Engineering from the University of Manchester in the United Kingdom.

Dabbous Al-Dabbous is the Board Chairman of Boubyan Petrochemical Company ("**BPC**"), which has a 9 per cent. stake in EQUATE.

Sheikh Mubarak Al-Sabah is the Vice Chairman of Action Group Holdings. He is also the Board Chairman of QPIC, a 6 per cent. shareholder in EQUATE.

Abdullah Al Sumaiti is the Deputy CEO for South & East Kuwait Directorate at Kuwait Oil Company ("**KOC**"). In his 30-year career at KOC, Mr. Al-Sumaiti's roles include leading posts in services, process, production, operations, business development, technical affairs and other fields. Mr. Al-Sumaiti holds a bachelor's degree in Mechanical Engineering.

Fahad Al-Dihani is the Deputy CEO for Mina Al-Ahmadi Refinery at KNPC. With over 25 years of professional experience, Mr. Al-Dihani has played a critical role throughout KNPC in refinery operations, performance monitoring, planning, risk management, EH&S, as well as other functions. Mr. Al-Dihani has a bachelor's degree in Industrial Engineering.

Luis Antuna is the Group General Counsel for Dow in Europe. He also serves on the boards of a number of international companies.

Luciano Poli is the chief financial officer ("**CFO**") of Europe, Middle East, Africa & India Division and Global Joint Venture's Finance Leader at Dow. He also serves on the boards of a number of international companies.

Javier Constante is the Commercial Vice President for Packaging and Specialty Plastics at Dow in addition to being a board member of EQUATE. He also serves on the boards of a number of international companies.

Naser Al Dousari is the Olefins Business Development Manager at PIC. He has previously held a number of roles at PIC in operations, corporate business processes, quality and environmental management, joint ventures, olefins business development, as well as business analysis & planning. He also served as the Chief Operating Officer and Director of Corporate Strategy at MEGlobal. He holds a bachelor's degree in Chemical Engineering and a Master of Business Administration in General and Strategic Management.

Senior Management

The following table lists the current senior management of EQUATE:

Name	Position
Mohammad Husain	President and Chief Executive Officer
Dr. Ramesh Ramachandran	Senior Vice President
Tareq Jafar...	Vice President Technical Services
Arnd Thomas..	Vice President of Operations
Phisanu Sermchaiwong	Chief Financial Officer

The business address where each member of the senior management of EQUATE can be contacted is Olympia Tower, 6th Floor, Salmiya, Kuwait.

As of the date of this Base Prospectus, there are no actual conflicts of interest between the private interests or other duties of the members of senior management listed above although potential conflicts of interest may arise in the future between the private interests or other duties of the members of senior management listed above and their duties to EQUATE.

The following is a summary of the business experience of the senior management of EQUATE:

Mohammad Husain was appointed as EQUATE's President and chief executive officer ("**CEO**") in April 2012. With over 30 years of extensive professional service, Mr. Husain has held various leading posts, both administrative and technical, at Kuwait Oil Company, PIC and finally at KNPC as Deputy Chairman and Deputy Managing Director for Mina Al-Ahmadi Refinery. In addition, he served on the EQUATE Board from 2004 to 2012. Mr. Husain is also a board member of the Gulf Petrochemicals and Chemicals Association, as well as other local and international organisations. Mr. Husain holds a Bachelor's degree in Petroleum Engineering from the University of Tulsa in the United States.

Dr. Ramesh Ramachandran was appointed as EQUATE's Senior Vice President in February 2016. With a career of over 25 years in several leading roles at Dow, Dr. Ramachandran has served as the President and CEO of Dow Chemical International Pvt. Ltd. (Dow India), the President of Dow Canada and also the Head of the Strategic Planning Group at Dow, among other prominent positions. Dr. Ramachandran is currently the President of MEGlobal, a subsidiary of EQUATE. Dr. Ramachandran earned his doctorate in Surface and Colloid Chemistry from Columbia University, New York and holds a Master of Business Administration from Rutgers University, New Jersey. Dr. Ramachandran has received multiple awards in recognition of his business contributions and holds several patents and publications to his credit.

Tareq Al-Kandari was appointed as EQUATE's Vice President for Technical Services in October 2015, after holding the post of Senior Executive for Corporate Business Development from July 2009. With over 30 years of experience, Mr. Al-Kandari's career includes a number of leading posts within and outside Kuwait at PIC, EQUATE, establishing the Greater EQUATE Joint-Venture, as well as MEGlobal where he was Deputy CEO. Mr. Al-Kandari holds a Bachelor's degree in Chemical Engineering from the University of Kuwait.

Arnd Thomas was appointed as EQUATE's Vice President of Operations in September 2016. Mr. Thomas has over 27 years of experience with Dow and has held multiple senior positions since joining Dow Terneuzen in 1989. Mr. Thomas held various manufacturing positions until 1996, when he was named process specialist for aromatics within the LHC Technology Centre and then turnaround leader in Freeport, Texas. In 2000, Mr. Thomas relocated to Terneuzen to lead the start-up of the Ethylene-3-plant. After the start-up of this plant, he assumed responsibility as plant leader in Tessenderlo, Belgium in 2002. In 2006, Mr. Thomas moved back to Terneuzen to take on the role of production director polyolefin. Mr. Thomas was named as Global Business Manufacturing director for low density polyethylene in 2009 and in June 2010 became Site leader of the Boehlen Site in Germany. In 2011, Mr. Thomas moved to Stade, Germany as vice-president of operations. In March 2013, Mr. Thomas was appointed as vice-president of operations for Benelux and the managing director of Dow Benelux B.V. In October 2013, Mr. Thomas was appointed as vice president of the board of directors of Dow Benelux B.V. Mr. Thomas holds a Masters in Science from the Technical University of Eindhoven, the Netherlands.

Phisanu Sermchaiwong was appointed as EQUATE's CFO in September 2014. Commencing his career at Dow in 1998, Mr. Sermchaiwong held a number of roles in finance, treasury and controllers throughout

Thailand and the United States. Before joining EQUATE, he was appointed as Finance Director for Dow Thailand and CFO of SCG-Dow Group, a joint venture between Dow and The Siam Cement Group, in 2005, then as Global Financial Planning Director for Dow in 2009. Phisanu holds a Master of Business Administration in Management Information Systems from University of Dallas and a Masters in Finance from Louisiana State University. He is also a certified Chartered Financial Analyst.

Compensation of Directors and Senior Management

For the year ended December, 31 2015, the aggregate compensation of EQUATE's senior management and directors was U.S.$5 million.

Board Practices

The Group's board meets on a regular basis to review performance and the Group's business plans. In addition, the board has established policies for the conduct of the Group's business, including delegations of board authority to directors and members of senior management. The board has appointed committees to ensure appropriate oversight of the Group's companies' operations. None of the members of the board of directors has a service contract that provides for benefits upon his termination as a director.

Board Committees

EQUATE has an audit committee and a finance committee. The members of the audit committee are Naser Al Dousari acting as chairman, Luciano Poli, Sheikh Mubarak Al Sabah and Dabbous Al Dabbous. The internal auditor of EQUATE, currently Areef Shah, is also an *ad hoc* member of this audit committee. The members of the finance committee are Luciano Poli acting as chairman, Naser Al Dousari, Sheikh Mubarak Al Sabah and Dabbous Al Dabbous. The CFO of EQUATE, currently Phisanu Sermchaiwong, is also an *ad hoc* member of this finance committee.

The audit committee meets at least twice a year. The committee is responsible for overseeing the integrity of EQUATE's financial statements, appointing auditors and reviewing the suitability and effectiveness of internal control systems and annual review of EQUATE's internal audit department.

The finance committee meets at least four times a year. The committee is responsible for reviewing EQUATE's financial policies and objectives, short and long-term growth initiatives, material funding requirements, financing strategies, major capital projects and financial risk mitigations.

Principal Shareholders

As of 30 June 2016, the issued share capital of EQUATE consisted of 2,046,387,132 ordinary shares. The following table sets forth EQUATE's shareholders as of 30 June 2016:

	Number of ordinary shares	**Percentage of EQUATE share capital**
Dow Europe Holding B.V.	869,714,531	42.5 per cent.
Petrochemical Industries Company K.S.C.C...	869,714,531	42.5 per cent.
Boubyan Petrochemical Company K.S.C..	184,174,842	9 per cent.
Al-Qurain Petrochemical Industries Company K.S.C	122,783,228	6 per cent.

A short description of each of EQUATE's shareholder is set forth below:

Dow, which is the parents company of Dow Europe Holding B.V., is incorporated in Delaware, United States and is a diversified chemical company with businesses in commodity chemicals, basic plastics, specialty chemicals, specialty plastics and agriculture and specialty materials. Dow manufactures more than 6,000 products from 179 sites in 35 countries across the globe and is one of the largest producer of chemicals and plastics in the United States, with global sales of approximately U.S.$49 billion in 2015. Dow is an "S&P 500" company and is rated BBB (Standard and Poor's)/Baa2 (Moody's)/BBB (Fitch Ratings Ltd.).

PIC is a wholly-owned subsidiary of Kuwait Petroleum Corporation, which is in turn wholly-owned by the Government. PIC is a Kuwaiti shareholding company established by Emiri decree in 1963. PIC is involved in the production and marketing of petrochemical products and also has interests in entities engaged in similar businesses.

BPC is a public shareholding company incorporated in Kuwait with its head office located in Kuwait City. It was established in February 1995 with a capitalisation of KWD 30 million (U.S.$99.3 million, based on the KWD to U.S. dollar exchange rate quoted by Bloomberg on 10 October 2016, being KWD 1 = U.S.$3.3093) through a public offering. BPC was set up mainly as a vehicle to enable the private sector to invest in the Kuwait petrochemicals sector though BPC's 9 per cent. equity stake in EQUATE. As of 31 March 2016, BPC's total assets are in excess of KWD 403 million (U.S.$1.3 billion, based on the KWD to U.S. dollar exchange rate set out above) with a market capitalisation of KWD 257 million (U.S.$850.5 million, based on the KWD to U.S. dollar exchange rate set out above).

QPIC is a public shareholding company, registered in Kuwait in 2004, formed with the aim of investing in EQUATE and other petrochemical companies. PIC is the principal founding shareholder of QPIC and retains a 10 per cent. ownership interest in QPIC. The remaining 90 per cent. interest in QPIC was successfully offered to public investors through Kuwait's largest ever initial public offering in November 2004. QPIC is focused on investing directly and indirectly in companies producing, trading and storing chemical and petrochemical products and related by-products. Headquartered in Kuwait, QPIC is engaged in several projects including EQUATE, Olefins II, Aromatics and Styrene in Kuwait.

Joint Venture Agreement

On 15 July 1995, PIC and Union Carbide Corporation ("**UCC**") entered into a joint venture agreement (the "**EQUATE JV Agreement**") to govern their relationship as majority shareholders in EQUATE and to agree that EQUATE shall enter into certain feedstock supply agreements and services agreements with UCC, PIC or their affiliates.

When Dow purchased UCC in 2001, it replaced UCC under the EQUATE JV Agreement. Under the EQUATE JV Agreement, each of Dow and PIC have pre-emption rights in the event the other party wishes to dispose of its shares in EQUATE.

The EQUATE Board consists of ten members to be appointed by the company's shareholders. PIC has the right to appoint four members of the EQUATE Board, including the right to nominate one of its appointed members as chairman. Dow has the right to appoint four members of the EQUATE Board, including the right to nominate one of its appointed members as vice-chairman. BPC and QPIC each have the right to appoint a single member of the EQUATE Board.

DESCRIPTION OF TKOC

Overview

TKOC was established in 2004 as a closed joint stock company organised under the Commercial Companies Law of Kuwait. The Commercial Companies Law of Kuwait has since been replaced by the Companies Law of Kuwait, which came into effect on 1 February 2016. TKOC is registered with the Ministry of Commerce and Industry in Kuwait under registration number 103722. TKOC's registered office is 1st Floor, Building 19, Block 19, South Sabahiya, Kuwait and its telephone number is +965 1898888. TKOC was established to implement the "Olefins II" project which was a joint venture between PIC and Dow. The "Olefins II" project was an addition to EQUATE's olefins complex and comprised an ethane cracker with a production capacity of 850KTA and an ethylene glycol plant with a production capacity of 650KTA both of which are owned by TKOC. Pursuant to an operations, maintenance and services agreement dated 2 December 2004 between EQUATE and TKOC (the "**TKOC OMSA**"), EQUATE manages the Olefins II complex on behalf of TKOC and provides corporate services to TKOC for which EQUATE receives a management fee. See further "*Related Party Transactions*".

In accordance with its articles of association, the objects of TKOC are:

- to manufacture all petrochemicals and derivatives thereof; and
- to sell, buy, distribute, supply and import such materials as well as participate in all relevant activities including the creation and letting of the necessary services.

Board of Directors

TKOC's board of directors (the "**TKOC Board**") is responsible for the management of TKOC's business. It is composed of ten members that meet at least six times a year as required by Kuwait law. The TKOC Board has a duty under Kuwaiti law to act in the best interests of TKOC and decisions relating to TKOC are made by the TKOC Board. Moreover, as TKOC is managed by EQUATE under the TKOC OMSA, TKOC is subject to the same Code of Business Conduct as EQUATE.

The current members of the TKOC Board were elected or re-elected by TKOC's shareholders during the annual shareholders' meeting held on 13 April 2016, and TKOC does not have alternate members.

The following table lists the current members of the TKOC Board:

Name	Position
Hosnia Hashim	TKOC Board Chairman
Raja Zeidan	TKOC Board Vice Chairman
Abdullah Al-Sumaiti	TKOC Board Member
Fahad Al-Dihani	TKOC Board Member
Luis Antuna	TKOC Board Member
Luciano Poli	TKOC Board Member
Javier Constante	TKOC Board Member
Naser Al Dousari	TKOC Board Member
Mohammed Al-Bahr	TKOC Board Member
Muhaiman Al-Behbehani	TKOC Board Member

The business address where each member of the TKOC Board can be contacted is 1st Floor, Building 19, Block 19, South Sabahiya, Kuwait.

As of the date of this Base Prospectus, there are no actual conflicts of interest between the private interests or other duties of the directors listed above although potential conflicts of interest may arise in the future between the private interests or other duties of the directors listed above and their duties to TKOC.

The following is a summary of the business experience of the members of the TKOC Board:

Mohammad Al-Bahar was appointed as a director of TKOC in July 2008. Mr. Al-Bahar is also the General Manager of Boubyan Petrochemical Company. Mr. Al-Bahar was the Vice President of Gulf

Investment Corporation between October 1985 and July 2001, before joining Boubyan Petrochemical Company in July 2001. Mr. Al-Bahar also currently sits on the board of Boubyan Plastic Industries Company, Al-Jubail Integrated Packaging Company, Arabian Water Proofing Company and NAMA Chemicals Company. Mr Al-Bahar holds a Masters in Science and a Bachelor's degree in Industrial and Systems Engineering from the University of Southern California in the United States.

Muhaiman Al-Behbehani was appointed as a director of TKOC in February 2013. Mr. Al-Behbehani is also the Vice Chairman and CEO of United Oils Projects Company. Prior to joining United Oils Projects Company in 2006, Mr. Al-Behbehani held several positions in Kuwait National Petroleum Company. Mr. Al-Behbehani holds a Bachelor's degree in Mechanical Engineering from the University of Toledo, Ohio in the United States.

For a summary of the business experience of the remaining members of the TKOC Board, see "*Description of EQUATE—Board of Directors*".

Senior Management

The following table lists the current members of the senior management of TKOC:

Name	Position
Mohammad Husain	Chief Executive Officer
Phisanu Sermchaiwong	Chief Financial Officer

The business address where each member of the senior management of TKOC can be contacted is 1st Floor, Building 19, Block 19, South Sabahiya, Kuwait.

As of the date of this Base Prospectus, there are no actual conflicts of interest between the private interests or other duties of the members of senior management listed above although potential conflicts of interest may arise in the future between the private interests or other duties of the members of senior management listed above and their duties to TKOC.

Mohammad Husain was appointed as TKOC's CEO on 8 April 2012.

Phisanu Sermchaiwong was appointed as TKOC's CFO on 1 September 2014.

For a summary of the business experience of the senior management of TKOC, see "*Description of EQUATE—Senior Management*".

Compensation of Directors

For the year ended 31 December 2015, the aggregate compensation of TKOC's directors was U.S.$79,000.

Board Practices

The TKOC Board meets on a regular basis to review performance and its business plans. In addition, the TKOC Board has established policies for the conduct of TKOC's business, including delegations of board authority to directors and members of senior management. The TKOC Board has appointed committees to ensure appropriate oversight of TKOC's operations. None of the members of the TKOC Board has a service contract that provides for benefits upon his termination as a director.

Board Committees

From 1 January 2013, the audit committee and the finance committee of EQUATE also acts as the audit committee and the finance committee of TKOC, with each committee having the same respective authority and responsibilities in relation to both companies. For a description of the audit committee and the finance committee, see "*Description of EQUATE—Board Committees*".

Principal Shareholders

As of 30 June 2016, the issued share capital of TKOC consisted of 1,060 million ordinary shares. The following table sets forth TKOC's shareholders as of 30 June 2016:

	Number of ordinary shares	Percentage of TKOC share capital
Dow Europe Holding B.V.	450,500,000	42.5 per cent.
Petrochemical Industries Company K.S.C.C	450,500,000	42.5 per cent.
Boubyan Petrochemical Company K.S.C.	95,400,000	9 per cent.
Al-Qurain Petrochemical Industries Company K.S.C	63,600,000	6 per cent.

As TKOC has the same shareholders as EQUATE, see "*Description of EQUATE—Principal Shareholders*" for a description of each of TKOC's shareholders.

Shareholders' Agreement

On 9 November 2004, Dow and PIC entered into a shareholders' agreement (the "**TKOC Shareholders' Agreement**") to govern their relationship as the majority shareholders in TKOC and to agree that TKOC shall enter into certain feedstock supply agreements and services agreements with Dow, PIC or their affiliates.

The TKOC Shareholders' Agreement is for an indefinite term and will terminate automatically upon either Dow or PIC no longer holding any share in TKOC, or if TKOC is wound up. Under this agreement, each of Dow and PIC have pre-emption rights in the event the other party wishes to dispose of its shares in TKOC.

The TKOC Board consists of ten members to be appointed by the company's shareholders. PIC has the right to appoint four members of the TKOC Board, including the right to nominate one of its appointed members as chairman. Dow has the right to appoint four members of the TKOC Board, including the right to nominate one of its appointed members as vice-chairman. BPC and QPIC each have the right to appoint a single member of the TKOC Board.

RELATED PARTY TRANSACTIONS

EQUATE and TKOC enter into transactions with their principal shareholders and their affiliates from time to time and in the ordinary course of their business on terms no less favourable to the Group than agreements which would otherwise be entered into with third parties. In accordance with EQUATE's and TKOC's internal policies, related party transactions must be approved by the relevant board of directors. Where a shareholder has a conflict of interest in respect of such matter, its representative(s) on the board of directors are excluded from voting pursuant to the Companies Law of Kuwait.

Set forth below is a summary of the material agreements that the Group has entered into with its principal shareholders and their affiliates. See note 7, "Related Party Transactions" of the notes to the Group H1 2016 Combined Financial Statements appearing elsewhere in this Base Prospectus or incorporated by reference in this Base Prospectus (see "*Documents Incorporated by Reference*"), as the case may be, for further details of the significant related party transactions and their respective balances.

In 2015, Dow announced its intention to reduce its shareholding in all of its Kuwaiti joint ventures as part of a broader divestiture plan. As of the date of this Base Prospectus, there has been no further announcement from Dow regarding the details of this planned divestiture. In the event that Dow does reduce its shareholding in the future, the Group does not believe this will have an impact on the MEGlobal Group's feedstock supply contracts and licensing agreements with Dow.

Feedstock Supply Agreements

On 1 June 1996, PIC entered into a Feedstock Supply Agreement with EQUATE which sets out the terms of upon which PIC will supply feed gas and fuel gas to EQUATE's facilities in Kuwait, which was subsequently amended on 2 December 2004 by the parties. This agreement is for an indefinite term and subject to termination by mutual consent of the parties.

On 2 December 2004, PIC entered into a Feedstock Supply Agreement with TKOC which sets out the terms upon which PIC will supply feed gas and fuel gas to TKOC's facilities in Kuwait. This agreement is for an indefinite term and subject to termination by mutual consent of the parties.

On 30 June 2004, Dow Chemical Canada Inc., a wholly-owned subsidiary of Dow, entered into an Ethylene Supply Agreement with MEGlobal Canada setting forth the terms upon which Dow Chemical Canada Inc. supplies to MEGlobal Canada. This agreement is for a term of 20 years, with two potential five-year extensions at the sole option of the Group. This agreement is subject to termination by (i) mutual consent of the parties and (ii) by the non-defaulting party in the case of non-payment or breach of a material obligation by the other party which is unremedied within the applicable grace period.

On 2 December 2004, EQUATE entered into an Ethylene Supply Agreement with TKOC. Under the terms of the agreement, the price per MT of ethylene is paid to TKOC based on the quantities delivered by EQUATE at the contract price. This agreement is for an indefinite term and subject to termination by mutual consent of the parties.

On 23 December 2015, MEGlobal Americas, Inc. entered into an Ethylene Supply Agreement with Dow which sets out the terms upon which Dow will supply feed gas to the ethylene glycol plant in the U.S. Gulf Coast that the Group is in the process of constructing. This Ethylene Supply Agreement is for an indefinite term and subject to termination of the Master Project Agreement up until the ethylene delivery start date and the commercial operation date of the plant, each as forth in this agreement (the "**Automatic Termination Date**"). In the period commencing on the signing of the Ethylene Supply Agreement and ending on the Automatic Termination Date, the Master Project Agreement may be terminated by mutual consent of the parties, or by the non-defaulting party upon the occurrence of, amongst others, an event of default attributable to, or an insolvency event in respect of, the other party. Following the Automatic Termination Date, the Ethylene Supply Agreement is subject to (ii) termination by mutual consent of the parties, and (iii) termination by the non-defaulting party for non-payment or breach of an obligation by which has a material adverse effect on the non-breaching party, in each case subject to agreed grace periods and monetary thresholds. See "*—Other Agreements*" and "*Business—Ethylene Glycol business line—Facilities—U.S. Gulf Coast Project*".

OMSAs and MUSAs

On 2 December 2004, EQUATE entered into a number of Operations, Maintenance and Services Agreements (the "**OMSAs**") with each of TKOC, TKSC, KARO and PIC. Under the terms of these agreements, EQUATE provides operating, maintenance and other services to each of the above entities, for which EQUATE receives a fixed management fee over and above the actual operating cost. These agreements are for an indefinite term and were subsequently amended on 8 February 2006 to substitute KARO with KPPC, which is a wholly-owned subsidiary of KARO.

On 2 December 2004, EQUATE entered into a number of Materials and Utility Supply Agreements (the "**MUSAs**") with each of TKOC, TKSC, KARO and PIC. The MUSA between EQUATE and KARO was subsequently amended on 8 February 2006 to substitute KARO with KPPC. Under the terms of the agreements, each of TKOC, KPPC and TKSC have paid EQUATE up-front a reservation fee for the usage of common utilities and infrastructure facilities under the Olefins II project to the extent of construction cost incurred by EQUATE based on agreed proportional use of such common facilities.

Licensing Agreements

In 1995, Union Carbide Corporation ("**UCC**") (which has since become a subsidiary of Dow) entered into an Ethylene Glycol License Agreement and a Unipol® Polyethylene Technology Agreement with EQUATE to supply EQUATE with certain of UCC's technology and licenses relating to the manufacture of ethylene glycol and polyethylene. These agreements are for an indefinite term.

In 2004, Union Carbide Chemicals and Plastics Technology Corporation ("**UCCPTC**"), a subsidiary of Dow, entered into an Ethylene Glycol License Agreement with TKOC to supply TKOC with certain of UCCPTC's technology and licenses relating to the manufacture of ethylene glycol. This agreement is for an indefinite term.

In 2004, MEGlobal Canada and Dow entered into an Ethylene Oxide/Ethylene Glycol License Agreement, which granted MEGlobal Canada a non-exclusive right and license to use certain of Dow's processes to manufacture products including ethylene oxide, monoethylene glycol and diethylene glycol in two manufacturing facilities located in Alberta, Canada. MEGlobal Canada is also permitted under this agreement to sell certain of the manufactured products worldwide and use Dow's proprietary methods in the management and operation of MEGlobal Canada's business and facilities.

Marketing and Sales Agreements

EMC, which is owned by PIC and UCC, is the exclusive sales agent in certain territories for the marketing of polyethylene and styrene produced by EQUATE and TKSC respectively. EQUATE reimburses all the actual expenses incurred by EMC.

Finance Agreements

On 31 May 2006, EQUATE entered into a U.S.$1.5 billion term loan with TKOC. The term loan is repayable over a period of 11 years in biannual instalments starting from 15 December 2009 with an interest rate of: LIBOR plus 0.625 per cent. from the interest commencement date to 19 May 2013; LIBOR plus 0.725 per cent. from 19 May 2013 to 19 May 2016; and LIBOR plus 0.825 per cent. from 19 May 2016 to the maturity date. As of 30 June 2016, the amount outstanding under this term loan was U.S.$590.8 million and the interest rate was 1.2758 per cent.

Dow International Finance S.a.r.l. ("**DIFS**"), a subsidiary of Dow, provides cash management services to MEGlobal by making an overnight cash sweep facility available. Under this arrangement, MEGlobal sweeps all of its bank accounts and either invests or borrows funds on an overnight basis. Under the terms of the agreement, MEGlobal can borrow from DIFS at interest rates ranging from LIBOR plus a positive spread as set by Dow each half year that represents transactions with unrelated parties under similar terms and conditions plus 0.125 per cent. and inversely invest with DIFS at LIBOR plus a positive spread as set by Dow each half year that represents transactions with unrelated parties under similar terms and conditions minus 0.125 per cent. Amounts outstanding as of 31 December 2015 under these arrangements were a net deposit of U.S.$65 million at interest rates ranging from 0.62 per cent. to 1.46 per cent. These are indefinite credit arrangements subject to termination by either party. Interest is accrued monthly and capitalised.

Other Agreements

The MEGlobal Group's feedstock supply contracts and licensing agreements with Dow remained in place following the completion of the acquisition of MEGlobal Group by the EQUATE Group. On 21 December 2015, Dow and PIC entered into an omnibus amendment and waiver agreement (the "**Omnibus Agreement**") with a number of parties, including MEGlobal Canada and MEGlobal B.V., to provide for the continuation of various agreements which would have otherwise terminated as a result of the sale of the MEGlobal Group to the EQUATE Group due to change in control restrictions in those agreements. The Omnibus Agreement also included a number of waivers by parties who, as a result of the sale of the MEGlobal Group, would have been granted the right to terminate certain contracts or agreements with companies within the MEGlobal Group.

On 23 December 2015 Dow and MEGlobal Americas Inc. entered into a Master Project Agreement in relation to the U.S. Gulf Coast project, see "*Business—Ethylene Glycol business line—Facilities—U.S. Gulf Coast Project*". This agreement sets out the rights and obligations of each party in connection with the, amongst others, the provision of services and utilities, construction, and management of the U.S. Gulf Coast project. The Master Project Agreement shall no longer apply to the U.S. Gulf Coast ethylene glycol plant upon the Automatic Termination Date. Until the Automatic Termination Date, the Master Project Agreement may be terminated by mutual consent of the parties or by the non-defaulting party upon the occurrence of, amongst others, an event of default attributable to, or an insolvency event in respect of, the other party.

OVERVIEW OF KUWAIT

Unless indicated otherwise, information in this section has been derived from Kuwaiti government publications.

Country Profile

Kuwait is a sovereign state on the coast of the Arabian Gulf, enclosed by Saudi Arabia to the south and south west and Iraq to the north and west. Kuwait has proven conventional crude oil reserves of 101,500 million barrels, the fifth largest in the world (according to OPEC's Annual Statistical Bulletin 2015). The total area of Kuwait is 17,818 square kilometres. Kuwait is a constitutional monarchy with a parliamentary system of government and Kuwait City serves as the state's political and economic capital. Kuwait has an open economy that is primarily dependent on its oil industry and which is dominated by the government sector. Based on information from the Public Authority for Civil Information, Kuwait's population was approximately 4.2 million as of December 2015 (of which Kuwaiti nationals accounted for 30.9 per cent.).

Political Overview

Kuwait is a constitutional monarchy. The head of state, the Emir, appoints the prime minister, who leads a collective majority of elected members of parliament (the "**National Assembly**") to form the government of Kuwait. The prime minister selects a cabinet of a maximum of 16 members and at least one cabinet minister must be drawn from the elected parliament. The membership of the cabinet is subject to the approval of the Emir. The current National Assembly was elected in July 2013.

The current Emir is His Highness Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, with the current Crown Prince being His Highness Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah and the current prime minister being His Highness Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah.

In terms of foreign relations and membership of international organisations, Kuwait, together with Bahrain, Oman, Qatar, Saudi Arabia and the United Arab Emirates, form the Gulf Cooperation Council or GCC. Kuwait is also a member of OPEC and the United Nations. It is also a member of numerous international and multilateral organisations, including the International Monetary Fund (the "**IMF**"), the International Bank for Reconstruction and Development (World Bank), the World Trade Organisation (WTO), the League of Arab States, the Organisation of the Islamic Conference, the Multilateral Investment Guarantee Agency and the United Nations Educational, Scientific and Cultural Organisation (UNESCO).

Economic Overview

According to data from the IMF's World Economic Outlook Database of October 2016, Kuwait's real gross domestic product ("**GDP**") increased by 1.1 per cent. in 2015 and is projected to increase by 2.5 per cent. in 2016. The IMF estimates that Kuwait's GDP will increase by 2.6 per cent. in 2017. Kuwait has posted sixteen consecutive budget surpluses totalling KD 87.1 billion, before posting a deficit of KD 4.6 billion for the 2015/2016 fiscal year (*Source: Ministry of Finance*).

Official Census Statistical Bureau ("**CSB**") data indicate that inflation, on an average consumer price-measure, was 2.7 per cent. in 2013, 2.9 per cent. in 2014 and 3.3 per cent. in 2015. The IMF projects that inflation will increase to 3.4 per cent in 2016 and to 3.8 per cent. in 2017.

The oil and oil products sector is the most significant contributor to Kuwait's GDP. Oil and gas exports accounted for 61.8 per cent. of Kuwait's nominal GDP in 2013 and 56.6 per cent. of Kuwait's nominal GDP in 2014. Oil and gas exports were projected to account for an average 41.3 per cent. of nominal GDP for the period from 2015 to 2020 (according to the IMF's December 2015 Article IV Consultation with Kuwait). The sector is also the main contributor to Kuwait's annual revenues. On average, Kuwait produced 2.9 million barrels of crude oil each day in 2015 (*Source: OPEC Annual Statistical Bulletin 2016*). Kuwait's fiscal breakeven oil price is estimated at U.S.$52.1 per barrel for 2016 and is projected to be U.S.$52.8 per barrel in 2017 (*Source: IMF's Regional Economic Outlook Update: Middle East and Central Asia, April 2016*).

The IMF estimates that real non-oil GDP growth, after moderating to 3.0 per cent in 2015, should hold at that level and gradually improve to 4.0 per cent. by 2020, supported by government investment in infrastructure and private investment.

Kuwait is estimated to have held reserves of foreign exchange and gold worth U.S.$29.3 billion as at 31 December 2015 (*Source: IMF's Regional Economic Outlook Update: Middle East and Central Asia, April 2016*). In addition, Kuwait's sovereign wealth fund, the Kuwait Investment Authority, which was launched in 1953 and is the oldest sovereign wealth fund in the GCC region, has approximately U.S.$592 billion of assets under management according to data (June 2016 estimate) from the Sovereign Wealth Fund Institute.

In February 2015, the National Assembly approved a new five-year development plan (the "**Kuwait Development Plan**") that envisages spending of approximately KD 34 billion to implement over 500 projects. The Kuwait Development Plan commenced in April 2015 and is scheduled to end in March 2020. The Kuwait Development Plan is the second of a series of 5-year plans based on a strategic vision for 2035 that emphasises investment in infrastructure, health and education, and envisages significant co-participation of the private sector through the establishment of public shareholding companies. The primary objectives of the plan are to boost GDP, increase the private sector share of the economy and raise the number of Kuwaitis in the private sector.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Trustee and the Principal Paying Agent (as defined in the Conditions).

Master Purchase Agreement

The Master Purchase Agreement will be entered into on 15 December 2016 between the Trustee (in its capacity as purchaser of the Initial Assets) and EQUATE (in its capacity as "**Seller**") and will be governed by the laws of Kuwait. A Supplemental Purchase Agreement between the same parties will be entered into on the Issue Date of the first Tranche of each Series and will also be governed by the laws of Kuwait.

Pursuant to the Master Purchase Agreement, the Seller may, from time to time in relation to the first tranche of Certificates (being a "**Tranche**") issued under a Series, agree to sell and transfer to the Trustee, and the Trustee may, from time to time, agree to purchase and accept the transfer from the Seller of all of the Seller's interests, rights, title, benefits and entitlements, present and future, in, to and under the relevant Initial Assets for the a purchase price specified in the Supplemental Purchase Agreement (the "**Asset Purchase Price**"), which will be payable on the Issue Date of the first Tranche of the relevant Series. The Purchaser will use no less than 52 per cent. of the issue proceeds of the first Tranche of a Series to purchase Initial Assets pursuant to the Master Purchase Agreement and the relevant Supplemental Purchase Agreement. The relevant Initial Assets (being the "**Initial Lease Assets**") will be set out in the schedule to the relevant Supplemental Purchase Agreement.

Master Lease Agreement

The Master Lease Agreement will be entered into on 15 December 2016 between the Trustee (in its capacity as lessor of the relevant Lease Assets of each Series) and EQUATE (in its capacity as "**Lessee**") and will be governed by the laws of Kuwait. A Supplemental Lease Agreement between the same parties will be entered into on the Issue Date of the first Tranche of each Series and will also be governed by the laws of Kuwait.

Pursuant to the Master Lease Agreement, the Trustee may, from time to time in relation to the first Tranche issued under a Series, agree to lease to the Lessee, and the Lessee may agree to lease from Trustee, the relevant Lease Assets for the relevant Lease Term in consideration for the payment of Rental by the Lessee on each Rental Payment Date for each Lease Period of the relevant Lease Term upon and subject to the terms and conditions contained in the Master Lease Agreement and the relevant Supplemental Lease Agreement. Where the Master Lease Agreement is reached on: (i) the Issue Date of the first Tranche issued under a Series; or (ii) any Substitution Date (as defined in the Sale Undertaking) on which a Total Substitution Event occurs, the Trustee and the Lessee will enter into a Supplemental Lease Agreement on that Issue Date or any Substitution Date (as the case may be) which will, among other things, specify the Lease Assets as at that Issue Date.

Each Rental (less any Services Charge Amount incurred by the Trustee in relation to the relevant Lease Assets for the relevant Lease Period) shall be paid by the Lessee in the Specified Currency without any prior notice or demand, and together with all other payments (if any) due under the terms of the Master Lease Agreement and the relevant Supplemental Lease Agreement to Trustee to the Transaction Account on each Rental Payment Date.

Under the terms of the Master Lease Agreement and the relevant Supplemental Lease Agreement, the Lessee shall, at its own cost and expense, be responsible for performing or procuring the performance of all Ordinary Maintenance and Repair required for the relevant Lease Assets during each Lease Period and the payment of all common, utility and other expenses (including without limitation those relating to electricity, gas and water) incurred in connection with the use of the relevant Lease Assets.

The Trustee shall be responsible for:

(a) the performance of all Major Maintenance and Structural Repair;

(b) the payment of Proprietorship Taxes (if any); and

(c) obtaining insurance for the Lease Assets and, to the extent that it is reasonable and commercially practicable, in a manner compliant with the principles of Islamic finance,

and the Lessee acknowledges that Trustee will procure that the Service Agent, in accordance with the terms and conditions set out in the Service Agency Agreement, shall perform, or shall procure the performance of, all Major Maintenance and Structural Repair, the payment of Proprietorship Taxes (if any) and obtaining insurance for the relevant Lease Assets.

If a Total Loss Event occurs with respect to the Lease Assets of a Series, then, without prejudice to any right or remedy that Trustee may have under any Transaction Document or by law in respect of that Series, the Lease in respect of that Series shall automatically terminate and Trustee will be entitled (in addition to any amounts payable pursuant to clause 6 (*Insurance*) of the Service Agency Agreement) to any due and unpaid Rental in respect of that Series up to the date on which the Total Loss Event occurred.

All Rental and other payments by the Lessee to Trustee under the Master Lease Agreement and each Supplemental Lease Agreement must be made without set off (save as provided in the Service Agency Agreement) or counterclaim of any kind and without any deduction or withholding for or on account of Tax unless required by law and, in the event that a deduction or withholding is imposed by or on behalf of any relevant taxing authority in relation to the Rental or any corresponding payment by Trustee pursuant to the Certificates, the Lessee shall pay all additional amounts as will result in the receipt by Trustee of such net amounts as would have been received by it if no such deduction or withholding had been made.

Service Agency Agreement

The Service Agency Agreement will be entered into on 15 December 2016 between the Trustee and EQUATE (in its capacity as Service Agent) and will be governed by English law.

Pursuant to the Service Agency Agreement, in relation to each Series, the Trustee appointed the Service Agent to provide the following services (the "**Services**") in accordance with the terms of the Service Agency Agreement:

(a) it shall carry out all Major Maintenance and Structural Repair in respect of the Lease Assets of each Series on behalf of the Trustee (as lessor);

(b) so long as the Trustee remains the owner of the Lease Assets of any Series, the Service Agent, on behalf of the Trustee, shall pay all Proprietorship Taxes (if any) charged, levied or claimed in respect of the Lease Assets by any relevant taxing authority; and

(c) it shall:

    (i) be responsible for ensuring that the Lease Assets of each Series are, so long as the Certificates of that Series are outstanding, insured and, to the extent that it is reasonable and commercially practicable, in a Shariah compliant manner (the "**Takaful/Insurances**") against a Total Loss Event in an insured amount in the Specified Currency of the relevant Series, at all times, at least equal to the Takaful/Insurance Coverage Amount;

    (ii) promptly make a claim in respect of each loss relating to the Lease Assets in accordance with the terms of the Takaful/Insurances and diligently pursue such claim under the terms of the Takaful/Insurances; and

    (iii) ensure that, in the event of a Total Loss Event occurring, all Takaful/Insurance Proceeds in an amount at least equal to the Takaful/Insurance Coverage Amount are paid in the Specified Currency of that Series directly into the Transaction Account as soon as practicable and in any event by no later than close of business in Kuwait on the 30th day after the occurrence of the Total Loss Event.

The Service Agent shall provide the Services under the Service Agency Agreement in accordance with all applicable laws and regulations and with the degree of skill and care that it would exercise in respect of its own assets.

EQUATE is entitled to receive a fee for acting as the Service Agent which comprises a fixed fee of U.S.$100 (the receipt and adequacy of which is acknowledged by the Service Agent under the Service Agency Agreement).

If a Total Loss Event occurs in relation to a Series and the terms of the Service Agency Agreement are not strictly complied with by the Service Agent, an amount (if any) less than the Takaful/Insurance Coverage Amount is credited to the Transaction Account pursuant to the applicable clause of the Service Agency Agreement (the difference between the Takaful/Insurance Coverage Amount and the amount credited to the Transaction Account being the "**Total Loss Shortfall Amount**"), then the Service Agent (unless it proves beyond any doubt that any shortfall in the Takaful/Insurance Proceeds is not attributable to its negligence or its failing to comply with the terms of the Service Agency Agreement relating to insurance) acknowledges that it shall have failed in its responsibility to properly insure the Lease Assets of that Series and accordingly irrevocably and unconditionally undertakes to pay (in the Specified Currency of that Series in same day, freely transferable, cleared funds) the Total Loss Shortfall Amount directly to the Transaction Account as soon as practicable and in any event by no later than close of business in Kuwait on the 31st day after the Total Loss Event has occurred. Thereafter, and subject to the Service Agent's strict compliance with the Service Agency Agreement, any Takaful/Insurance Proceeds received from any insurer in respect of the relevant Lease Assets shall be for the Service Agent's sole account.

The Service Agent has agreed in the Service Agency Agreement (and except as provided herein) that all payments by it under the Service Agency Agreement will be made without any deduction or withholding for or on account of any present or future Taxes imposed by the Relevant Jurisdictions unless required by law and without set-off or counterclaim of any kind. If there is any deduction or withholding, the Service Agent shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made. In addition, if additional amounts are payable by the Trustee in respect of the Certificates in accordance with Condition 10 (*Taxation*), the Service Agent will agree in the Service Agency Agreement to pay to the Trustee an amount equal to such additional amounts by payment to the Transaction Account by wire transfer for same day value so that the full amount which would otherwise have been due and payable under the Certificates is received by the Trustee. The payment obligations of the Service Agent under the Service Agency Agreement will be direct, unsubordinated and unsecured obligations of the Service Agent and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Service Agent, present and future.

The Service Agent shall, in relation to each Series, on or prior to each Services Invoice Date, submit to the Trustee or its agent one or more invoices for any Services Charge Amount incurred by it in the Lease Period of each Series in which such Services Invoice Date falls.

Purchase Undertaking

The Purchase Undertaking will be executed as a deed on 15 December 2016 by EQUATE as obligor in favour of the Trustee and the Delegate and will be governed by English law.

EQUATE will, in relation to each Series, irrevocably undertake in favour of the Trustee and the Delegate to purchase and accept the purchase and conveyance of all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the relevant Lease Assets on the Scheduled Dissolution Date or any earlier due date for dissolution following the occurrence of a Dissolution Event, as the case may be, at the Exercise Price by entering into a sale agreement in the form scheduled to the Purchase Undertaking.

If the Delegate exercises its option prior to the Scheduled Dissolution Date of the relevant Series, an Exercise Notice will be required to be delivered by the Delegate under the Purchase Undertaking.

In relation to each Series and provided that a Total Loss Event has not occurred in respect of the Lease Assets of that Series, the Trustee will also be entitled to exercise the Purchase Undertaking following:

(a) any exercise by the Certificateholders of their right to require the Trustee to redeem their Certificates on a Certificateholder Put Right Date, in which case EQUATE will be required to purchase and accept the transfer of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under a proportion of the relevant Lease Assets not exceeding such proportion as is determined by dividing: (i) the aggregate outstanding face amount of Certificates to be redeemed pursuant to the exercise of the Certificateholder Put Right; by (ii) the aggregate outstanding face amount of the Certificates of the relevant Series (the "**Certificateholder Put Right Proportion**"), at the Certificateholder Put Right Exercise Price and by entering into a sale agreement in the form scheduled to the Purchase Undertaking; and

(b) in relation to each Series, the Trustee will also be entitled to exercise the Purchase Undertaking following any exercise by the Certificateholders of their right to require the Trustee to redeem their Certificates on a Change of Control Put Date, in which case EQUATE will be required to purchase and accept the transfer of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under a proportion of the relevant Lease Assets not exceeding such proportion as is determined by dividing: (i) the aggregate outstanding face amount of Certificates to be redeemed pursuant to the exercise of the Change of Control Put Right; by (ii) the aggregate outstanding face amount of the Certificates of the relevant Series (the "**Change of Control Put Right Proportion**"), at the Change of Control Put Right Exercise Price and by entering into a sale agreement annexed to the Purchase Undertaking.

EQUATE has agreed in the Purchase Undertaking that, save as set out in the Purchase Undertaking, all payments by it under the Purchase Undertaking will be made without any deduction or withholding for or on account of any present or future Taxes imposed by the Relevant Jurisdictions tax unless required by law and without set-off or counterclaim of any kind and, in the event that there is any deduction or withholding, EQUATE shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made. In addition, if additional amounts are payable by the Trustee in respect of the Certificates in accordance with Condition 10 (*Taxation*), EQUATE will agree in the Purchase Undertaking to pay to the Trustee an amount equal to such additional amounts by payment to the Transaction Account by wire transfer for same day value so that the full amount which would otherwise have been due and payable under the Certificates is received by the Trustee. The payment obligations of EQUATE under the Purchase Undertaking will be direct, unsubordinated and unsecured obligations of EQUATE and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of EQUATE, present and future. Notwithstanding the above, if all of the Certificates of a Series are being redeemed in full an amount equal to the relevant Services Charge Amount to be paid by EQUATE as part of any Exercise Price, Certificateholder Put Right Exercise Price or Change of Control Put Right Exercise Price (as applicable) hereunder and any Services Charge Amount to be paid by the Trustee under the Service Agency Agreement which have not been paid shall be set off against one another.

In the Purchase Undertaking, EQUATE has undertaken to comply with all provisions of the Conditions and the Transaction Documents to which it is a party and which are expressed to be applicable to it including, without limitation the negative pledge provisions described in Condition 6.2 (*Negative Pledge*).

To the extent that the sale and transfer of any interest in the Obligor's rights, title, interests, benefits and entitlements in, to and under any of the Lease Assets, the Certificateholder Put Right Lease Assets or the Change of Control Put Right Lease Assets, as the case may be, is not effective in any jurisdiction for any reason, the Obligor hereby agrees to (i) make payment of an amount equal to the purchase price (howsoever described) paid by the Trustee for such Lease Assets pursuant to any Transaction Document by way of restitution to the Trustee immediately upon request; and (ii) indemnify fully the Trustee for any shortfall between the amount in paragraph (i) and the amount required for the purpose of redemption in full of the relevant Certificates of the relevant Series and, accordingly, the amount payable under any such indemnity will equal the Exercise Price, the Certificateholder Put Right Exercise Price or the Change of Control Put Right Exercise Price.

Sale Undertaking

The Sale Undertaking will be executed as a deed on 15 December 2016 by the Trustee in favour of EQUATE and will be governed by English law.

In relation to each Series, pursuant to the Sale Undertaking, the Trustee irrevocably granted to EQUATE the right:

(a) on the conditions described in Condition 8.2 (*Early Dissolution for Taxation Reasons*), to require the Trustee to sell, transfer and convey to EQUATE on the Early Tax Dissolution Date all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the Lease Assets at the Exercise Price by executing a sale agreement;

(b) if and to the extent that any Certificates have been purchased and are to be cancelled pursuant to Condition 8.8 (*Purchases*) and 8.9 (*Cancellation*) (the "**Cancellation Certificates**"), to require the Trustee to purchase the Cancellation Certificates from EQUATE in consideration for:

    (i) the sale and transfer of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under a proportion of the Lease Assets not exceeding such proportion as is determined by dividing: (i) the aggregate outstanding face amount of Certificates to be cancelled pursuant to Condition 8.8 (*Purchases*) and Condition 8.9 (*Cancellation*); by (ii) the aggregate outstanding face amount of the Certificates of the relevant Series (the "**Cancellation Proportion**"); and

    (ii) the payment of an amount equal to the product of the aggregate outstanding Deferred Sale Price under each Murabaha Contract relating to the relevant Series and the Cancellation Proportion, as determined on the relevant date on which the Cancellation Certificates are to be cancelled immediately prior to the redemption and cancellation of the relevant Cancellation Certificates (the "**Cancellation Amount**"),

    in each case, by executing a sale agreement;

(c) provided that Optional Dissolution Right is specified as applicable in the applicable Final Terms and EQUATE has exercised the Optional Dissolution Right in accordance with the Conditions, to require the Trustee to sell and transfer to EQUATE all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under a proportion of the Lease Assets not exceeding such proportion as is determined by dividing: (i) the aggregate outstanding face amount of Certificates to be redeemed pursuant to the exercise of the Optional Dissolution Right; by (ii) the aggregate outstanding face amount of the Certificates of the relevant Series (the "**Optional Dissolution Proportion**"), at the Optional Dissolution Exercise Price by executing a sale agreement;

(d) **provided that** the Trustee has issued an additional Tranche of Certificates in accordance with Condition 20 (*Further Issues*) (the "**Relevant Tranche**") in respect of an existing Series, to require the Trustee on the Issue Date of the Relevant Tranche to accept the transfer of all of EQUATE's interests, rights, benefits and entitlements in, to and under certain additional Eligible Assets (the "**Additional Assets**") at the Additional Exercise Price by entering into an additional purchase agreement in the form scheduled to the Sale Undertaking, provided that:

    (i) the Value of the Additional Assets as at the Issue Date of the Relevant Tranche (the "**Additional Asset Value**") is no less than 52 per cent. of the face amount of the Certificates issued pursuant to the Relevant Tranche;

    if the Additional Asset Value is less than the face amount of the Certificates issued pursuant to the Relevant Tranche, EQUATE has issued or, simultaneously with issuing an Exercise Notice in accordance with the terms of the Sale Undertaking, will issue a Notice of Request to Purchase pursuant to the terms of the Master Murabaha Agreement specifying a Commodity Purchase Price that is equal to the face amount of the Certificates issued pursuant to the Relevant Tranche less the Additional Asset Value; and

    (ii) the Additional Exercise Price payable for the relevant Additional Assets is an amount equal to the issuance proceeds from the Relevant Tranche less the Commodity Purchase Price specified in any Notice of Request to Purchase issued in connection with the Relevant Tranche and as contemplated by paragraph (ii) above (if any); and

(e) to require, from time to time at EQUATE's sole discretion, the Trustee to sell, transfer and convey all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under any or all of the Lease Assets (the "**Substituted Assets**") to it in exchange for New Assets of a Value which is equal to or greater than the Value of the Substituted Assets (as certified by EQUATE in the relevant Substitution Notice), and provided that the New Assets are Eligible Assets. The substitution of the Substituted Assets with the New Assets will become effective on the date specified in the Substitution Notice to be delivered by EQUATE, by the Trustee and EQUATE entering into a sale agreement. In the event that Substituted Assets constitute all of the Lease Assets of the Series on the relevant Substitution Date (as defined in the Sale Undertaking), the then existing Supplemental Lease Agreement shall terminate and the Trustee and the Lessee will enter into a Supplemental Lease Agreement on that Substitution Date which will, among other things, specify the New Assets as the Lease Assets as at that Substitution Date. Schedule 1 (*Lease Assets*) of each relevant Supplemental Lease Agreement shall be updated on: (i) each date on which any Lease Asset under that Series is transferred to EQUATE in accordance with the Transaction Documents; and (ii) each date on which an Additional Purchase Agreement is entered into in connection with the relevant Series in accordance with the terms of the Sale Undertaking.

Master Murabaha Agreement

In connection with each Tranche under each Series of Certificates, the Trustee may desire to enter into a Commodity Murabaha Investment with EQUATE (in its capacity as buyer, the "**Buyer**") using a portion of the issue proceeds of the relevant Tranche as specified in the applicable Final Terms and which will be no more than 48 per cent. of the issue proceeds of that Tranche.

Pursuant to the Master Murabaha Agreement, the Trustee has undertaken that, on receipt of a Notice of Request to Purchase from the Buyer, the Trustee (acting through the Commodity Agent) shall purchase the relevant Commodities no later than 10:30 a.m. London time (or such other time as may be agreed between the Buyer and the Trustee) on the relevant Issue Date of the relevant Tranche from a Commodity Supplier on a spot basis at the Commodity Purchase Price.

Following the purchase of the Commodities by the Trustee (acting through the Commodity Agent) provided that the Trustee has acquired title to, and (actual or constructive) possession of, the Commodities, the Trustee shall deliver no later than 11 a.m. London time (or such other time as may be agreed between the Buyer and the Trustee) on the Issue Date an Offer Notice to the Buyer (with a copy to the Commodity Agent) indicating the Trustee's acceptance of the terms of the Notice of Request to Purchase made by the Buyer and detailing the terms of the offer for the sale of the Commodities to the Buyer from the Trustee.

Pursuant to the Master Murabaha Agreement, the Buyer has irrevocably and unconditionally undertaken to accept the terms of, countersign and deliver to the Trustee (with a copy to the Commodity Agent) any Offer Notice delivered to it in accordance with the Master Murabaha Agreement and (as a result of the Trustee having acted on the request of the Buyer set out in the Notice of Request to Purchase) purchase the Commodities acquired by the Trustee (acting through the Commodity Agent), in each case no later than 12 p.m. London time (or such other time as may be agreed between the Buyer and the Trustee) on the Issue Date (or such other time as may be agreed in writing by the Buyer and the Trustee) at the relevant Deferred Sale Price.

As soon as the Buyer has countersigned the Offer Notice, a Murabaha Contract shall be created between the Trustee and the Buyer upon the terms of the Offer Notice and incorporating the terms and conditions set out in the Master Murabaha Agreement, the Trustee shall sell and the Buyer shall buy the Commodities and ownership of and all risks in and to the relevant Commodities shall immediately pass to and be vested in the Buyer, together with all rights and obligations relating thereto.

The Buyer may following the purchase of the Commodities by the Buyer from the Trustee, and provided that the Buyer has acquired title to, and possession of, the Commodities, sell those Commodities to a third party.

In connection with each Murabaha Contract, the Buyer has irrevocably and unconditionally undertaken in the Master Murabaha Agreement to:

(a) on the Business Day falling immediately prior to the Scheduled Dissolution Date of the relevant Series, the outstanding Deferred Sale Price under each Murabaha Contract relating to the relevant

Series in full by crediting such amount to the Transaction Account no later than 10.00 a.m. on such date;

(b) upon the occurrence of a Dissolution Event under the relevant Series and provided that a Dissolution Notice has been delivered in accordance with the Conditions, immediately the outstanding Deferred Sale Price under each Murabaha Contract relating to the relevant Series in full by crediting such amounts to the Transaction Account no later than 10.00 a.m. on the Business Day immediately preceding the Dissolution Event Redemption Date;

(c) subject to the paragraph below, on each Cancellation Date under a Series, an amount of the outstanding Deferred Sale Price of each Murabaha Contract under the relevant Series equal to the Cancellation Proportion;

(d) upon the occurrence of a Tax Event and provided that the Trustee has delivered to the Delegate:

  (i) a certificate signed by two directors of the Trustee (in the case of Condition 8.2(a)) or the Buyer (in the case of Condition 8.2(b)); and

  (ii) an opinion of independent legal advisers or other professional advisers, in each case of recognised standing,

  in each case, in accordance with Condition 8.2 (*Early Dissolution for Taxation Reasons*), the outstanding Deferred Sale Price under each Murabaha Contract relating to the relevant Series in full on the Business Day prior to the relevant Early Tax Dissolution Date by crediting such amounts to the Transaction Account no later than 10.00 a.m. on such date:

  (i) the Certificateholders Put Right Proportion of the outstanding Deferred Sale Price of each Murabaha Contract under the relevant Series on the Business Day prior to any relevant Certificateholders Put Right Date by crediting such amounts to the Transaction Account no later than 10.00 a.m. on such date;

  (ii) the Change of Control Put Right Proportion of the outstanding Deferred Sale Price of each Murabaha Contract under the relevant Series on the Business Day prior to any relevant Change of Control Put Date by crediting such amounts to the Transaction Account no later than 10.00 a.m. on such date;

  (iii) the Optional Dissolution Proportion of the outstanding Deferred Sale Price of each Murabaha Contract under the relevant Series on the Business Day prior to any relevant Optional Dissolution Date by crediting such amounts to the Transaction Account no later than 10.00 a.m. on such date; and

  (iv) on the Business Day falling immediately prior to the Total Loss Event Dissolution Date of the relevant Series, the outstanding Deferred Sale Price under each Murabaha Contract relating to the relevant Series in full by crediting such amounts to the Transaction Account no later than 10.00 a.m. on such date.

An amount equal to the Cancellation Amount component of the Cancellation Amount to be paid by the Trustee to the Buyer pursuant to the Sale Undertaking on a relevant Cancellation Date shall be set off against the amount of any Deferred Sale Prices to be paid by the Trustee to the Buyer under paragraph (d) above on that Cancellation Date.

The Buyer has agreed in the Master Murabaha Agreement that all payments by it under the Master Murabaha Agreement will be made without any deduction or withholding for or on account of any present or future Taxes imposed by the Relevant Jurisdictions unless required by law and without set-off or counterclaim of any kind and, in the event that there is any deduction or withholding, the Buyer shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made. In addition, if additional amounts are payable by the Trustee in respect of the Certificates in accordance with Condition 10 (*Taxation*), the Buyer has agreed in the Master Murabaha Agreement to pay to the Trustee an amount equal to such additional amounts by payment to the Transaction Account by wire transfer for same day value so that the full amount which would otherwise have been due and payable under the Certificates is received by the Trustee. The payment obligations of the Buyer under the Master Murabaha Agreement and each

Murabaha Contract will be direct, unsubordinated and unsecured obligations of the Buyer and shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 6.2 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Buyer, present and future.

The Master Trust Deed, as supplemented by each Supplemental Trust Deed

The Master Trust Deed will be entered into on 15 December 2016 between the Trustee, EQUATE, TKOC and the Delegate and will be governed by English law. A Supplemental Trust Deed between the same parties will be entered into on the Issue Date of each Series of Certificates and will also be governed by English law.

Upon issue of the Global Certificate initially representing the Certificates of any Series, the Master Trust Deed and the relevant Supplemental Trust Deed shall together constitute the trust over the relevant Trust Assets declared by the Trustee in relation to such Series.

The Trust Assets in respect of each Series of Certificates comprise (unless otherwise specified in the relevant Supplemental Trust Deed), amongst other things, the cash proceeds of the issue of the Certificates, the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Trust Assets from time to time (other than in relation to any representations given by EQUATE to the Trustee and/or the Delegate under any documents constituting the Trust Assets from time to time) and any amounts standing to the credit of the relevant Transaction Account, as more particularly described in Condition 5.1 (*Trust Assets*).

Pursuant to the Master Trust Deed as supplemented by the relevant Supplemental Trust Deed, the Trustee will, in relation to each Series of Certificates, *inter alia*:

(a) hold the relevant Trust Assets on trust absolutely for the holders of the Certificates as beneficiaries in respect of that Series only; and

(b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Master Trust Deed as supplemented by the relevant Supplemental Trust Deed.

The Trustee irrevocably and unconditionally appointed the Delegate to be its attorney and to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), rights, authorities and discretions vested in the Trustee by the Master Trust Deed that the Delegate may consider to be necessary or desirable in order, upon the occurrence of a Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, to: (i) exercise all of the rights of the Trustee under the Purchase Undertaking, the Master Murabaha Agreement and any of the other Transaction Documents; and (ii) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Master Trust Deed as supplemented by the relevant Supplemental Trust Deed. The appointment of such delegate is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

The Master Trust Deed specifies that the rights of recourse in respect of Certificates shall be limited to the amounts from time to time available and comprising the relevant Trust Assets of that Series. The Certificateholders have no claim or recourse against the Trustee to the extent the Trust Assets have been exhausted following which all obligations of the Trustee shall be extinguished.

A non-interest bearing Transaction Account will be established in respect of each Series of Certificates. Monies received in the Transaction Account in respect of each Series will, *inter alia*, comprise revenues from the Lease Assets other than in the nature of sale, capital or principal payments, and amounts of the Deferred Sale Price paid by EQUATE pursuant to a Commodity Murabaha Investment (see "*Summary of the Principal Transaction Documents – Service Agency Agreement" and "Summary of the Principal Transaction Documents – Master Murabaha Agreement*"). The Master Trust Deed provides that all monies credited to the Transaction Account in respect of each Series will be applied in the order of priority set out in Condition 5.2 (*Application of Proceeds from Trust Assets*).

Defined Terms

"**Additional Lease Period**" has the meaning given to it in the Purchase Undertaking.

"**Certificateholder Put Right Exercise Price**" means, in relation to each Series, the aggregate of:

(a) the aggregate outstanding face amount of the Certificates being redeemed pursuant to the Certificateholder Put Right for the relevant Series; plus

(b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Certificates being redeemed; plus

(c) if all of the Certificates of a Series are being redeemed, without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) in relation to such Series under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any unpaid Services Charge Amount and any other Priority Amounts which remain outstanding as at the Certificateholder Put Right Date); plus

(d) any other amounts payable in relation to the Certificates being redeemed on the exercise of the Certificateholder Put Right as specified in the applicable Final Terms;

less, an amount equal to the aggregate of all outstanding Deferred Sale Prices relating to that Series which have been paid into the Transaction Account in accordance with the applicable clause of the Master Murabaha Agreement and which shall be available on the applicable Certificateholder Put Right Date.

"**Change of Control Put Right Exercise Price**" means, in relation to each Series, the aggregate of:

(a) the aggregate outstanding face amount of the Certificates being redeemed pursuant to the Change of Control Put Right for the relevant Series; plus

(b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Certificates being redeemed; plus

(c) if all of the Certificates of a Series are being redeemed, without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) in relation to such Series under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any unpaid Services Charge Amount and any other Priority Amounts which remain outstanding as at the Change of Control Put Date); plus

(d) any other amounts payable in relation to the Certificates being redeemed on the exercise of the Change of Control Put Right as specified in the applicable Final Terms;

less, an amount equal to the aggregate of all outstanding Deferred Sale Prices relating to that Series which have been paid into the Transaction Account in accordance with the applicable clause of the Master Murabaha Agreement and which shall be available on the applicable Change of Control Put Date.

"**Commodities**" means any of the commodities traded over the counter, which comprise any *Shari'a* compliant London Metal Exchange approved non-ferrous base metals, platinum group metals, or other *Shari'a* compliant commodities acceptable to the Buyer and the Trustee, which, in each case, must be kept in London Metal Exchange approved, non-United Kingdom bonded warehouses or secure vaults.

"**Commodity Purchase Price**" means, in relation to each Series and each Tranche under each Series and the corresponding Murabaha Contract, the aggregate amount payable to the relevant Commodity Supplier by or on behalf of the Trustee for the purchase of the Commodities from the relevant Commodity Supplier by the Trustee, specified as such in the relevant Notice of Request to Purchase and which amount shall be equal to the relevant Murabaha Investment Amount.

"**Commodity Supplier**" means the vendor of Commodities as specified in the relevant Notice of Request to Purchase.

"**Deferred Sale Price**" means, in relation to a Murabaha Contract, the aggregate of the applicable Commodity Purchase Price and Murabaha Profit and specified as such in the Offer Notice.

"**Eligible Assets**" means any asset (including, but not limited to, fixed plant and machinery and infrastructure) that is free and clear of all Encumbrances, is owned by the Seller and is capable of being sold and leased.

"**Encumbrance**" means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or arrangement having a similar effect.

"**Exercise Price**" means, in relation to each Series, the aggregate of:

(a) the aggregate face amount of Certificates then outstanding for the relevant Series; plus

(b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to the Certificates of the relevant Series; plus

(c) without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) in relation to such Series under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any unpaid Services Charge Amount and any other Priority Amounts which remain outstanding as at the Early Tax Dissolution Date); plus

(d) any other amounts payable on redemption of the Certificates of the relevant Series as specified in the applicable Final Terms;

less, an amount equal to the aggregate of all outstanding Deferred Sale Prices relating to that Series which have been paid into the Transaction Account in accordance with the terms of the Master Murabaha Agreement and which shall be available on the applicable Early Tax Dissolution Date to pay a proportion of the aggregate amounts payable on redemption of the Certificates.

"**Initial Assets**" means, in relation to each Series, the Eligible Assets specified as such in the relevant Supplemental Purchase Agreement.

"**Lease**" means, in relation to a Series, the lease created pursuant to the Master Lease Agreement and the relevant Supplemental Lease Agreement in connection with that Series.

"**Lease Assets**" means, in relation to a Series, the assets set out in schedule 1 (*Lease Assets*) of the relevant Supplemental Lease Agreement as such schedule shall be amended from time to time in accordance with the terms of the Service Agency Agreement (including, for the avoidance of doubt, to take into account the acquisition of Additional Assets by the Trustee from time to time), as such assets may be repaired, refurbished or upgraded from time to time as a result of any Major Maintenance and Structural Repair and/or any Ordinary Maintenance and Repair provided however that "**Lease Assets**" shall not include any asset the title to which has been sold or transferred to EQUATE Petrochemical Company K.S.C.C. under the terms of the relevant Transaction Documents.

"**Lease Commencement Date**" means, in relation to a Series:

(a) the Issue Date of the first Tranche of Certificates to be issued under that Series; or

(b) in the event that a Total Substitution Event occurs and a new Supplemental Lease Agreement is entered into in respect of that Series in accordance with the terms of the Sale Undertaking, the Substitution Date on which the Total Substitution Event occurred,

in each case, being the date on which the relevant Lease shall commence in accordance with the Service Agency Agreement and the relevant Supplemental Lease Agreement.

"**Lease End Date**" means, in relation to a Series, the Scheduled Dissolution Date of that Series, unless:

(a) the relevant Lease is terminated on an earlier date in accordance with the terms of the Service Agency Agreement, in which case it shall mean the date on which such early termination becomes effective; or

(b) the Lease End Date is extended in accordance with the Purchase Undertaking, in which case it shall mean the last day of the Additional Lease Period.

"**Lease Period**" means, in relation to a Series, the period from, and including, a relevant Rental Payment Date (or with respect to the first Lease Period under that Series, from, and including, the relevant Lease Commencement Date) to, but excluding, the immediately following Rental Payment Date (or, with respect to the final Lease Period of that Series, the relevant Lease End Date) and shall, where the context allows, include any Additional Lease Period.

"**Lease Term**" means, in relation to a Series, the period from and including the relevant Lease Commencement Date to but excluding the relevant Lease End Date.

"**Major Maintenance and Structural Repair**" means all structural repair and major maintenance (other than Ordinary Maintenance and Repair), including doing such acts or things and taking such steps to ensure that the Lease Assets suffer no damage, loss or diminution in value, without which the Lease Assets could not be reasonably and properly used by the Lessee.

"**Murabaha Contract**" means an individual contract for the sale of Commodities at a deferred sale price and made pursuant to the Master Murabaha Agreement by the delivery of both an Offer Notice by the Trustee to the Buyer and the subsequent countersignature of such Offer Notice by the Buyer in accordance with the terms of the Master Murabaha Agreement.

"**Murabaha Investment Amount**" means, in relation to a Series and each Tranche under a Series, the relevant proportion of the proceeds of the issue of the Certificates of that Tranche under that Series which are to be applied in the acquisition of Commodities by or on behalf of the Trustee for the purposes of the entry into of a Murabaha Contract pursuant to the terms of the Master Murabaha Agreement and specified as such in the applicable Final Terms and which, in relation to any Tranche under a Series, shall be an amount equal to the face amount of the Certificates issued pursuant to the relevant Tranche of Certificates less the Asset Purchase Price (in the case of the first Tranche of Certificates under a Series) or the Value of the Additional Assets (in the case of each other Tranche of Certificates under a Series), in each case, as at the relevant Issue Date **provided that** such amount shall not be greater than 48 per cent. of the face amount of the Certificates issued pursuant to the relevant Tranche of Certificates.

"**Murabaha Proportion**" means, in relation to a proposed Murabaha Contract relating to a Tranche, the proportion borne by the Commodity Purchase Price of that Murabaha Contract to the face amount of the Certificates issued pursuant to that Tranche.

"**Murabaha Profit**" means, in relation to a proposed Murabaha Contract relating to a Tranche, the amount specified as such in the applicable Final Terms being an amount equal to one per cent. of the face amount of the Certificates issued in connection with that Tranche.

"**Murabaha Profit Instalment**" means, in relation to the Murabaha Contract of each Tranche of a Series, an amount equal to (a) the Murabaha Profit for that Murabaha Contract as at the Issue Date of the Tranche to which such Murabaha Contract relates; divided by (b) the number of Periodic Distribution Dates falling during the period from the Issue Date of that Tranche to (and including) the Scheduled Dissolution Date.

"**New Assets**" means Eligible Assets specified as such in a Substitution Notice.

"**Notice of Request to Purchase**" has the meaning given to it in the Master Murabaha Agreement.

"**Offer Notice**" means an offer notice to be issued by the Trustee to the Buyer substantially in the form set out in schedule 2 (*Form of Offer Notice*) of the Master Murabaha Agreement.

"**Ordinary Maintenance and Repair**" means all repairs, replacements, acts, maintenance and upkeep works required for the general use and operation of the Lease Assets and to keep, repair, maintain and preserve the Lease Assets in good order, state and condition.

"**Priority Amounts**" means any amounts described in Condition 5.2(a) and/or 5.2(b).

"**Proprietorship Taxes**" means all Taxes in relation to the relevant Lease Assets, imposed, charged or levied by law, regulation or decree against a proprietor, but excluding all Taxes that are imposed, charged or levied by law, regulation or decree against a lessee or a tenant.

"**Rental**" means, for each Lease Period in relation to a Series, an amount equal to:

(a) for each Lease Period (other than an Additional Lease Period which commences on or after the relevant Scheduled Dissolution Date) in relation to a Series, an amount equal to:

(i) the Periodic Distribution Amount for the corresponding Periodic Distribution Period as determined in accordance with Condition 7.3 *(Calculation of Periodic Distribution Amount)*,

less

(ii) an amount equal to the aggregate of the Murabaha Profit Instalment of each Murabaha Contract relating to such Series; and

(b) for each Additional Lease Period which commences on or after the relevant Scheduled Dissolution Date, an amount equal to the Periodic Distribution Amount for the corresponding Periodic Distribution Period as determined in accordance with Condition 7.3 *(Calculation of Periodic Distribution Amount)*.

"**Rental Payment Date**" means, in relation to each Series, the date which is the Business Day immediately preceding each Periodic Distribution Date under that Series and (if applicable) the last day of an Additional Lease Period under that Series.

"**Substitution Notice**" means a substitution notice substantially in the form set out in the relevant schedule of the Sale Undertaking.

"**Services Charge Amount**" means, in respect of a Lease Period under each Series, all payments made or incurred by the Service Agent in respect of the Services performed in relation to the Lease Assets of the relevant Series during that Lease Period (inclusive of any Taxes).

"**Services Invoice Date**" means, in relation to a Lease Period under a Series in which the Services Charge Amount was paid or incurred, the third Business Day prior to:

(a) the Rental Payment Date applicable to that Lease Period;

(b) the date of termination of the Lease, in the case of the termination of the relevant Lease prior to a Rental Payment Date; or

(c) the Lease End Date, in the case of the final Lease Period (including as a result of a Total Loss Event and a Total Substitution Event).

"**Takaful/Insurance Coverage Amount**" means, in relation to each Series, an amount equal to:

(a) the aggregate of:

(i) the outstanding face amount of the Certificates of that Series;

(ii) an amount equal to at least thirty (30) days' Rental payable under the Master Lease Agreement and relevant Supplemental Lease Agreement; and

(iii) without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) in relation to such Series under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any unpaid Services Charge Amounts and any other Priority Amounts which remain outstanding as at the Total Loss Event Redemption Date); and

(iv) any other amounts payable on redemption of the Certificates of the relevant Series as specified in the applicable Final Terms;

less

(b) an amount equal to the aggregate of each outstanding Deferred Sale Price (after any reduction pursuant to the applicable clause of the Master Murabaha Agreement) relating to the relevant Series.

"**Taxes**" means any tax, levy, impost, duty or other charge or withholding of a similar nature.

"**Total Loss Event**" means, in relation to each Series:

(a) the total loss or destruction of, or damage to, all of the Lease Assets of the relevant Series or any event or occurrence that renders all of the Lease Assets of the relevant Series permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted in each case by any third party in respect of the relevant Lease Assets) the repair or remedial work in respect thereof is wholly uneconomical; or

(b) the Trustee ceases to own the entirety of the Lease Assets of the relevant Series (including, without limitation, as a result of nationalisation, expropriation, requisition, confiscation, attachment or such other analogous event) other than in accordance with the terms of the Transaction Documents.

"**Total Substitution Event**" means, in relation to each Series, the substitution of all (and not part only) of the Lease Assets for new Eligible Assets in accordance with the terms of the Sale Undertaking.

"**Transaction Account**" has the meaning given to it in the applicable Final Terms.

"**Value**" means, at any time in respect of any Lease Asset, the amount in the Specified Currency (following conversion, if necessary, of any relevant amount(s)) determined by EQUATE Petrochemical Company K.S.C.C. acting reasonably as being equal to the value of that Lease Asset at the relevant time.

BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Clearstream, Luxembourg or Euroclear (together, the "**Clearing Systems**") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Trustee, the Obligors nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Certificates held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Book-Entry Systems

DTC

DTC has advised the Trustee that it is a limited purpose trust company organised under the New York Banking Law, a member of the Federal Reserve System, a "**banking organisation**" within the meaning of the New York Banking Law, a "**clearing corporation**" within the meaning of the New York Uniform Commercial Code and a "**clearing agency**" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**" and, together with Direct Participants, "**Participants**").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**DTC Rules**"), DTC makes book-entry transfers of Certificates among Direct Participants on whose behalf it acts with respect to Certificates accepted into DTC's book-entry settlement system ("**DTC Certificates**") as described below and receives and transmits distributions of principal and interest on DTC Certificates. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Certificates ("**Owners**") have accounts with respect to the DTC Certificates similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Certificates through Direct Participants or Indirect Participants will not possess Certificates, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Certificates.

Purchases of DTC Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Certificates on DTC's records. The ownership interest of each actual purchaser of each DTC Certificate ("**Beneficial Owner**") is in turn to be recorded on the Direct Participant's and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Certificates, except in the event that use of the book-entry system for the DTC Certificates is discontinued.

To facilitate subsequent transfers, all DTC Certificates deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Certificates unless authorised by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and profit payments on the DTC Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee or the relevant agent (or such other nominee as may be requested by an authorised representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and profit to DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Certificates, DTC will exchange the DTC Certificates for definitive Certificates, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Restricted Global Certificate, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

A Beneficial Owner shall give notice to elect to have its DTC Certificates purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Certificates by causing the Direct Participant to transfer the Participant's interest in the DTC Certificates, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered DTC Certificates to the relevant agent's DTC account.

DTC may discontinue providing its services as depository with respect to the DTC Certificates at any time by giving reasonable notice to the Trustee or the relevant agent. Under such circumstances, in the event that a successor depository is not obtained, DTC Certificates are required to be printed and delivered.

The Trustee may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, DTC Certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Certificates to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Certificates, will be required to withdraw its Certificates from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

Book-Entry Ownership and Payment in Respect of DTC Certificates

The Trustee may apply to DTC in order to have any Tranche of Certificates represented by a Global Certificate accepted in its book-entry settlement system. Upon the issue of any such Global Certificate, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Global Certificate to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Global Certificate will be limited to Direct Participants or Indirect Participants, including, in the case of any Unrestricted Global Certificate (as defined herein), the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Global Certificate accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and profit in respect of a Global Certificate accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Certificate. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Global Certificate in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Trustee expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Trustee also expects that payments by Participants to beneficial owners of Certificates will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Delegate, the Principal Paying Agent, the Registrar or the Trustee. Payment of principal, premium, if any, and profit, if any, on Certificates to DTC is the responsibility of the Trustee.

Transfers of Certificates Represented by Global Certificates

Transfers of any interests in Certificates represented by a Global Certificate within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Certificates represented by a Global Certificate to such persons may depend upon the ability to exchange such Certificates for Certificates in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Certificates represented by a Global Certificate accepted by DTC to pledge such Certificates to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Certificates may depend upon the ability to exchange such Certificates for Certificates in definitive form. The ability of any holder of Certificates represented by a Global Certificate accepted by DTC to resell, pledge or otherwise transfer such Certificates may be impaired if the proposed transferee of such Certificates is not eligible to hold such Certificates through a Direct Participant or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Certificates described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other hand, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Delegate, the Principal Paying Agent and any custodian ("**Custodian**") with whom the relevant Global Certificates have been deposited.

On or after the Issue Date for any Series, transfers of Certificates of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Certificates of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Global Certificates will be effected through the Registrar, the Delegate, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Clearstream, Luxembourg or Euroclear accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Global Certificates among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Trustee, each Obligor, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Certificates represented by Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

General

The following is a general description of certain Kuwait, European Union and U.S. tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates, whether in those jurisdictions or elsewhere. It is not intended and does not constitute tax advice. Prospective purchasers of Certificates are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of Certificates, including, but not limited to, the consequences of receipt of payments under the Certificates and their disposal or redemption. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any changes in law that might take effect after such date.

Kuwait

This summary of taxation in Kuwait is based on the Kuwait Income Tax Decree No. 3 of 1955 (the "**Decree**"), as amended by Law No. 2 of 2008 "Amending Certain Provisions of Kuwait Income Tax Decree No. 3 of 1955" (the "**Amendment**"), the Executive Bylaws of the Amendment (the "**Regulations**"), and various ministerial resolutions and circulars relating thereto issued by the Ministry of Finance (the "**MOF**") (together, the "**Taxation Laws**") as interpreted and implemented by the MOF's Department of Income Tax ("**DIT**") as at the date of this Base Prospectus. Any subsequent changes in either the Taxation Laws or the interpretation or implementation of the same by the DIT would alter and affect this summary.

Income tax

Under the Taxation Laws, income tax (at a flat rate of 15 per cent.) is levied on, *inter alia*, the net income and capital gains realised by any corporate entity (interpreted by the DIT to mean any form of company or partnership), wherever incorporated, that conducts business in Kuwait. However, the DIT to date has granted a concession to such corporate entities incorporated in Kuwait or in any other GCC country (being referred to in this Base Prospectus as GCC corporate entities) and has only imposed income tax on corporate entities which are not GCC corporate entities (being referred to in this Base Prospectus as non-GCC corporate entities) which, for the avoidance of doubt, include shareholders of GCC corporate entities which are themselves non-GCC corporate entities, in each case, conducting business in Kuwait. The following paragraphs in this section are therefore applicable only to non-GCC corporate entities. Pursuant to the Regulations, income generated from the lending of funds inside Kuwait is considered to be income realised from the conducting of business in Kuwait, and is therefore subject to income tax.

It is worth noting that pursuant to Law No. 22 of 2015 amending Law No. 7 of 2010 (the "**CMA Amendment**"), yields of securities, bonds, finance sukuk and all other similar securities regardless of the issuer thereof shall be exempted from taxation. Additionally, the tax exemptions provided under the CMA Amendment were acknowledged by a recent administrative resolution, Administrative Resolution No. 2028 of 2015, issued by the Minister of Finance (the Administrative Resolution, and the CMA Amendments, collectively the "**Tax Exemptions**"). Although the Tax Exemptions are yet to be tested, they appear to clearly provide for a tax exemption to the Certificateholders.

However, given the lack of precedent in this regard, it is not possible to state definitively how the DIT and/or the Kuwaiti courts may implement or enforce the Tax Exemptions.

Individuals are not subject to any Kuwaiti income tax on their income or capital gains.

Retention

Under the Regulations, a Kuwaiti-based party making a payment (being referred to in this section as the payer) to any other party (being referred to in this section as the payee), wherever incorporated, is obliged to deduct five per cent. of the amount of each such payment until such time as the DIT issues a tax clearance certificate approving the release of such amount. Unlike with withholding tax, the payer is not required to transfer directly the deducted amount to the DIT immediately, but instead retains such amount and releases it either (i) to the payee upon presentation to the payer by such payee of a tax clearance certificate from the DIT confirming that the payee is not subject to or is exempt from income tax, or has realised a loss, or has paid or guaranteed the payment of its income tax; or (ii) in the absence of such a tax clearance certificate, to the DIT, on demand. According to a literal interpretation of the Regulations, payments which are subject to a deduction as described above would include principal and profit payments.

Although payments made by an Obligor would likely not be subject to retention because of the Tax Exemptions, there is a lack of guidance on this issue currently from the DIT, and as such, there is a remote possibility that retention could apply. Accordingly, an Obligor could be required to deduct five per cent. from every payment made by it to a Certificateholder, which amount would be released by the relevant Obligor upon presentation to it by the Certificateholder of a tax clearance certificate from the DIT.

The Tax Exemptions do not address the issue of whether or not there remains an obligation to effect a retention as specified above.

However, the Trustee and/or the Obligor(s), as the case may be, shall be able to rely on the provisions in the terms and conditions of the Certificates, which requires the Trustee and/or the Obligor(s), as the case may be, to gross up each payment by an amount equal to any retention, irrespective of whether a tax clearance certificate is presented or not.

Other taxes

Save as described above, all payments in respect of the Certificates may be made without withholding, deduction or retention for, or on account of, present taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of Kuwait.

No stamp, registration or similar duties or taxes will be payable in Kuwait by holders of Certificates in connection with the issue or any transfer of the Certificates.

The Proposed Financial Transactions Tax

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a directive for common financial transaction tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

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

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

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

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

U.S. Federal Income Taxation

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Certificates by a U.S. Holder (as defined below) that acquire such Certificates at initial issuance, that will hold the Certificates as capital assets within the meaning of Section 1221 of the Code, and whose functional currency is the U.S. dollar. The discussion does not cover all aspects of the U.S. federal income tax consequences of every type of Certificate which may be issued under the Programme or the U.S. federal income taxation that may be relevant to the acquisition, ownership or disposition of Certificates by particular investors, including alternative minimum tax and

Medicare contribution tax consequences. In particular, this summary does not address any U.S. federal income tax consequences other than income tax consequences, such as estate and gift tax consequences and does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as banks and other financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, persons holding Certificates through partnerships or other entities treated as fiscally transparent for U.S. federal income tax purposes, tax-exempt organisations, dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting, persons who have ceased to be U.S. citizens or to be taxed as U.S. lawful permanent residents and persons that will hold the Certificates as part of straddles, hedging, conversion or other integrated transactions, or as part of a synthetic security or constructive sale transaction for U.S. federal income tax purposes).

As used herein, the term "**U.S. Holder**" means a beneficial owner of Certificates that is, for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation, or other entity treated as a corporation, created or organised in or under the laws of the United States, the District of Columbia, or any State thereof; (iii) an estate, the income of which is subject to U.S. federal income tax without regard to its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

If a partnership (or any other entity treated as fiscally transparent for U.S. federal income tax purposes) holds Certificates, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. Any such partner or partnership should consult their tax advisers as to the U.S. federal income tax consequences to them of the acquisition, ownership and disposition of Certificates.

This summary is based on the tax laws of the United States including the Code, its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, all as currently in effect and all of which are subject to change at any time, possibly with retroactive effect.

INVESTORS SHOULD CONSULT THEIR TAX ADVISERS TO DETERMINE THE TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF CERTIFICATES, INCLUDING THE APPLICATION TO THEIR PARTICULAR SITUATION OF THE U.S. FEDERAL INCOME TAX CONSIDERATIONS DISCUSSED BELOW, AS WELL AS THE APPLICATION OF THE ALTERNATIVE MINIMUM TAX AND ANY STATE, LOCAL, NON-U.S. OR OTHER TAX LAWS.

The Trustee generally intends to treat Certificates issued under the Programme as debt. Certain Certificates, however, may be treated as equity or some other type of instrument for U.S. federal income tax purposes. The tax treatment of Certificates to which a treatment other than debt may apply will be discussed in a supplement to the Base Prospectus. Furthermore, the classification and treatment of amounts received on or in exchange for a Certificate that is treated as a contingent payment debt instrument is complex and depends upon facts and circumstances at the time the Certificate is issued and the precise terms and conditions of the Certificate. This summary does not discuss Certificates with a maturity of greater than 30 years, the impact of redenomination of a Certificate, and Certificates that by their terms may be retired for an amount less than their principal amount. The terms and material U.S. federal income tax treatment of certain Certificates such as Certificates treated as contingent payment debt instruments, high profit Certificates, low profit Certificates, step-up Certificates, step-down Certificates, multi-currency Certificates and any other type of Certificate that is subject to different U.S. federal income tax rules will be set out in a supplement to this Base Prospectus (if applicable). Investors are directed to review a further discussion of the terms of the Certificates in a relevant supplement to this Base Prospectus (if applicable).

Payment of Profit

Profit on a Certificate, whether payable in U.S. dollars or a currency other than U.S. dollars ("**foreign currency**" profit on a "**Foreign Currency Certificate**"), other than profit on a Discount Certificate that is not "qualified stated profit" (each as defined below under "*Original Issue Discount –General*"), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, in accordance with the U.S. Holder's method of accounting for tax purposes. Profit paid by the Trustee on the Certificates and original issue discount ("**OID**"), if any, accrued with respect to the Certificates (as described below under

"*Original Issue Discount –General*") generally will constitute income from sources outside the United States for the purposes of the rules regarding the foreign tax credit allowable to a U.S. Holder (and the limitations imposed thereon). Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of any foreign taxes with respect to the Certificates (if applicable).

Original Issue Discount

General

A Certificate, other than a Certificate with a term of one year or less (a "**Short-Term Certificate**"), will be treated as issued with OID (a "**Discount Certificate**") if the excess of the Certificate's stated redemption price at maturity over its issue price is equal to or more than a *de minimis* amount (0.25 per cent. of the Certificate's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated profit before maturity (an "**instalment obligation**") will be treated as a Discount Certificate if the excess of the Certificate's stated redemption price at maturity over its issue price is greater than 0.25 per cent. of the Certificate's stated redemption price at maturity multiplied by the weighted average maturity of the Certificate. A Certificate's weighted average maturity is the sum of the following amounts determined for each payment on a Certificate (other than a payment of qualified stated profit): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Certificate's stated redemption price at maturity. Generally, the issue price of a Certificate will be the first price at which a substantial amount of Certificates included in the issue of which the Certificate is a part is sold to persons other than bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers. The stated redemption price at maturity of a Certificate is the total of all payments provided by the Certificate that are not payments of qualified stated profit. A qualified stated profit payment generally is any one of a series of stated profit payments on a Certificate that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described under "*–Variable Profit Rate Certificates*"), applied to the outstanding principal amount of the Certificate (qualified stated profit). Solely for the purposes of determining whether a Certificate has OID, the Trustee will be deemed to exercise any call option that has the effect of decreasing the yield on the Certificate, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Certificate. If a Certificate has *de minimis* OID, a U.S. Holder must include the *de minimis* amount in income as stated principal payments are made on the Certificate, unless the U.S. Holder makes the election described under "*–Election to Treat All Profit as Original Issue Discount*". A U.S. Holder can determine the includible amount with respect to each such payment by multiplying the total amount of the Certificate's *de minimis* OID by a fraction equal to the amount of the principal payment made divided by the stated principal amount of the Certificate.

U.S. Holders of Discount Certificates must include OID in income calculated on a constant yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Certificates. The amount of OID includible in income by a U.S. Holder of a Discount Certificate is the sum of the daily portions of OID with respect to the Discount Certificate for each day during the taxable year or the portion of the taxable year in which the U.S. Holder holds the Discount Certificate ("**accrued OID**"). The daily portion is determined by allocating to each day in any accrual period a *pro rata* portion of the OID allocable to that accrual period. Accrual periods with respect to a Certificate may be of any length selected by the U.S. Holder and may vary in length over the term of the Certificates as long as: (i) no accrual period is longer than one year; and (ii) each scheduled payment of profit or principal on the Certificate occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of: (a) the product of the Discount Certificate's adjusted issue price at the beginning of the accrual period and the Discount Certificate's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated profit on the Certificate allocable to the accrual period. The adjusted issue price of a Discount Certificate at the beginning of any accrual period is the issue price of the Certificate increased by: (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Certificate that were not qualified stated profit payments.

Acquisition Premium

A U.S. Holder that purchases a Discount Certificate for an amount less than or equal to the sum of all amounts payable on the Certificate after the purchase date, other than payments of qualified stated profit, but in excess of its adjusted issue price (any such excess being "**acquisition premium**") and that does not make the election described under "*–Election to Treat All Profit as Original Issue Discount*", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Certificate immediately after its purchase over the Certificate's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Certificate after the purchase date, other than payments of qualified stated profit, over the Certificate's adjusted issue price.

Election to Treat All Profit as Original Issue Discount

A U.S. Holder may elect to include in gross income all profit that accrues on a Certificate using the constant yield method described above under "*Original Issue Discount–General*", with certain modifications. For the purposes of this election, profit includes stated profit, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated profit, as adjusted by any amortisable bond premium (described under "*–Certificates Purchased at a Premium*") or acquisition premium. If a U.S. Holder makes this election for the Certificate, then, when the constant yield method is applied the issue price of the Certificate will equal its cost, the issue date of the Certificate will be the date of acquisition, and no payments on the Certificate will be treated as payments of qualified stated profit. This election generally will apply only to the Certificate with respect to which it is made and may not be revoked without the consent of the United States Internal Revenue Service ("**IRS**"). However, if the Certificate has amortisable bond premium, the U.S. Holder will be deemed to have made an election to apply amortisable bond premium against profit for all debt instruments with amortisable bond premium (other than debt instruments, the profit on which is excludible from gross income) held as of the beginning of the taxable year to which the election applies or any taxable year thereafter. If the election to apply the constant yield method to all profit on a Certificate is made with respect to a Market Discount Certificate (as defined below under "*–Market Discount*"), the electing U.S. Holder will be treated as having made the election discussed under "*–Market Discount*" to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. U.S. Holders should consult their tax advisers concerning the advisability and consequences of making this election.

Variable Profit Rate Certificates

Certificates that provide for profit at variable rates ("**Variable Profit Rate Certificates**") generally will bear profit at a qualified floating rate and thus will be treated as variable rate debt instruments under the U.S. Treasury regulations governing accrual of OID. A Variable Profit Rate Certificate will qualify as a variable rate debt instrument if: (i) its issue price does not exceed the total non-contingent principal payments due under the Variable Profit Rate Certificate by more than a specified *de minimis* amount; (ii) it provides for stated profit, paid or compounded at least annually, at: (a) one or more qualified floating rates; (b) a single fixed rate and one or more qualified floating rates; (c) a single objective rate; or (d) a single fixed rate and a single objective rate that is a qualified inverse floating rate; and (iii) it does not provide for any principal payments that are contingent (other than as described in (i) above).

A qualified floating rate is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Profit Rate Certificate is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Profit Rate Certificate (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Profit Rate Certificate's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Certificate.

An objective rate is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Trustee (or a related party) or that is unique to the circumstances of the Trustee (or a related party), such as dividends, profits or the value of the Trustee's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Trustee). Other variable profit rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of profit on a Variable Profit Rate Certificate will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Profit Rate Certificate's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Profit Rate Certificate's term. A qualified inverse floating rate is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Profit Rate Certificate provides for stated profit at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Profit Rate Certificate's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a current value of that rate. A current value of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Profit Rate Certificate that provides for stated profit at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a variable rate debt instrument, then any stated profit on the Certificate which is unconditionally payable in cash or property (other than debt instruments of the Trustee) at least annually will constitute qualified stated profit and will be taxed accordingly. Thus, a Variable Profit Rate Certificate that provides for stated profit at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a variable rate debt instrument generally will not be treated as having been issued with OID unless the Variable Profit Rate Certificate is issued at a true discount (i.e., at a price below the Certificate's stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Profit Rate Certificate arising from a true discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to: (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate; or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Profit Rate Certificate.

In general, any other Variable Profit Rate Certificate that qualifies as a variable rate debt instrument will be converted into an equivalent fixed rate debt instrument for the purposes of determining the amount and accrual of OID and the qualified stated profit on the Variable Profit Rate Certificate. Such a Variable Profit Rate Certificate must be converted into an equivalent fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Profit Rate Certificate with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Profit Rate Certificate's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Profit Rate Certificate is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Profit Rate Certificate. In the case of a Variable Profit Rate Certificate that qualifies as a variable rate debt instrument and provides for stated profit at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Profit Rate Certificate provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Profit Rate Certificate as of the Variable Profit Rate Certificate's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Profit Rate Certificate is converted into an equivalent fixed rate debt instrument in the manner described above.

Once the Variable Profit Rate Certificate is converted into an equivalent fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated profit, if any, are determined for the equivalent fixed rate debt instrument by applying the general OID rules to the equivalent fixed rate debt instrument and a U.S. Holder of the Variable Profit Rate Certificate will account for the OID and qualified stated profit as if the U.S. Holder held the equivalent fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated profit or OID assumed to have been accrued or paid with respect to the equivalent fixed rate debt instrument in the event that these amounts differ from the actual amount of profit accrued or paid on the Variable Profit Rate Certificate during the accrual period.

Short-Term Certificates

In general, an individual or other cash basis U.S. Holder of a Short-Term Certificate is not required to accrue OID (calculated as set forth below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated profit in income as the profit is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Certificates on a straight line basis or, if the U.S. Holder so elects, under the constant yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Certificate will be ordinary income to the extent of the OID accrued on a straight line basis (unless an election is made to accrue the OID under the constant yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Certificates will be required to defer deductions for profit on borrowings allocable to Short-Term Certificates in an amount not exceeding the deferred income until the deferred income is realised.

For the purposes of determining the amount of OID subject to these rules, all profit payments on a Short-Term Certificate are included in the Short-Term Certificate's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Certificate as if the Short-Term Certificate had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Certificate. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Market Discount

A Certificate, other than a Short-Term Certificate, that is not acquired at its original issue generally will be treated as purchased at a market discount (a "**Market Discount Certificate**") if the Certificate's stated redemption price at maturity or, in the case of a Discount Certificate, the Certificate's revised issue price, exceeds the amount for which the U.S. Holder purchased the Certificate by at least 0.25 per cent. of the Certificate's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Certificate's maturity (or, in the case of a Certificate that is an instalment obligation, the Certificate's weighted average maturity). If this excess is not sufficient to cause the Certificate to be a Market Discount Certificate, then the excess constitutes *de minimis* market discount. For this purpose, the revised issue price of a Certificate generally equals its issue price, increased by the amount of any OID that has accrued on the Certificate and decreased by the amount of any payments previously made on the Certificate that were not qualified stated profit payments.

Any gain recognised on the maturity or disposition of a Market Discount Certificate (including any payment on a Certificate that is not qualified stated profit) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Certificate. Alternatively, a U.S. Holder of a Market Discount Certificate may elect to include market discount in income currently over the life of the Certificate. This election will apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. A U.S. Holder of a Market Discount Certificate that does not elect to include market discount in income currently generally will be required to defer deductions for profit on borrowings incurred to purchase or carry a Market Discount Certificate that is in excess of the profit and OID on the Certificate includible in the U.S. Holder's income, to the extent that this excess profit expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Certificate was held by the U.S. Holder.

Market discount will accrue on a straight line basis unless the U.S. Holder elects to accrue the market discount on a constant yield method. This constant yield election applies only to the Market Discount Certificate with respect to which it is made and is irrevocable.

Certificates Purchased at a Premium

A U.S. Holder that purchases a Certificate for an amount in excess of its principal amount (or, for a Discount Certificate, its stated redemption price at maturity) may elect to treat the excess as amortisable bond premium, in which case the amount required to be included in the U.S. Holder's income each year with respect to profit on the Certificate will be reduced by the amount of amortisable bond premium allocable (based on the Certificate's yield to maturity) to that year. Any election to amortise bond premium shall apply to all bonds, (other than bonds, the profit on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. Please see also "*–Election to Treat All Profit as Original Issue Discount*". A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will generally recognise a capital loss when the Certificate matures.

Purchase, Sale and Retirement of Certificates

A U.S. Holder's tax basis in a Certificate generally will be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Certificate and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Certificate, and reduced by: (i) the amount of any payments that are not qualified stated profit payments; and (ii) the amount of any amortisable bond premium applied to reduce profit on the Certificate.

A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Certificate equal to the difference between the amount realised on the sale or retirement and the tax basis of the Certificate. Amounts realised on the sale or retirement of a Certificate are taxable as profit income to the extent of accrued but unpaid profit not previously included in income. Except to the extent described under "*Original Issue Discount –Market Discount*" or "*Original Issue Discount –Short-Term Certificates*" or attributable to accrued but unpaid profit or changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Certificate will be capital gain or loss and generally will be treated as from U.S. sources for purposes of the U.S. foreign tax credit limitation. In the case of a U.S. Holder that is an individual, estate or trust, the maximum marginal federal income tax rate applicable to capital gains is currently lower than the maximum marginal rate applicable to ordinary income if the Certificates are held for more than one year. The deductibility of capital losses is subject to significant limitations.

Foreign Currency Certificates

Profit

If a profit payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the profit payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. An accrual basis U.S. Holder may determine the amount of income recognised with respect to a profit payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods.

Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the profit accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year). Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of profit is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued profit into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of a profit payment (including a payment attributable to accrued but unpaid profit upon the sale or retirement of a Certificate) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

OID

OID for each accrual period on a Discount Certificate that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated profit accrued by an accrual basis U.S. Holder, as described above under "–*Profit*". Upon receipt of an amount attributable to OID (whether in connection with a payment on the Certificate or a sale of the Certificate), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market Discount

Market Discount on a Certificate that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued profit or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the disposition or maturity of the Certificate, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Bond Premium

Bond premium (including acquisition premium) on a Certificate that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce profit income in units of the foreign currency.

On the date bond premium offsets profit income, a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Certificates were acquired by the U.S. Holder.

Purchase, Sale and Retirement of Certificates

A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Certificate equal to the difference between the amount realised on the sale or retirement and its tax basis in the Certificate. A U.S. Holder's tax basis in a Foreign Currency Certificate will be determined by reference to the U.S. dollar cost of the Certificate. The U.S. dollar cost of a Certificate purchased with foreign currency generally will be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Certificates traded on an established securities market, as defined in the applicable U.S. Treasury regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement or, in the case of Certificates traded on an established securities market, as defined in the applicable U.S. Treasury regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Certificate equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Certificate: (i) on the date of sale or retirement; and (ii) on the date on which the U.S. Holder acquired the Certificate. Any exchange rate gain or loss recognised on the sale or retirement of a Certificate (including any exchange rate gain or loss with respect to the receipt of accrued but unpaid profit and OID in the transaction) shall be realised only to the extent of the total gain or loss realised on the transaction.

Disposition of Foreign Currency

Foreign currency received as profit on a Certificate or on the sale or retirement of a Certificate will have a tax basis equal to its U.S. dollar value at the time the profit is received or at the time of the sale or retirement. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Certificates or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Backup Withholding and Information Reporting

In general, payments of principal, profit and accrued OID on, and the proceeds of a sale, exchange, redemption or other disposition of, Certificates, payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary, may be subject to information reporting to the IRS. Backup withholding in respect of such payments will apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status to a paying agent or other intermediary or otherwise comply with the applicable backup withholding requirements.

Backup withholding is not an additional tax. Any amounts withheld from a payment to a U.S. Holder under the backup withholding rules will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, **provided that** the required information is timely furnished to the IRS in the manner required. Certain U.S. Holders are not subject to backup withholding.

Other Reporting Requirements

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS by attaching Form 8886 to its tax return and retaining a copy of all documents and records relating to the transaction. The scope and application of these rules is not entirely clear and whether an investment in a Certificate constitutes a "reportable transaction" for any holder depends on the holder's particular circumstances. For example, a U.S. Holder may be required to treat a foreign currency exchange loss from the Certificates as a reportable transaction if the loss exceeds U.S.$50,000 in a single taxable year if the U.S. Holder is an individual or trust, or higher amounts for other U.S. Holders. In the event the acquisition, ownership or disposition of Certificates constitutes participation in a "reportable transaction" for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. Prospective purchasers should consult their tax advisors regarding the application of these rules to the acquisition, ownership or disposition of Certificates and should be aware that we (or other participants in the transaction) may determine that the investor list maintenance requirement applies to the transaction and comply accordingly with this requirement.

U.S. Holders should consult their own tax advisers regarding any filing or reporting requirements that may apply to their purchase, ownership and disposition of Certificates. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

The U.S. federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a U.S. Holder's particular situation. U.S. Holders should consult their tax advisors with respect to the tax consequences to them of the ownership and disposition of the Certificates, including the tax consequences under state, local, foreign and other tax laws and the possible effects of changes in U.S. federal or other tax laws.

United Arab Emirates (excluding the Dubai International Financial Centre)

There is currently in force in the Emirate of Dubai legislation establishing a general corporate taxation regime (the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Dubai taxation in respect of payments of profit and principal to any holder of the Certificates.

The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to raise taxes on a federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into "Double Taxation Arrangements" with certain other countries, but these are not extensive in number.

Dubai International Financial Centre

Pursuant to Article 14 of Law No. (9) of 2004 in respect of the Dubai International Financial Centre (the "**DIFC Law**"), entities licensed, registered or otherwise authorised to carry on financial services in the Dubai International Financial Centre and their employees shall be subject to a zero rate of tax for a period of 50 years from 13 September 2004. This zero rate of tax applies to income, corporation and capital gains tax. In addition, this zero rate of tax will also extend to repatriation of capital and to transfers of assets or profits or salaries to any party outside the Dubai International Financial Centre. Article 14 of the DIFC Law also provides that it is possible to renew the 50-year period to a similar period upon issuance of a resolution by the Ruler of the Emirate of Dubai. As a result no payments by the Trustee under the Certificates are subject to any Dubai International Financial Centre tax, whether by withholding or otherwise.

ERISA AND CERTAIN OTHER U.S. CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), impose certain restrictions on: (i) employee benefit plans (as defined in Section 3(3) of ERISA) that are subject to Part 4, Title I of ERISA; (ii) plans (as defined in Section 4975(e)(1) of the Code) that are subject to Section 4975 of the Code, including individual retirement accounts and Keogh plans; (iii) any entities whose underlying assets could be deemed to include plan assets by reason of a plan's investment in such entities (each of the foregoing, a "**Plan**"); and (iv) persons who have certain specified relationships to a Plan or its assets ("**parties in interest**" under ERISA and "**disqualified persons**" under the Code; collectively, "**Parties in Interest**"). ERISA also imposes certain duties on persons who are fiduciaries of Plans subject to ERISA, and ERISA and Section 4975 of the Code prohibit certain transactions between a Plan and Parties in Interest or Disqualified Persons with respect to such Plan. Violations of these rules may result in the imposition of excise taxes and other penalties and liabilities under ERISA and the Code.

ERISA and Section 4975 of the Code prohibit a broad range of transactions involving plan assets and Parties in Interest, unless a statutory or administrative exemption is available. Parties in Interest that participate in a prohibited transaction may be subject to penalties imposed under ERISA and/or excise taxes imposed pursuant to Section 4975 of the Code, unless a statutory or administrative exemption is available. These prohibited transactions generally are set forth in Section 406 of ERISA and Section 4975 of the Code. Certain employee benefit plans, including governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the prohibited transaction rules of ERISA or the Code but may be subject to similar rules under other applicable laws or documents. Accordingly, assets of such plans may be invested in the Certificates without regard to the prohibited transaction considerations under ERISA and the Code described below, subject to the provisions of other applicable federal, state or non-U.S. law ("**Similar Law**").

The term "**plan assets**" is defined in Section 3(42) of ERISA. The U.S. Department of Labor, the governmental agency primarily responsible for the administration of ERISA, has issued a final regulation (29 C.F.R. Section 2510.3-101), which, together with Section 3(42) of ERISA, set out the standards that will apply for determining what constitutes the assets of a Plan (collectively, the "**Plan Asset Regulation**"). Under the Plan Asset Regulation, if a Plan invests in an "**equity interest**" of an entity that is neither a "publicly-offered security" nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or that equity participation in the entity by "benefit plan investors" (which are essentially Plans) is not "**significant**". The Plan Assets Regulation generally defines equity participation in an entity by "**benefit plan investors**" as "**significant**" if 25 percent or more of the value of any class of equity interest in the entity is held by "benefit plan investors". If the assets of the Trust were deemed to be plan assets of a Plan, the Trustee, and any other party with discretionary control over such assets, would be subject to certain fiduciary obligations under ERISA and certain transactions that the Trust might enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under ERISA or Section 4975 of the Code and might have to be rescinded.

Each initial purchaser of the Certificates (or any interest in a Certificate) and each subsequent transferee will be deemed to have acknowledged, represented and agreed, by its purchase or holding of Certificates, that (A) it is not and for so long as it holds Certificates will not be: (i) a Plan; or (ii) a governmental, church or non-U.S. plan unless, under this subsection (ii), its purchase and holding of the Certificates would not result in a violation of any Similar Law, and (B) it and any person causing it to acquire any of the Certificates agrees to indemnify and hold harmless the Trust, the Trustee Administrator, the Trustee, the Obligors and the Arrangers and Dealers and their respective affiliates from any cost, damage or loss incurred by them as a result of it being or being deemed to be a Plan. Each Plan fiduciary (and each fiduciary for a Similar Law plan) should consult with its legal or other advisors concerning the potential consequences to the plan under ERISA, the Code or such Similar Laws of an investment in the Certificates or any interest therein. This Base Prospectus is not directed to any particular investor, nor does it address the needs of any particular investor.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a programme agreement (the "**Programme Agreement**") dated 15 December 2016, agreed with the Trustee and the Obligors a basis upon which they or any of them may from time to time agree to purchase Certificates for their own account or for resale to investors and other purchasers at varying pricing relating to prevailing market prices at the time of resale as determined by any Dealer or for resale at a fixed offering price. Any such agreement will extend to those matters stated under "*Form of Certificates*" and "*Terms and Conditions of the Certificates*".

In accordance with the terms of the Programme Agreement, the Trustee (failing which, EQUATE and TKOC) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Certificates under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

A Dealer may sell the Certificates it has purchased from the Trustee as principal to certain dealers less a concession equal to all or any portion of the discount received in connection with such purchase. Such Dealer may allow, and such dealers may re-allow, a discount to certain other dealers. The Dealers may propose initially to offer the Certificates at the issue price set forth in the applicable Final Terms. After the initial offering of the Certificates, the issue price (in the case of the Certificates to be resold at a fixed offering price), the concession and the re-allowance may be changed.

In order to facilitate the offering of any Tranche of the Certificates, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Certificates during and after the offering of the Tranche. Specifically, such persons may over-allot or create a short position in the Certificates for their own account by selling more Certificates than have been sold to them by the Trustee. Such persons may also elect to cover any such short position by purchasing Certificates in the open market. In addition, such persons may stabilise or maintain the price of the Certificates by bidding for or purchasing Certificates in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Certificates are reclaimed if Certificates previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Certificates at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Certificates to the extent that it discourages re-sales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Under United Kingdom laws and regulations, stabilising activities may only be carried on by the Stabilising Manager(s) named in the relevant subscription agreement (or persons acting on behalf of any Stabilising Manager(s)) or, as the case may be, named in the relevant Final Terms, and only for a limited period following the Issue Date of the relevant Tranche of Certificates.

Certain of the Dealers and their affiliates are also lenders to the Group, including pursuant to the Bridge Loan Facilities (as defined in "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Indebtedness and Financing Strategy of the Group*") and the proceeds of the Certificates may be partially or wholly used for the refinancing of the Group's existing indebtedness including under its Bridge Loan Facilities, see "*Use of Proceeds*". Moreover, certain of the Dealers and their affiliates have engaged in, or may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Trustee, the Obligors or their respective affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Trustee, the Obligors or their respective affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Trustee, the Obligors or their respective affiliates routinely hedge their credit exposure to the Trustee, the Obligors or their respective affiliates consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Trustee's, the Obligors' or their respective affiliates' securities, including potentially the Certificates offered hereby. Any such short positions could adversely affect future trading prices of the Certificates offered hereby. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Transfer Restrictions

As a result of the following restrictions, purchasers of Certificates in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Certificates.

Each purchaser of Certificates (other than a person purchasing an interest in a Global Certificate with a view to holding it in the form of an interest in the same Global Certificate) or person wishing to transfer an interest from one Global Certificate to another or from global to definitive form or *vice versa*, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Global Certificate with a view to holding it in the form of an interest in the same Global Certificate will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(i) that either: (a) it is a QIB that is also a QP, purchasing (or holding) the Certificates for its own account or for the account of one or more QIBs that are also QPs in a minimum principal amount, in each case, of U.S.$200,000 (or the equivalent amount in a foreign currency) and it is aware that any sale to it is being made in reliance on Rule 144A; or (b) it is an Institutional Accredited Investor purchasing (or holding) the Certificates for its account or for the account of an Institutional Accredited Investor in a minimum principal amount, in each case, of U.S.$500,000 (or the equivalent amount in a foreign currency) and which has delivered an IAI Investment Letter to the Registrar that is also a QP; or (c) it is outside the United States and is not a U.S. person;

(ii) that it is not formed for the purpose of investing in the Trustee;

(iii) that it, and each account for which it is purchasing, will hold and transfer at least the minimum denomination of the Certificates;

(iv) that it understands that the Trustee may receive a list of participants holding positions in its securities from one or more book-entry depositories;

(v) that the Certificates are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Certificates and the Master Trust Deed have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and, accordingly, the Certificates may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except as set forth below;

(vi) that, unless it holds an interest in an Unrestricted Global Certificate and is a non-U.S. person located outside the United States, if in the future it decides to resell, pledge or otherwise transfer the Certificates or any beneficial interests in the Certificates, it will do so prior to the expiration of the applicable required holding period determined pursuant to Rule 144A only: (a) to the Trustee or any affiliate thereof; (b) inside the United States to a person whom the seller reasonably believes is a QIB that is also a QP purchasing for its own account or for the account of a QIB that is also a QP in a transaction meeting the requirements of Rule 144A; (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act; (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or any other available exemption from the registration requirement of the Securities Act; or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

(vii) it will, and will require each subsequent holder to, notify any purchaser or transferee, as applicable, of the Certificates from it of the resale and transfer restrictions referred to in paragraph (vii) above, if then applicable;

(viii) that Certificates initially offered in the United States to QIBs that are also QPs will be represented by one or more Restricted Global Certificates, that Certificates offered to Institutional Accredited Investors that are also QPs will be in the form of Individual Certificates

("**Individual Certificates**") and that Certificates offered outside the United States in reliance on Regulation S will be represented by one or more Unrestricted Global Certificates;

(ix) that it understands that the Trustee has the power to compel any beneficial owner of Certificates represented by a Restricted Global Certificate that is a U.S. person and is not a QIB that is also a QP to sell its interest in such Certificates, or may sell such interest on behalf of such owner. The Trustee has the right to refuse to honour the transfer of an interest in any Restricted Global Certificate to a U.S. person who is not a QIB that is also a QP. Any purported transfer of an interest in a Restricted Global Certificate to a purchaser that does not comply with the requirements of the transfer restrictions herein will be of no force and effect and will be void *ab initio*;

(x) that it understands that the Trustee has the power to compel any beneficial owner of Individual Certificates that is a U.S. person and is not an Institutional Accredited Investor that is also a QP to sell its interest in such Certificates, or may sell such interest on behalf of such owner. The Trustee has the right to refuse to honour the transfer of an Individual Certificate to a U.S. person who is not an Institutional Accredited Investor that is also a QP. Any purported transfer of an Individual Certificate to a purchaser that does not comply with the requirements of the transfer restrictions herein will be of no force and effect and will be void *ab initio*;

(xi) that (a) it is not and is not acting on behalf of: (i) a Plan, or (ii) a governmental, church or non-U.S. plan or entity whose underlying assets are deemed to include the assets of any such plan, unless, under this subsection (ii), the purchase and holding of the Certificate would not result in a violation of any Similar Law or subject the Trust or any transaction thereby to any such Similar Law and (b) it will not sell or otherwise transfer any Certificates or interest to any person unless the same foregoing representations and warranties apply to that person;

(xii) that the Certificates in registered form, other than the Unrestricted Global Certificates, will bear a legend to the following effect unless otherwise agreed to by the Trustee:

"NEITHER THIS SECURITY NOR THE GUARANTEE THEREOF HAS BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS, NONE OF THE TRUSTEE OR ANY OBLIGOR HAS REGISTERED OR INTENDS TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), AND, ACCORDINGLY, THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER: (A) REPRESENTS THAT: (1) IT IS A "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "**QIB**") THAT IS ALSO A QUALIFIED PURCHASER WITHIN THE MEANING OF SECTION 2(A)(51)(A) OF THE INVESTMENT COMPANY ACT (A "**QP**"), PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS THAT ARE QPS IN A MINIMUM PRINCIPAL AMOUNT, IN EACH CASE, OF U.S.$200,000 (OR THE EQUIVALENT AMOUNT IN A FOREIGN CURRENCY); OR (2) IT IS AN INSTITUTIONAL "**ACCREDITED INVESTOR**" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN "**INSTITUTIONAL ACCREDITED INVESTOR**") THAT IS ALSO A QP PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF AN INSTITUTIONAL ACCREDITED INVESTOR THAT IS ALSO A QP IN A MINIMUM PRINCIPAL AMOUNT OF U.S.$500,000 (OR THE EQUIVALENT AMOUNT IN A FOREIGN CURRENCY) AND THAT IT IS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE TRUSTEE; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO EXPIRATION OF THE APPLICABLE REQUIRED HOLDING PERIOD DETERMINED PURSUANT TO RULE 144 OF THE SECURITIES ACT FROM THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE TRUSTEE OR AN AFFILIATE OF THE TRUSTEE WAS THE OWNER OF SUCH SECURITIES OTHER THAN: (1) TO THE TRUSTEE OR ANY AFFILIATE THEREOF; (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS: (I) A QIB WITHIN THE

MEANING OF RULE 144A UNDER THE SECURITIES ACT THAT IS ALSO A QP PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB THAT IS ALSO A QP IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A; OR (II) AN INSTITUTIONAL ACCREDITED INVESTOR THAT IS ALSO A QP PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF AN INSTITUTIONAL INVESTOR THAT IS ALSO A QP; (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT; (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT ("**RULE 144**") (IF AVAILABLE); OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE SECURITY.

ANY RESALE OR OTHER TRANSFER OF THIS SECURITY (OR BENEFICIAL INTEREST HEREIN) WHICH IS NOT MADE IN COMPLIANCE WITH THE RESTRICTIONS SET FORTH HEREIN WILL BE OF NO FORCE AND EFFECT, WILL BE NULL AND VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE TRUSTEE OR ANY OF ITS AGENTS. IN ADDITION TO THE FOREGOING, IN THE EVENT OF A TRANSFER OF THIS SECURITY (OR BENEFICIAL INTEREST HEREIN) TO A U.S. PERSON WITHIN THE MEANING OF REGULATION S THAT IS NOT A QIB THAT IS ALSO A QP OR AN INSTITUTIONAL ACCREDITED INVESTOR THAT IS ALSO A QP, THE TRUSTEE MAY: (A) COMPEL SUCH TRANSFEREE TO SELL THIS SECURITY OR ITS INTEREST HEREIN TO A PERSON WHO: (I) IS A U.S. PERSON WHO IS A QIB THAT IS ALSO A QP OR AN INSTITUTIONAL ACCREDITED INVESTOR THAT IS ALSO A QP THAT IS OTHERWISE QUALIFIED TO PURCHASE THIS SECURITY OR INTEREST HEREIN IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT; OR (II) IS NOT A U.S. PERSON WITHIN THE MEANING OF REGULATION S IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S; OR (B) COMPEL SUCH TRANSFEREE TO SELL THIS SECURITY OR ITS INTEREST HEREIN TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE TRUSTEE AT A PRICE EQUAL TO THE LESSER OF: (X) THE PURCHASE PRICE THEREFOR PAID BY THE ORIGINAL TRANSFEREE; (Y) 100 PER CENT. OF THE PRINCIPAL AMOUNT THEREOF; OR (Z) THE FAIR MARKET VALUE THEREOF. THE TRUSTEE HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF THIS SECURITY OR INTEREST HEREIN TO A U.S. PERSON WHO IS NOT A QIB THAT IS ALSO A QP OR AN INSTITUTIONAL ACCREDITED INVESTOR THAT IS ALSO A QP. EACH TRANSFEROR OF THIS SECURITY WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE AGENCY AGREEMENT TO ITS TRANSFEREE. NONE OF THE TRUSTEE OR ANY OBLIGOR HAS REGISTERED AND NONE OF THEM INTENDS TO REGISTER UNDER THE INVESTMENT COMPANY ACT.

BY ACCEPTING THIS CERTIFICATE (OR ANY INTEREST IN THE CERTIFICATES REPRESENTED HEREBY) EACH BENEFICIAL OWNER HEREOF, AND EACH FIDUCIARY ACTING ON BEHALF OF THE BENEFICIAL OWNER (BOTH IN ITS INDIVIDUAL AND CORPORATE CAPACITY), WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT, DURING THE PERIOD IT HOLDS ANY INTEREST IN THIS CERTIFICATE (A) IT IS NOT, AND IT IS NOT ACTING ON BEHALF OF AN "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A "PLAN" AS DEFINED IN AND TO WHICH SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED ("**CODE**") APPLIES, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN SUCH ENTITY (EACH, A "BENEFIT PLAN INVESTOR"), AND NO PART OF THE ASSETS TO BE USED BY IT TO PURCHASE OR

HOLD SUCH CERTIFICATES OR ANY INTEREST HEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR AND (B) IF IT IS, OR IS ACTING ON BEHALF OF A GOVERNMENTAL, CHURCH OR NON U.S. PLAN, OR ANY ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED TO INCLUDE THE ASSETS OF ANY SUCH PLAN SUCH ACQUISITION DOES NOT AND WILL NOT CONSTITUTE OR RESULT IN A NON EXEMPT VIOLATION OF ANY LAWS THAT ARE SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE AND WILL NOT SUBJECT THE TRUSTEE OR ANY TRANSACTIONS THEREBY TO ANY LAWS, RULES OR REGULATIONS APPLICABLE TO SUCH PLAN AS A RESULT OF THE INVESTMENT IN THE CERTIFICATES BY SUCH PLAN. NO PURCHASE BY OR TRANSFER TO A BENEFIT PLAN INVESTOR OF THIS CERTIFICATE, OR ANY INTEREST HEREIN, WILL BE EFFECTIVE, AND NEITHER THE TRUSTEE NOR THE DELEGATE WILL RECOGNISE ANY SUCH ACQUISITION OR TRANSFER. IN THE EVENT THAT THE TRUSTEE DETERMINES THAT THIS CERTIFICATE IS HELD BY A BENEFIT PLAN INVESTOR, THE TRUSTEE MAY CAUSE A SALE OR TRANSFER IN THE MANNER DESCRIBED IN THE BASE PROSPECTUS.

THE TRUSTEE MAY COMPEL EACH BENEFICIAL HOLDER HEREOF TO CERTIFY PERIODICALLY THAT SUCH OWNER IS A QIB THAT IS ALSO A QP OR AN INSTITUTIONAL ACCREDITED INVESTOR THAT IS ALSO A QP.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

(xiii) that the Certificates in registered form which are registered in the name of a nominee of DTC will bear an additional legend to the following effect unless otherwise agreed to by the Trustee:

"UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION, ("**DTC**"), TO THE TRUSTEE OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY REGISTERED NOTE ISSUED IN EXCHANGE FOR THIS GLOBAL NOTE OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORISED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS GLOBAL SECURITY MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN THE DEPOSITORY TRUST COMPANY OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN THIS GLOBAL SECURITY, AND MAY NOT BE TRANSFERRED, IN WHOLE OR IN PART, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THIS LEGEND. BENEFICIAL INTERESTS IN THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH THIS LEGEND.";

(xiv) if it holds an interest in an Unrestricted Global Certificate, that if it should resell or otherwise transfer the Certificates prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Certificates of the Tranche of which it forms part), it will do so only: (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act; or (ii) to a QIB that is also a QP in compliance with Rule 144A; and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Unrestricted Global Certificates will bear a legend to the following effect unless otherwise agreed to by the Trustee:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART."; and

(xv) that the Trustee, each Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Trustee; and if it is acquiring any Certificates as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Please see "*Form of Certificates*".

Institutional Accredited Investors that are also QPs who purchase Certificates offered and sold in the United States in reliance upon the exemption from registration provided by the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter and will only be entitled to receive Definitive IAI Restricted Certificates.

The IAI Investment Letter will state, among other things, the following:

(i) that the Institutional Accredited Investor has received a copy of the Base Prospectus and such other information as it deems necessary in order to make its investment decisions;

(ii) that the Institutional Accredited Investor understands that any subsequent transfer of the Certificates is subject to certain restrictions and conditions set forth in the Base Prospectus and the Certificates (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Certificates except in compliance with, such restrictions and conditions and the Securities Act;

(iii) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Certificates;

(iv) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act that is also a qualified purchaser within the meaning of Section 2(a)(51)(A) of the Investment Company Act and the rules and regulations thereunder and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Certificates, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;

(v) that the Institutional Accredited Investor is acquiring the Certificates purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor that is also a QP) as to each of which it exercised sole investment discretion and not with a view to any distribution of the Certificates, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and

(vi) that, in the event that the Institutional Accredited Investor purchases Certificates, it will acquire Certificates having a minimum purchase price of at least U.S.$500,000 (or the equivalent amount in a foreign currency).

No sale of Legended Certificates in the United States to any one purchaser will be for less than U.S.$200,000 (or the equivalent amount in a foreign currency) principal amount or, in the case of sales to Institutional Accredited Investors that are also QPs, U.S.$500,000 (or the equivalent amount in a foreign currency) principal amount and no Legended Certificate will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$200,000 (or the equivalent amount in a foreign currency) or, in the case of sales to Institutional Accredited Investors that are also QPs, U.S.$500,000 (or the equivalent amount in a foreign currency) principal amount of Certificates.

Selling Restrictions

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is:

(i) an "**Exempt Offer**" in accordance with the Markets Rules (MKT Module) of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and

(ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

Hong Kong

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

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates, except for Certificates which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**"), other than: (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**CO**") or which do not constitute an offer to the public within the meaning of the CO; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Certificates in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other relevant laws and regulations of Japan.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Certificates except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

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

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

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

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

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 10 or Article 11 of the "Offers of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"), made through a person authorised by the Capital Market Authority to carry on the securities activity of arranging and following a notification to the Capital Market Authority under the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Certificates to a Saudi Investor will be made in compliance with the KSA Regulations.

Investors are informed that Article 17 of the KSA Regulations places restrictions on secondary market activity with respect to the Certificates, including as follows:

(i) a Saudi Investor (referred to as a "**transferor**") who has acquired Certificates pursuant to a private placement may not offer or sell Certificates to any person (referred to as a "**transferee**") unless the offer or sale is made through an authorised person where one of the following requirements is met:

    (a) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyals one million or an equivalent amount;

    (b) the Certificates are offered or sold to a sophisticated investor; or

    (c) the Certificates are being offered or sold in such other circumstances as the Capital Market Authority may prescribe for these purposes;

(ii) if the requirement of paragraph (i)(a) above cannot be fulfilled because the price of the Certificates being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Certificates to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals 1 million or an equivalent amount;

(iii) if the requirement in paragraph (ii) above cannot be fulfilled, the transferor may offer or sell Certificates if he/she sells his entire holding of Certificates to one transferee; and

(iv) the provisions of paragraphs (i), (ii) and (iii) above shall apply to all subsequent transferees of the Certificates.

Malaysia

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

(i) the Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia ("**CMSA**"); and

(ii) accordingly, the Certificates have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3), read together with Schedule 9 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Certificates or caused the Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell any Certificates or cause the Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Certificates, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**")) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

(A) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

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

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

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

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

State of Kuwait

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no Certificates will be offered in the State of Kuwait unless all necessary approvals from the Kuwait Capital Markets Authority pursuant to Law No. 7 of 2010, and its executive bylaws (each as amended) together with the various resolutions, regulations, guidance principles and instructions issued pursuant thereto, or in connection therewith (regardless of nomenclature) or any other applicable law or regulation in Kuwait, have been given in respect of the offering, marketing, and sale, of the Certificates. For the avoidance of doubt, no Certificates shall be offered, marketed and/or sold in the State of Kuwait except on a private placement basis to Professional Clients (as defined in Module 1 of the executive bylaws of Law No. 7 of 2010 (each as amended)).

State of Qatar (including the Qatar Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, delivered or sold, and will not offer, deliver or sell at any time, directly or indirectly, any Certificates in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar. This Base Prospectus has not been reviewed or approved by the Qatar Central Bank, the Qatar Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority and is only intended for specific recipients, in compliance with the foregoing.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the U.A.E. other than in compliance with any laws applicable in the U.A.E. governing the issue, offering or sale of securities.

United Kingdom

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

(i) in relation to any Certificates which have a maturity of less than one year: (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (b) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Trustee;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any

Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or the Obligors; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

United States

Each Dealer acknowledges, and each further Dealer appointed under the Programme will be required to acknowledge, that the Certificates and the Master Trust Deed have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from or not subject to the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and sold and shall not offer and sell Certificates of any Series: (i) as part of their distribution at any time; and (ii) otherwise until 40 days after the completion of the distribution of all Certificates of the tranche of which such Certificates are a part, as determined and certified to the Delegate by the relevant Dealer or, in the case of an issue of Certificates on a syndicated basis, the relevant lead manager of such tranche, except in accordance with Rule 903 of Regulation S or Rule 144A under the Securities Act. Accordingly, neither it, nor its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts (as defined in Regulation S under the Securities Act) with respect to the Certificates, and it and they have complied and will comply with the offering restrictions requirement of Regulation S under the Securities Act. Each Dealer agrees that at or prior to confirmation of sale of Certificates (other than a sale pursuant to Rule 144A under the Securities Act), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Certificates from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Certificates covered hereby have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of Certificates of which such Certificates are a part, except in either case in a transaction exempt from or not subject to the registration requirements of the Securities Act to a person: (a) that the seller reasonably believes is a "**qualified institutional buyer**" (within the meaning of Rule 144A under the Securities Act that is also a "**qualified purchaser**" (as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended); or (b) that is an institutional "**accredited investor**" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that is also a "**qualified purchaser**" (as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended). Terms used above have the meanings given to them by Regulation S under the Securities Act".

Terms used in the two preceding paragraphs have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it nor any of its affiliates, nor any person acting on its or their behalf has engaged or will engage in any form of general solicitation or general advertising (as those terms are used in Rule 502(c) of Regulation D under the Securities Act) in connection with any offer and sale of the Certificates in the United States.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it is a QIB that is also a QP. Each Dealer may, through its respective U.S. registered broker-dealer affiliates, arrange for the offer and resale of the Certificates in the United States only to QIBs that are also QPs or to Institutional Accredited Investors that are also QPs in a transaction not involving any public offering.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has offered and sold and will offer and sell the Certificates in the United States only to persons: (i) whom it reasonably believes are QIBs that are also QPs; or (ii) who are Institutional Accredited Investors that are also QPs who, in the case of both (i) and (ii) can represent that: (A) they are either QIBs that are also QPs, or Institutional Accredited Investors that are also QPs, as the case may be; (B) they are not broker-dealers who own and invest on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers; (C) they are not a participant-directed employee plan, such as a 401(k) plan; (D) they are acting for their own account, or the account of one or more QIBs or Institutional Accredited Investors, as the case may be, each of which is a QP; (E) they are not formed for the purpose of investing in the Trustee; (F) each account for which they are purchasing will hold and transfer, in the case of QIBs that are also QPs at least U.S.$200,000 in principal amount of Certificates, and in the case of Institutional Accredited Investors that are also QPs at least U.S.$500,000 in principal amount of Certificates at any time; (G) they understand that the Trustee may receive a list of participants holding positions in its securities from one or more book-entry depositories; and (H) they will provide notice of the transfer restrictions set forth in this Base Prospectus to any subsequent transferees.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it, nor any of its affiliates nor any person acting on its or their behalf has entered into and will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of Certificates, except with its affiliates or with the prior written consent of the Trustee and EQUATE.

To the extent that the Trustee is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Trustee has agreed to furnish to holders of Certificates and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Dealers may also arrange for the resale of Certificates to persons who are Institutional Accredited Investors who execute and deliver to the Registrar an IAI Investment Letter and are QPs. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Certificates will be issued in definitive registered form.

Public Offering Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Certificates to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor under the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Certificates referred to in paragraphs (a) to (c) above shall require the Trustee or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "**offer of Certificates to the public**" in relation to any Certificates in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression

"**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

General

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will, to the best of its knowledge and belief, comply with all applicable securities laws, regulations and directives in force in any jurisdiction in which it purchases, offers, sells or delivers Certificates or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Trustee, the Obligors nor any of the other Dealers shall have any responsibility therefor.

None of the Trustee, the Obligors or any of the Dealers represents that Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other restrictions as the Trustee, the Obligors and the relevant Dealer(s) shall agree and as shall be set out in the relevant subscription agreement or, as the case may be, in the relevant Final Terms.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issuance of the Certificates thereunder was authorised by a resolution of the shareholders of EQUATE dated 30 August 2016 and the board of directors of EQUATE dated 30 August 2016.

The establishment of the Programme, the issuance of the Certificates thereunder and the giving of the guarantee under the Master Trust Deed was authorised by a resolution of the shareholders of TKOC dated 30 August 2016 and the board of directors of TKOC dated 30 August 2016.

The establishment of the Programme and the issuance of the Certificates thereunder was authorised by a resolution of the board of directors of the Trustee dated 23 November 2016. The Trustee and the Obligors have obtained or will obtain from time to time, all necessary consents, approvals and authorisations in connection with the issue and performance of the Certificates or the Guarantee, as the case may be.

Listing of the Certificates

It is expected that each Tranche of Certificates (other than Non-PD Certificates) which is to be admitted to the Official List and to trading on the Regulated Market will be admitted separately as and when issued, subject only to the issue of a Global Certificate or Certificates initially representing the Certificates of such Tranche. Application has been made to the Irish Stock Exchange for Certificates issued under this Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the Official List and to trading on the Main Securities Market. The approval of the Programme in respect of such Certificates is expected to be granted on or before 15 December 2016.

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

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection in physical form from the registered office of the Trustee and from the specified office of the Principal Paying Agent for the time being in London:

(i) the constitutional documents of the Trustee, EQUATE and TKOC (with a direct and accurate English translation thereof);

(ii) the Financial Statements (as defined in "Presentation of Financial and Other Information");

(iii) The Master Trust Deed as supplemented by the relevant Supplemental Trust Deed, the Agency Agreement, the Master Purchase Agreement as supplemented by the applicable Supplemental Purchase Agreement, the Master Lease Agreement as supplemented by the applicable Supplemental Lease Agreement, the Sale Undertaking (together with each relevant sale agreement and additional purchase agreement executed upon exercise of the Sale Undertaking), the Purchase Undertaking (together with each relevant sale agreement executed upon exercise of the Purchase Undertaking), the Master Murabaha Agreement (together with all offers, acceptances and confirmations delivered pursuant to any of the foregoing in connection with the relevant Series), the Commodity Agency Agreement, the Service Agency Agreement, the Commodity Purchase Agreement, the Commodity Sale Agreement, the Settlement Deed and the forms of the Global Certificate and Individual Certificates;

(iv) a copy of this Base Prospectus; and

(v) any future offering circulars, prospectuses, information memoranda and supplements, including Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference.

Clearing Systems

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records. The appropriate Common Code and ISIN for each

Tranche of Certificates allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Trustee may make an application for any Certificates to be accepted for trading in book-entry form by DTC. Acceptance by DTC of such Certificates and the CUSIP and/or CINS numbers for each Tranche of such Certificates, together with the relevant ISIN and (if applicable) Common Code, will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States.

Conditions for Determining Price

The price and amount of Certificates to be issued under the Programme will be determined by the Trustee, the Obligors and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of the Trustee since its incorporation on 13 October 2016, and there has been no material adverse change in the prospects of the Trustee, since its incorporation on 13 October 2016.

There has been no significant change in the financial or trading position of EQUATE and its Subsidiaries, taken as a whole, since 30 June 2016, and there has been no material adverse change in the prospects of EQUATE, since 31 December 2015.

There has been no significant change in the financial or trading position of TKOC since 30 June 2016, and there has been no material adverse change in the prospects of TKOC, since 31 December 2015.

Legal Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) in the 12 months preceding the date of this Base Prospectus which may have, or have in such period had, a significant effect on the financial position or profitability of the Trustee or any of its Subsidiaries.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) in the 12 months preceding the date of this Base Prospectus which may have, or have in such period had, a significant effect on the financial position or profitability of EQUATE or any if its subsidiaries.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) in the 12 months preceding the date of this Base Prospectus which may have, or have in such period had, a significant effect on the financial position or profitability of TKOC.

Independent Auditors

The current independent auditor to each of the Obligors is KPMG Safi Al-Mutawa & Partners, Al Hamra Tower, 25th Floor, whose registered business address is at Abdulaziz Al Saqr Street, P.O. Box 24, Safa 13001, Kuwait.

The Group H1 2016 Combined Financial Statements have been prepared in accordance with IAS 34 and, aside from the comparative combined results, changes in equity and cash flows for the six-month period ended 30 June 2015 and combined financial position as of 31 December 2015, and related notes, contained therein (which have not been audited or reviewed), have been reviewed by KPMG Safi in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" as stated in its report included elsewhere in this Base Prospectus. With respect to the Group H1 2016 Combined Financial Statements, included herein, the independent auditor, KPMG Safi, has reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their report with respect thereto, included herein, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

The EQUATE Audited Financial Statements have been prepared in accordance with IFRS issued by the IASB and have been audited by Deloitte (in the case of the EQUATE 2015 Financial Statements and the EQUATE 2014 Financial Statements) and KPMG Safi (in the case of the EQUATE 2013 Financial Statements) as stated in their respective audit reports appearing elsewhere in this Base Prospectus or incorporated by reference in this Base Prospectus (see "*Documents Incorporated by Reference*"), as the case may be. The EQUATE H1 2016 Financial Statements have been prepared in accordance with IAS 34 and, aside from the comparative results, changes in equity and cash flows for the six month period ended 30 June 2015 and related notes, contained therein (which have not been audited or reviewed), have been reviewed by KPMG Safi in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" as stated in its report included elsewhere in this Base Prospectus. With respect to the EQUATE H1 2016 Financial Statements, included herein, the independent auditor, KPMG Safi, has reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their report with respect thereto, included herein, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

The TKOC Audited Financial Statements have been prepared in accordance with IFRS issued by the IASB and have been audited by Deloitte (in the case of the TKOC 2015 Financial Statements and the TKOC 2014 Financial Statements) and KPMG Safi (in the case of the TKOC 2013 Financial Statements) as stated in their respective audit reports appearing elsewhere in this Base Prospectus or incorporated by reference in this Base Prospectus (see "*Documents Incorporated by Reference*"), as the case may be. The TKOC H1 2016 Financial Statements have been prepared in accordance with IAS 34, aside from the comparative results, changes in equity and cash flows for the six month period ended 30 June 2015 and related notes, contained therein (which have not been audited or reviewed), and have been reviewed by KPMG Safi, in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" as stated in its report included elsewhere in this Base Prospectus. With respect to the TKOC H1 2016 Financial Statements, included herein, the independent auditor, KPMG Safi, has reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their report with respect thereto, included herein, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

The MEGlobal B.V. Financial Statements have been prepared in accordance with IFRS issued by the IASB and have been audited by KPMG Lower Gulf Limited (in the case of the MEGlobal B.V. 2015 Consolidated Financial Statements) and KPMG LLP (in the case of the MEGlobal B.V. 2014 Consolidated Financial Statements and the MEGlobal B.V. 2013 Consolidated Financial Statements) as stated in their respective audit reports incorporated by reference in this Base Prospectus (see "*Documents Incorporated by Reference*").

The MEGlobal Canada Financial Statements have been prepared in accordance with IFRS issued by the IASB and have been audited by KPMG Lower Gulf Limited (in the case of the MEGlobal Canada 2015 Consolidated Financial Statements) and KPMG LLP (in the case of the MEGlobal Canada 2014 Consolidated Financial Statements and the MEGlobal Canada 2013 Consolidated Financial Statements) as stated in their respective reports incorporated by reference in this Base Prospectus (see "*Documents Incorporated by Reference*").

Certificates Having a Maturity of Less Than One Year

Where Certificates have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Trustee in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA, such Certificates must have a minimum denomination of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses.

Conditions for Determining Price and Yield

The price and amount of Certificates to be issued under the Programme will be determined by the Trustee, the Obligors and each relevant Dealer at the time of issue in accordance with prevailing market conditions. In the case of different Tranches of a Series of Certificates, the issue price may include accrued profit in respect of the period from the profit commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if profit payment dates have already passed, the most recent profit payment date in respect of the Series) to the issue date of the relevant Tranche.

The yield of each Tranche of Certificates will be calculated on an annual or semi-annual basis using the relevant issue price at the relevant issue date. It is not an indication of future yield.

Dealers transacting with the Trustee and the Obligors

Certain of the Dealers and their affiliates have engaged in, or may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Trustee, the Obligors or their respective affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Trustee, the Obligors or their respective affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Trustee, the Obligors or their respective affiliates routinely hedge their credit exposure to the Trustee, the Obligors or their respective affiliates consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Trustee's, the Obligors' or their respective affiliates' securities, including potentially the Certificates offered hereby. Any such short positions could adversely affect future trading prices of the Certificates offered hereby. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. See also "*Subscription and Sale and Transfer and Selling Restrictions*".

Shari'a Boards

The transaction structure relating to the Certificates (as described in this Base Prospectus) has been approved by the Executive Shariah Committee of HSBC Saudi Arabia and the KFH Capital Sharia Committee.

GLOSSARY OF SELECTED TERMS

Term	Definition
"**Aromatics**"	Hydrocarbons that are in a ring formation instead of a linear formation. The major products comprising this group are: benzene, toluene, mixed xylenes, ortho-xylene and para-xylene.
"**Barrel**"	Barrel of crude oil, 159 litres by volume.
"**Benzene**"	A building block for styrene and is also used to make cumene and nylon. Mainly produced from refinery processes or as a co-product of steam cracker operations.
"**Cracker**"	A processing unit that breaks down naphtha or other gas feedstocks into olefins, principally ethylene and propylene.
"**Cracking**"	The conversion of large hydrocarbon molecules into smaller ones. Carried out either at high temperatures (thermal cracking), or with the aid of a catalyst and high pressure (catalytic cracking and hydrocracking). The cracking process enables greater quantities of saturated hydrocarbons suitable for gasoline and other light hydrocarbon fractions to be recovered from crude oil.
"**De-bottlenecking**"	Process of identifying specific areas and/or equipment in oil and gas facilities that limit the flow of product (otherwise known as bottlenecks) and optimising them so that overall production capacity in the plant can be increased.
"**Ethane**"	A colourless, odourless gas which is a by-product of petroleum refining. Primarily used as a petrochemical feedstock for ethylene production.
"**Ethylene**"	A flammable gas obtained in a process called steam cracking. It does not have any consumer applications, but is the basic feedstock for a large number of industrial uses, including the manufacture of polyethylene. It is a key building block for polyethylene, polystyrene, ethylene oxide and other derivatives.
"**Ethylene glycol (EG)**"	An industrial chemical, primarily used in the manufacture of polyesters and antifreeze/coolants. Produced from ethylene oxide.
"**Ethylene oxide (EO)**"	A commodity monomer used as a building block for the manufacture of a wide range of products and intermediates in the chemical industry. Mainly used to produce ethylene glycol and industrial detergents. The products derived from ethylene oxide have many familiar applications and coolants for auto engines, polyester fibres and film. Manufactured from ethylene and oxygen.
"**Facility**"	A petrochemical production location which may contain one or more petrochemical plants or crackers.
"**Feedstocks**"	Crude oil and other hydrocarbons used as basic materials in a refining or manufacturing process.
"**Hydrocarbons**"	All compounds that consist of hydrogen and carbon. These include crude oil, natural gas, gas, olefins and their derivatives.
"**KMT**"	Kilo metric tonne.
"**KTA**"	Kilo tonne per annum.

Term	Definition
"**MT**"	Metric tonne.
"**MMT**"	Million metric tonne.
"**MTA**"	Million tonne per annum.
"**Monomer**"	Feedstock material for the manufacture of polymers and derivative products.
"**Naphtha**"	A refinery product that is used as a gasoline component, but also serves as feedstock for petrochemical plants.
"**Olefins**"	Including ethylene and propylene, are the key building blocks of the petrochemical industry and produce a large range of derivative products.
"**Production capacity**"	The amount of product capable of being produced by a petrochemical plant, usually expressed in KTA or MTA. The production capacity of a particular plant may differ from the nameplate capacity of that plant as a result of any processes undertaken after the initial construction to increase capacity, for example de-bottlenecking.
"**Plant**"	A term used to describe the technology used for the production of petrochemicals, including but not limited to ethylene glycol, polyethylene or polyethylene terephthalate.
"**Polyethylene (PE)**"	The world's most used thermoplastic (including high-density polyethylene, low-density polyethylene and linear low-density polyethylene). Manufactured by the polymerisation of ethylene and co- monomers. Used primarily to produce films for packaging, agricultural applications, moulded products, pipes and coatings.
"**Polyethylene terephthalate (PET)**"	Made by the combination of ethylene glycol and terephthalic acid. Typical end users include films for packaging and fibres.
"**Polymer**"	A chemical compound usually made up of a large number of identical components linked together into long molecular chains.
"**Polypropylene**"	The world's second most widely used thermoplastic after polyethylene. It is manufactured by the polymerisation of propylene. It is used mainly for moulding, filaments, fibres and films and is the most significant thermoplastic material used in moulded containers and automotive applications.
"**Purified terephthalic acid**"	It is an aromatic acid, in the form of a white, crystalline powder, which is primarily applied in the production of polyester.
"**Resins**"	Any natural or synthetic organic compound consisting of a noncrystalline or viscous liquid substance.
"**Spot market**"	A term used to describe the international trade in one-off cargoes or shipments of commodities, such as crude oil, in which prices closely follow demand and availability.
"**Styrene**"	A derivative of benzene which is a colourless oily liquid that evaporates easily. Styrene is the precursor to polystyrene and several copolymers.
"**Triethylene glycol (TEG)**"	A by-product of ethylene glycol production, it is a colourless

Term	Definition
	odourless viscous liquid primarily as a plasticiser for vinyl, in air sanitiser products, as liquid desiccants for natural gas and in air conditioning systems and as an additive for hydraulic fluids and brake fluids.
"**Thermoplastic**"	A plastic which softens when heated and hardens again when cooled. Includes polyethylene, polypropylene and polystyrene.
"**Utilisation rate**"	Equal to the output divided by the capacity index of any given production facility.

INDEX TO FINANCIAL STATEMENTS

Combined condensed interim financial information
of
EQUATE Petrochemical Company K.S.C.C. (“EQUATE”)
and
The Kuwait Olefins Company K.S.C.C. (“TKOC”)

Combined condensed interim financial information of
EQUATE Petrochemical Company K.S.C.C. and The Kuwait Olefins Company K.S.C.C.
State of Kuwait

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Independent auditor's report on review of combined condensed interim financial information

The Shareholders
EQUATE Petrochemical Company K.S.C.C. and The Kuwait Olefins Company K.S.C.C.
State of Kuwait

Introduction

We have reviewed the accompanying combined condensed statement of financial position of EQUATE Petrochemical Company K.S.C.C. and subsidiaries and The Kuwait Olefins Company K.S.C.C. (together referred to as "the Companies") as at 30 June 2016, the combined condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the combined condensed interim financial information ("the combined condensed interim financial information"). Management is responsible for the preparation and presentation of this combined condensed interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this combined condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying combined condensed interim financial information as at 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

KPMG

Other matter

We draw your attention to the following facts;

- We have not audited or reviewed the corresponding figures presented in the accompanying combined condensed statement of financial position as at 31 December 2015, or any of the related notes and accordingly, we do not express any opinion or review conclusion on them;

- We have not reviewed the corresponding figures presented in the accompanying combined condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period ended 30 June 2015, or any of the related notes and accordingly, we do not express any review conclusion on them.

Restriction on Distribution

Without modifying our opinion, we draw attention to Note 1 to the combined condensed interim financial information, which explains that the combined condensed interim financial information were prepared for the purpose of inclusion in the prospectus for issuing debt securities. As a result, the combined condensed interim financial information may not be suitable for any other purpose. Our review report is intended solely for the management of the Companies and for the purpose described above and should not be used for any other purposes.

Safi A. Al-Mutawa
License No 138 "A"
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

Kuwait: 20 September 2016

Combined condensed statement of financial position of
EQUATE Petrochemical Company K.S.C.C. and The Kuwait Olefins Company K.S.C.C.
State of Kuwait

as at 30 June 2016

	Note	30 June 2016 (US$ million)	31 December 2015 (US$ million)
Assets			
Property, plant and equipment		2,573	2,642
Goodwill		1,636	1,636
Intangible assets		497	526
Deferred tax assets		40	41
Deferred charges and other assets		318	306
Loan to a related party	7	-	202
Non-current assets		5,064	5,353
Inventories		261	253
Loan to a related party	7	0	51
Due from related parties	7	141	264
Trade and other receivables		648	603
Deferred charges and other assets		16	28
Cash and bank balances	5	1,492	1,658
Current assets		2,558	2,857
Total assets		7,622	8,210
Equity			
Share capital		1,080	1,080
Treasury shares		(450)	(450)
Statutory reserve		540	540
Remeasurement of retirement benefit obligation		(44)	(44)
Foreign currency translation reserve		7	5
Retained earnings		278	736
Total equity		1,411	1,867
Liabilities			
Loans and borrowings	6	2,000	-
Deferred income		156	202
Deferred tax liabilities		271	287
Retirement benefit obligation		305	273
Long term incentives		4	5
Non-current liabilities		2,736	767
Loans and borrowings	6	2,948	4,970
Long term incentives		5	5
Deferred income		32	15
Due to related parties	7	162	233
Trade and other payables		328	353
Current liabilities		3,475	5,576
Total liabilities		6,211	6,343
Total equity and liabilities		7,622	8,210

The accompanying notes form an integral part of these combined condensed interim financial information

Mohammad Ahmed Husain
President & Chief Executive Officer
of EQUATE and TKOC

Combined condensed statement of profit or loss and other comprehensive income of EQUATE Petrochemical Company K.S.C.C. and The Kuwait Olefins Company K.S.C.C. State of Kuwait

for the six month period ended 30 June 2016

	2016 (US$ million)	2015 (US$ million)
Sales	1,704	1,078
Cost of sales	(1,344)	(634)
Gross profit	360	444
Management fee	4	4
Reservation right fees	9	8
General, administrative and selling expenses	(43)	(14)
Other income	0	0
Foreign exchange (loss) / gain	(3)	1
Profit from operations	327	443
Finance income	19	4
Finance costs	(53)	(6)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), Zakat, tax on subsidiaries and Board of Directors' remuneration	293	441
Contribution to KFAS	(3)	(4)
Contribution to Zakat	(2)	(21)
Tax on subsidiaries	(10)	-
Board of Directors' remuneration	(0)	(0)
Net profit for the period	278	416
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation differences	2	-
Other comprehensive income for the period	2	-
Total comprehensive income for the period	280	416

The accompanying notes form an integral part of these combined condensed interim financial information.

Combined condensed statement of changes in equity of
EQUATE Petrochemical Company K.S.C.C. and The Kuwait Olefins Company K.S.C.C.
State of Kuwait

for the six month period ended 30 June 2016

	Share capital (US$ million)	Treasury shares (US$ million)	Statutory reserve (US$ million)	Retained earnings (US$ million)	Remeasurement of retirement benefit obligations (US$ million)	Foreign currency translation reserve (US$ million)	Total (US$ million)
Balances as at 1 January 2015	1,080	(450)	540	1,041	(29)	-	2,182
Net profit for the period	-	-	-	416	-	-	416
Total comprehensive income for the period	-	-	-	416	-	-	416
Dividends paid	-	-	-	(1,041)	-	-	(1,041)
Balance as at 30 June 2015	1,080	(450)	540	416	(29)	0	1,557
Balances as at 1 January 2016	1,080	(450)	540	736	(44)	5	1,867
Net profit for the period	-	-	-	278	-	-	278
Other comprehensive income	-	-	-	-	-	2	2
Total comprehensive income for the period	-	-	-	278	-	2	280
Dividends paid	-	-	-	(736)	-	-	(736)
Balance as at 30 June 2016	1,080	(450)	540	278	(44)	7	1,411

The accompanying notes form an integral part of these combined condensed interim financial information.

Combined condensed statement of cash flows of
EQUATE Petrochemical Company K.S.C.C. and The Kuwait Olefins Company K.S.C.C.
State of Kuwait

for the six month period ended 30 June 2016

	Note	2016 (US$ million)	2015 (US$ million)
Cash flows from operating activities			
Net profit for the period		278	416
Adjustments for:			
Depreciation		194	110
Amortisation		9	8
Reservation right fees		(9)	(8)
Deferred income tax		(19)	-
Finance costs		53	6
Finance income		(19)	(8)
Provision for retirement benefit obligation		16	16
Foreign exchange (loss)/ gain on retirement benefit obligations		2	(7)
Loss on sale of property, plant and equipment		-	(1)
Provision for long term incentives		3	2
		508	534
Changes in:			
Inventories		(9)	(34)
Due from related parties		4	(73)
Trade and other receivables		(58)	(44)
Deferred charges and other assets		(38)	(4)
Due to related parties		56	66
Trade and other payables		15	(151)
Retirement benefit obligation paid		(2)	(4)
Long term incentives paid		(4)	(4)
Net cash from operating activities		472	286
Cash flows from investing activities			
Purchase of property, plant and equipment	*4*	(82)	(1)
Proceeds from sale of property, plant and equipment		-	0
Purchase of intangible assets		0	(1)
Investment in staff saving scheme		(2)	(1)
Matured/(placement) of short term deposits		(34)	832
Long-term loans repaid by related parties	*7*	253	24
Finance income received		16	13
Net cash from investing activities		151	866
Cash flows from financing activities			
Repayments of bridge facility	*6*	(2,000)	-
Repayments of Term loan		-	(99)
Long term loans borrowed	*6*	2,000	-
Loan origination fees paid		(42)	-
Finance costs paid		(47)	(6)
Dividends paid		(736)	(1,041)
Net cash used in financing activities		(825)	(1,146)
Net change in cash and cash equivalents		(202)	6
Cash and cash equivalents at beginning of the period		1,079	348
Cash and cash equivalents at end of the period	*5*	877	354

The accompanying notes form an integral part of these combined condensed interim financial information.

1. Reporting entity

EQUATE Petrochemical Company K.S.C.C. ("EQUATE") is a Closed Kuwaiti Shareholding Company incorporated in the State of Kuwait on 20 November 1995. EQUATE is engaged in manufacturing and sale of ethylene glycol ("EG") and polyethylene ("PE"). EQUATE also operates and maintains Olefins II, Styrene, Aromatics and Polypropylene plants on behalf of its related entities in Kuwait.

The Kuwait Olefins Company K.S.C.C. ("TKOC") is a Closed Kuwaiti Shareholding Company incorporated in the State of Kuwait on 10 October 2004 and is engaged in the manufacturing and sale of Ethylene and Ethylene Glycol ("EG"). TKOC is owned by EQUATE's shareholders and is managed by EQUATE's management. Additionally, the manufacturing plants of both EQUATE and TKOC are integrated and operated and managed by EQUATE's management under various agreements.

EQUATE and TKOC are owned by DOW Europe Holding B.V. ("DEH"), Petrochemical Industries Company K.S.C. ("PIC"), Boubyan Petrochemical Company K.S.C. ("BPC") and Al-Qurain Petrochemical Industries Company K.S.C. ("QPIC"). The shareholding of the Companies are identical and the Companies are under common control. The registered address of the Companies is Olympia Tower, 6th Floor, Salmiya, Kuwait.

On 23 December 2015, EQUATE acquired 100% equity interest of MEGlobal Canada ULC ("MEGC") and MEGlobal B.V. Netherlands ("MEG B.V."). EQUATE setup a new subsidiary Equate Petrochemical BV ("EQUATE BV") and on 23 December 2015 through this subsidiary EQUATE acquired MEG B.V. As a result, the comparative combined condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period ended 30 June 2015 do not include financial results of MEG B.V. and MEGC and that they are not comparable to those results for the six month period ended 30 June 2016. MEGC and MEG B.V. and their subsidiaries are engaged in the manufacturing and sale of EG and Polyethylene terephthalate (PET).

The above acquisitions by EQUATE were funded through bridge loan facility secured from consortium of banks. EQUATE B.V, a wholly owned subsidiary of EQUATE, is in the process of filing to enter into Debt Capital Market and the Sukuk transactions to refinance the bridge loan facility. Debts and Sukuks will be jointly and severally guaranteed by the Companies. The arrangers of Debt and Sukuks have requested the management of the Companies to prepare and present these combined condensed financial information of the Companies for inclusion in the prospectus.

The combined condensed interim financial information, which is the responsibility of the management of the Companies, is being presented with the sole purpose of providing, in a single set of financial statements, information related to the combined financial position, and combined financial performance of the Companies. The combined condensed interim financial information is being prepared by and at the level of the common shareholders of EQUATE and TKOC.

The combined condensed interim financial information as at and for the six month period ended 30 June 2016 comprise of the consolidated financial information of EQUATE and its subsidiaries (together referred to as "the EQUATE Group") and TKOC (together referred to as "the Companies"). List of directly and indirectly owned subsidiaries of EQUATE are as follows:

Name of the entity	Place of incorporation	Principal business	Percentage of holdings 30 June 2016	31 December 2015
Subsidiaries				
EQUATE BV	Netherlands	Holding Company of MEG B.V.	100%	100%
MEGC	Canada	Manufacture of EG	100%	100%
Held through EQUATE BV				
MEG B.V.	Netherlands	Marketing and distribution of EG	100%	100%
MEGlobal Americas Inc, Midlands	USA	Marketing and distribution of EG	100%	100%
MEGlobal Asia Limited, Hong Kong	China	Marketing and distribution of EG	100%	100%
MEGlobal International FZE, Dubai	UAE	Marketing and distribution of EG	100%	100%
MEGlobal Mexico S.A. de C.V, Mexico	Mexico	Marketing and distribution of EG	100%	100%
MEGlobal Trading Companies Ltd,	China	Marketing and distribution of EG	100%	100%
MEGlobal Europe GmbH, Horgen	Switzerland	Marketing and distribution of EG	100%	100%
MEGlobal Comercio Do Brasil Ltda	Brazil	Marketing and distribution of EG	100%	100%
Equipolymers GmbH, Schkopau	Germany	Manufacture of Polyethylene Terephthalate	100%	100%
Equipolymers Srl, Milan	Italy	Manufacture of Polyethylene Terephthalate	100%	100%
Held through MEGC				
Alberta & Orient Glycol Company ULC	Canada	Manufacture of EG	100%	100%

The Management is evaluating scenarios of a potential future combination of TKOC and the EQUATE. This project is still in a feasibility study stage and not yet approved by the Board of Directors.

These combined condensed interim financial information were authorised for issue by President and Chief Executive Officer of the Companies on 20 September 2016.

2. Basis of preparation

a) Basis of accounting and combination

Basis of accounting

These combined condensed interim financial information have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with last audited financial statements of EQUATE and TKOC for the year ended 31 December 2015. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the combined financial position and performance of the Companies since the last audited financial statements of the Companies.

Basis of combination

These combined condensed financial information have been prepared by combining condensed consolidated interim financial information of EQUATE and condensed interim financial information of TKOC for the six month period ended 30 June 2016, prepared in accordance with IAS 34 *Interim Financial Reporting.*

These combined condensed interim financial information have been prepared as following:

- Financial information of the Companies are combined on a line-by-line basis by adding together assets, liabilities, income and expenses;
- Share capital and reserves are aggregated;
- Inter-company transactions and balances are eliminated;
- Taxes have been determined based on the tax charges recorded by individual combined entities.

b) Basis of measurement

The combined condensed interim financial information have been prepared on historical or amortised cost basis except for derivative financial instruments, which is measured at fair value.

c) Functional and presentation currency

These combined condensed interim financial information are presented in United State Dollars ("US$"), which is the functional currency of the Companies. All financial information presented in US$ has been rounded to the nearest million.

d) Use of estimates and judgments

The Companies bases its estimates and judgments on parameters available when the financial information were prepared. Existing circumstances and judgments about future developments, however, may change due to market changes or circumstances arising beyond the control of the Companies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The following are the critical accounting judgements, apart from those involving estimations (see below), that management has made in the process of applying the Companies' accounting policies and that have the most significant effect on the amounts recognised in the combined condensed interim financial information.

Retirement Benefit Obligation

The cost of providing retirement benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each annual statement of financial position date. Actuarial valuations are based on a number of assumptions and require significant judgements made by the management. The management believes that the assumptions used in determining the retirement benefit obligation using actuarial valuation method are reasonable.

Determination of functional currency

Functional currency is the currency of the primary economic environment in which the Companies operate. When indicators of the primary economic environment are mixed, management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The management have determined that the functional currency of the Companies is US$ since the majority of the Companies' transactions are denominated in US$. Sales and Purchases are also received and paid in US$.

Acquisition accounting

The Companies assesses the fair value of assets and liabilities assumed in an acquisition on a provisional basis. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the assessed fair values, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Deferred tax assets

The net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and are recorded on the combined condensed statement of financial position. Deferred income tax assets are recorded to the extent that realization of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes reasonable judgments and estimates based on taxable profits and expectations of future income. As tax losses do not expire in Germany and Italy, utilization of these tax losses require management to consider taxable profits well into the future. This significant long-term view increases the uncertainty of such projections. As a result of this and certain limits on annual tax loss usage, the Companies limits its consideration of German and Italian tax losses to 10 years, which is considered a more foreseeable future, even though the ability to potentially utilize the tax losses extends beyond this period.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the combined condensed statement of financial position date are discussed below:

Impairment of loans and receivables

The management of the Companies periodically review items classified as loans and receivables to assess whether an allowance for impairment should be recorded in the combined condensed statement of profit or loss. Management estimates the amount and timing of future cash flows when determining the level of allowance required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

Impairment of other tangible and intangible assets and useful lives

The Companies' management tests annually whether tangible and intangible assets have suffered impairment in accordance with accounting policies. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

Acquisition accounting

The Companies assesses the fair value of assets and liabilities assumed in an acquisition on a provisional basis. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the assessed fair values, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Legal contingencies

Legal contingencies cover a wide range of matters threatened in various jurisdictions against the Companies. Provisions are recorded for pending litigation when it is determined that an unfavorable outcome is probable and the amount of loss can be reasonably estimated, after consideration of advice from attorneys. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of the settlement may materially vary from estimates.

3. Significant accounting policies

The Companies have consistently applied the accounting policies set below to all periods presented in these combined condensed interim financial information.

a) Basis of consolidation

i. Business combination

The Companies account for business combinations using the acquisition method when control is transferred to the Companies. Control is achieved when the Companies are exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Companies control an investee if and only if the Companies have:

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

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Companies' voting rights and potential voting rights

The Companies re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Companies obtain control over the subsidiary and ceases when the Companies loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Companies' financial statements from the date the Companies gains control until the date the Companies ceases to control the subsidiary.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Companies lose control over a subsidiary, it derecognises the related assets (including goodwill and intangible assets), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the statement of combined condensed profit or loss and other comprehensive income. Any investment retained is recognised at fair value.

Non-controlling interest is that part of the net results and equity of a subsidiary that is attributable to interests which the the Companies does not own, directly or indirectly. Non-controlling interest forms a separate component of the Companies' equity.

Intercompany transactions, balances and unrealised gains on transactions between the Companies and subsidiaries are eliminated; unrealised losses are also eliminated unless the relevant cost cannot be recovered.

Equate, TKOC and all of their subsidiaries use uniform accounting policies consistent with the Companies policies.

ii. *Acquisition of subsidiaries from parties under common control- Common control transactions*

With respect to business combinations arising from transfers of interests in entities that are under the control of the shareholders the Companies has chosen to apply *IFRS 3 – Business combinations*. Accordingly transactions under common control are accounted for using the acquisition method whereby the assets and liabilities acquired are recognized at their fair value.

The cost of an acquisition is measured as the aggregate of the consideration transferred, and the identifiable assets acquired and liabilities assumed in a business combination which are measured at acquisition date fair value, and the amount of any non-controlling interests in the acquire. For each business combination, the Companies elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred. When the Companies acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the consolidated income statement.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and included in cost of acquisition in determination of goodwill. Any resulting gain or loss on re-measurement of previously held equity interest is recognised in consolidated income statement. If the initial accounting for the business combination is incomplete by the end of the reporting period in which the combination occurs, the Companies reports provisional amounts for the items for which the accounting is incomplete and retrospectively adjusts these amounts during the measurement period of one year from the acquisition date.

b) Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated into USD at rates of exchange prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into USD at rates of exchange prevailing at the statement of financial position date. The resultant exchange differences are recorded in the statement of profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the statement of profit or loss.

ii. Foreign operations

The assets and liabilities of foreign operations, are translated to USD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to USD at the average exchange rates for current year. Foreign exchange differences arising on translation are recognized in other comprehensive income and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of gain or loss on disposal. When the Companies disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to the non-controlling interests.

c) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on the straight-line method based on estimated useful lives of assets as follows:

Buildings, land, waterway improvements and roads	5 to 40 years
Plant and equipment	1 to 20 years
Office, furniture and equipment	5 years
Vehicles	5 years

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the property, plant and equipment being replaced. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of fixed asset. All other expenditure is recognised in the statement of profit or loss when the expense is incurred.

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalised. Assets in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Companies' accounting policy. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

The replacement costs of major components and overhaul costs which improve the economic benefit that can be generated are capitalised by the Companies. The Companies recognises and accounts for each component of its asset separately for depreciation. The component approach is also applied where regular major inspections of an asset are a condition of continuing to use it. The cost of each inspection is treated as a separate item (replacement) of property, plant and equipment provided recognition criteria are satisfied.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised on a net basis within other income in the combined statement of profit or loss.

At each reporting date, the Companies reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Companies estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the combined statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the combined statement of profit or loss.

d) Goodwill

Goodwill arising on the acquisition of a subsidiary is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the consideration transferred over the net fair value of the identifiable net assets recognised.

If, after reassessment, the Companies' interest in the net fair value of the acquiree's identifiable net assets exceeds the consideration transferred, the excess is recognised immediately in the combined statement of profit and loss as a bargain purchase gain.

Goodwill is not amortised, but is reviewed for impairment at least annually. Goodwill impairment is determined by assessing the recoverable amount of cash-generating unit to which goodwill relates. The recoverable amount is the value in use of the cash-generating unit, which is the net present value of estimated future cash flows expected from such cash-generating unit. If the recoverable amount of cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorated on the basis of the carrying amount of each asset in the unit.

Any impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

e) Intangible assets

Intangible assets consist of technology and licences for the manufacture of ethylene, ethylene glycol and polyethylene. Intangible assets also consist of assets acquired on business combination like customer relationships, intellectual properties, ethylene supply agreement and brands.

Intangibles are measured at cost less accumulated amortisation and any accumulated impairment losses. Licenses to manufacture ethylene, ethylene glycol and polyethylene are amortised from the date of commencement of commercial production on a straight-line basis over twenty years, except for the olefin technology, which is amortised over five years.

Customer relationships, Intellectual properties and Ethylene Supply agreements acquired by the Companies have finite useful lives and are measured at cost less accumulated amortization and any accumulated impairment losses.

Brands recognized by the Companies on business combination has an infinite life and will be considered for annual impairment testing.

The estimated useful lives, residual values and amortisation methods are reviewed at each year end, with the effect of any changes in estimate being accounted for on a prospective basis.

At each reporting date, the Companies reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Companies estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the combined statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss.

f) Financial instrument

Classification

The Companies classifies its financial instruments as "loans and receivables" and financial liabilities other than at fair value through profit or loss. Management determines the appropriate classification at the time of acquisition.

Recognition and de-recognition

The Companies recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. A financial asset (in whole or in part) is de-recognised when the contractual right to the cash flows from the financial asset expires or, when the Companies transfers substantially all the risks and rewards of ownership and has not retained control. If the Companies has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

All regular way purchase and sale of financial assets are recognized using trade date accounting. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Measurement

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortized cost using the effective yield method.

Cash and cash equivalents consist of cash on hand, bank current accounts and short term deposits with an original maturity of three months or less from the date of placement.

Loans to related parties, due from related parties, trade and other receivables and cash and bank balances are classified as loans and receivables.

Financial liabilities other than at fair value through profit or loss

Financial liabilities other than at fair value through profit or loss are subsequently measured at amortized cost using the effective yield method.

Loans and borrowings, due to related parties and trade and other payables are classified as financial liabilities other than at fair value through profit or loss.

Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each statement of financial position date. The resulting gain or loss is recognised in the combined statement of profit or loss immediately. Foreign exchange forward contracts are treated as trading instruments and are stated at fair market value with gains or losses included in foreign exchange gain / (loss) in the combined statement of profit or loss within the period they occur.

Fair values

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

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

The principal or the most advantageous market must be accessible to by the Companies.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value of financial instruments carried at amortised cost, other than short-term financial instruments, is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

Impairment

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in combined statement of profit and loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in combined statement profit and loss.

g) Inventories

Finished goods are measured at the lower of weighted average cost or net realisable value. The cost of finished products includes direct materials, direct labour and fixed and variable manufacturing overhead and other costs incurred in bringing inventories to their present location and condition.

Raw materials and catalysts are measured at weighted average cost net of allowance for slow-moving and obsolete items.

Spare parts are not intended for resale and are measured at weighted average cost after making allowance for slow-moving and obsolete items. Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs.

Net realisable value is the estimated selling price for inventories in the ordinary course of business less estimated costs of completion and selling expenses.

h) Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the statement of changes in equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in treasury shares reserve.

i) Retirement obligations

The Companies accounts for retirement benefits under IAS 19 "Employee Benefits". Benefits are payable to employees on completion of employment in accordance with the Kuwaiti Labour Law. The subsidiaries have various pension plans in accordance with the local conditions and practices in the Country in which they operate. Benefits payable under these plans are in accordance to the laws in those countries.

The cost of providing retirement benefit plans are determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each statement of financial position date. Re-measurment of the Companies' defined benefit obligation which mainly comprises actuarial gain and losses are recognised immediately in statement of other comprehensive income. Past service cost is recognised immediately in the period of plan amendment in the statement of profit or loss. Interest expense is determined on defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the defined benefit obligation during the period as a result of benefit payments. The liability is not externally funded.

Liabilities for defined contribution plans are expensed as the related service is provided.

j) Provision

A provision is recognised if, as a result of a past event, the Companies has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows that reflects current market assessments of the time value of money and the risks specific to the liability.

k) Revenue

Sales net of applicable discounts, are recognised when the revenue is realised or realisable, has been earned, and collectability is reasonably assured. Revenue is recognised when significant risks and rewards of ownership are transferred to the buyer, which usually occurs at the time shipment is made. PE production is sold with freight paid by the Companies and EG production is sold FOB ("Free On Board") shipping point. The transfer of the risks and rewards of ownership occurs when the product is delivered to the freight carrier. The Companies' terms of sale are included in its contracts of sale, order confirmation documents and invoices. Freight costs are recorded as "Cost of Sales".

Interest income is accrued on effective yield basis, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

l) Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets by applying a capitalisation rate on the expenditure on such assets, until such time as the assets are substantially ready for their intended use. The capitalisation rate used by the Companies is the weighted average of the borrowing costs applicable to the outstanding borrowings during the period. Borrowing costs that are not directly attributable to the acquisition, construction, or production of qualifying assets are recognised in the combined statement of profit or loss using the effective interest method in the period in which they are incurred.

m) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

n) Income taxes

Deferred income tax assets and liabilities are computed for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future. Such deferred income tax asset and liability computations are based on substantially enacted tax laws and rates applicable to periods in which the differences are expected to affect taxable income. Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Companies intends to settle its current tax assets and liabilities on a net basis.

o) Reservation right fees

Reservation right fees are recognized in the combined statement of financial position as deferred income. The fees are presented as deferred income and recognized to income on a systematic and rational basis over a period of 20 years, which is the fees received from Olefins II project entities for usage of utility plant to the extent of construction cost of utility plant incurred by EQUATE. The deferred income is amortised over the useful life of plant, which is 20 years.

p) Government grants

Government grants related to assets are recognized in the combined statement of financial position as deferred income. The grants are presented as deferred income and recognized to income on a systematic and rational basis over a period of 20 years, which is the average life of the assets to which the grant relates.

4. Property, plant and equipment

During the six month period ended 30 June 2016, the Companies spent US$ 82 million in capital expenditure (31 December 2015: US$ 66 million), including capital expenditure of US$ 23 million on the development of a new Ethylene Glycol plant in the Gulf Coast of the United States of America ("USGC"), which is scheduled to be operational in 2019.

5. Cash and bank balances

	30 June 2016 (US$ million)	31 December 2015 (US$ million)
Cash balances	0	0
Bank balances	103	69
Term deposits	1,389	1,589
Total cash and bank balances	1,492	1,658
Deposits with original maturity of more than 3 months	(576)	(542)
Amount reserved relating to staff saving scheme	(39)	(37)
Cash and cash equivalent for the statement of cash flows	877	1,079

The effective interest rate on time deposits as at 30 June 2016 was 1.54% (31 December 2015: 0.91%) per annum.

6. Loans and borrowings

	30 June 2016 (US$ million)	31 December 2015 (US$ million)
Long term loan	2,000	-
Bridge loan facilities	2,948	4,970
	4,948	4,970

The movement in the Loans and borrowings are as follows:

Bridge Loan Facilities

	30 June 2016 (US$ million)	30 June 2015 (US$ million)
Balance at 1 January	4,970	-
Payment during the period	(2,000)	-
Loan origination fee	(22)	-
Balance at 30 June	2,948	-

Long Term Loan Facilities

	30 June 2016 (US$ million)	30 June 2015 (US$ million)
Balance at 1 January	-	1,408
Payment during the period	-	(99)
Permanent financing	2,000	-
Balance at 30 June	2,000	1,309

On 17 December 2015, the EQUATE Group entered into a US$ 6 billion bridge loan facility agreement ("Bridge Facility") with a consortium of banks and had drawn US$ 5 billion from the Bridge Facility. The remaining US$ 1 billion undrawn amount had an availability period until 31 March 2016, and such availability period had lapsed and the EQUATE Group did not draw on the remaining facility. On 29 June 2016, the EQUATE Group repaid US$ 2 billion of the Bridge Facility. As of 30 June 2016, the outstanding amount under the Bridge Facility was US$ 3 billion. Bridge facility is repayable over a period of 12 months with a six month extension option and carries an interest rate of 1.2603% per annum (as at 31 December 2015: 1.0195% per annum). EQUATE is jointly and severally a guarantor along with TKOC for this facility and the credit facilities include customary covenants.

On 23 June 2016, the EQUATE Group entered into a US$ 5 billion long term loan agreement ("Term Loan") with a consortium of banks. The Term Loan consisted of US$ 2 billion Tranche A 5-year bullet facility, US$ 2 billion Tranche B 3-year bullet facility, and US$ 1 billion 3-year revolving credit facility. EQUATE is jointly and severally a guarantor along with TKOC for the Term Loan and the credit facilities include customary covenants. On 23 June 2016, the EQUATE Group drewdown US$2 billion from Tranche A facility. Tranche B facility has availability period until June 30, 2017.

Details of the Term Loan are as follows:

	Total Facility	Term Loan		
		Tranche A	Tranche B	Revolving credit facility
Islamic Financing	470	188	188	94
Conventional Financing	4,530	1,812	1,812	906
Total	5,000	2,000	2,000	1,000

Drawn/Outstanding as at 30 June, 2016

		Repayment terms	(US$ million)
Islamic financing	Tranche A	Bullet repayment on 5th year	188
Conventional financing	Tranche A	Bullet repayment on 5th year	1,812
			2,000

The effective interest rate as at 30 June 2016 for Tranche A Term Loan is 2.58%.

At the reporting date, the EQUATE Group had available for its utilization, US$ 1 billion of undrawn committed revolving credit facility and US$ 2 billion of undrawn committed Tranche B facility.

7. Related party transactions

In the normal course of business, the Companies enter into transactions with its shareholders PIC (directly owned by Kuwait Petroleum Corporation ("KPC")), BPC, QPIC and DEH's parent company The Dow Chemical Company ("DOW") and its affiliates.

EQUATE Marketing Company EC, Bahrain ("EMC"), which is owned by PIC and DEH, is the exclusive sales agent in certain territories for the marketing of PE produced by the EQUATE. EQUATE reimburses all the actual expenses incurred by EMC.

During 2004, DOW and PIC initiated a number of joint venture petrochemical projects ("Olefins II projects") in Kuwait to manufacture polyethylene, ethylene glycol and styrene monomer. The Olefins II projects consist of the EQUATE expansion project, and the incorporation and development of TKOC, The Kuwait Styrene Company K.S.C.C. ("TKSC") and Kuwait Aromatics Company K.S.C.C. ("KARO"). TKSC is a joint venture of DEH (42.5%) and KARO (57.5%). KARO is owned by PIC (40%), Kuwait National Petroleum Company K.S.C. ("KNPC") (40%) and QPIC (20%).

On 2 December 2004, EQUATE signed a Materials and Utility Supply Agreement ("MUSA") with TKOC, TKSC, KARO and PIC. Under the terms of the MUSA, EQUATE receives a reservation right fee from the above entities that equals the total capital construction costs incurred by EQUATE on the new utilities and infrastructure facilities under the Olefins II projects.

On 2 December 2004, EQUATE signed an Operations, Maintenance and Services Agreement ("OMSA") with TKOC, TKSC and KARO and PIC. Under the terms of the OMSA, EQUATE provides operating, maintenance and other services to the above entities and for which EQUATE receives a fixed management fee over and above the actual operating cost.

On December 2004, TKOC signed an Ethylene supply agreement with EQUATE and TKSC. Under the terms of the agreement, the price per metric tonne of ethylene is paid by TKSC based on the quantity delivered to them at contract price.

During 2005, services agreements were signed between DOW, PIC and EQUATE with TKOC, TKSC, KARO and PIC for the provision of various services to the Olefins II projects.

An agreement to amend MUSA and service agreements ("primary agreements") was signed between the parties to the primary agreements on 8 February 2006 releasing KARO from its obligations and liabilities under the primary agreements and appointing Kuwait Paraxylene Production Company K.S.C.C. ("KPPC") in place of KARO to assume and perform all obligations of KARO as if KPPC were and had been a party to the primary agreements. KPPC is a 100% owned subsidiary of KARO.

On 31 May 2006, EQUATE signed term loan agreements with TKSC, under which EQUATE provided US$ 497 million term loan to TKSC. During the period, TKSC fully repaid the loan.

Operational Facility – Under the cash management services provided by Dow, MEG B.V. also has in place an overnight cash sweeping facility with a subsidiary of Dow, Dow International Finance S.a.r.l. ("DIFS"). Under this arrangement, MEGC and MEG B.V. and its subsidiaries sweep all of their bank account balances with DIFS on a daily basis and either invests or borrows funds with DIFS on an overnight basis. Under the terms of the agreement, the subsidiaries can borrow from DIFS at interest rates ranging from LIBOR plus a positive spread as set by Dow each half year that represents transactions with unrelated parties under similar terms and conditions plus 0.125% and inversely invest with DIFS at LIBOR plus a positive spread as set by Dow each half year that represents transactions with unrelated parties under similar terms and conditions minus 0.125%. Amounts outstanding at 30 June 2016 under these arrangements were a net deposit to DIFS of US$ 3.7 million (as at 31 December 2015: US$ 65 million net deposit) at interest rates ranging from 0.625% to 1.5220% (31 December 2015: 0.62% to 1.46%) per annum. These are indefinite credit arrangements subject to termination by either party. Interest is accrued monthly and capitalized.

All transactions with related parties are carried out on a negotiated contract basis.

The following is a description of significant related party agreements and transactions, other than described above:

a) Supply by Union Carbide Corporation ("UCC") of technology and licences relating to manufacture of PE and EG;
b) Feed gas and fuel agreement with PIC
c) Supply by the EQUATE Group of certain materials and services required by PIC to operate and maintain the polypropylene plant
d) Excess EG Marketing Agreement
e) General Services Agreement
f) Secrecy Agreement
g) Long Term Land Lease Agreement
h) Site Services Agreement
i) Employee Seconding Agreement
j) Catalyst License Agreement
k) Binding Term sheet – Gulf Coast
l) Other Assignment and Assumption Agreements
m) Ethylene supply agreement by MEGC with Dow.
n) Feedstock supply agreement by MEGC with Dow for the USGC Project
o) Master service agreement with Dow

Details of significant related party transactions are disclosed below:

		2016 (US$ million)	2015 (US$ million)
a)	**Sales and management fee**		
	Polypropylene plant management fees from PIC	0	0
	Styrene plant management fees from TKSC	2	2
	Aromatics Plant management fees from KPPC	0	0
	Sale of EG to MEGlobal International (Pre – acquisition)	-	502
	Sale of utilities and services to KPPC, TKSC and PIC	6	16
	Operating cost reimbursed by PIC for running of Polypropylene plant	17	29
	Operating and utility cost reimbursed by TKSC for running of Styrene plant	26	22
	Operating and utility cost reimbursed by KPPC for running of Aromatics plant	35	38
	Interest income on long-term loan to TKSC	1	1
b)	**Purchases and expenses**		
	Feed gas and fuel gas purchased from KPC	265	246
	Catalyst purchased from DOW	11	-
	Ethylene Purchase from DOW	105	-
	Service cost reimbursed to DOW	56	-
	Glycol purchase from DOW	94	-
	Catalyst purchased from UNIVATION	2	2
	Operating costs reimbursed to EMC	2	1
	Staff secondment costs reimbursed to DOW	2	3
c)	**Key management compensation**		
	Salaries, short term and terminal benefits	3	2

		30 June 2016 (US$ million)	31 December 2015 (US$ million)
d)	**Due from related parties**		
	Due from PIC	18	19
	Due from UCC	1	1
	Due from DOW	25	135
	Due from TKSC	9	13
	Due from KPPC	44	46
	Due from KARO	0	-
	Due from KPC	43	37
	Due from KNPC	1	1
	Due from SADARA	-	1
	Due from Others	-	11
		141	264

	30 June 2016 (US$ million)	31 December 2015 (US$ million)
e) Loans to related parties		
Non-current portion		
TKSC	-	202
	-	202
Current portion		
TKSC	-	51
	-	51

	30 June 2016 (US$ million)	30 June 2015 (US$ million)
Movement of long-term loans: TKSC		
Balance at 1 January	253	302
Payment during the year	(253)	(24)
Balance at 30 June	-	278

	30 June 2016 (US$ million)	31 December 2015 (US$ million)
f) Due to related parties		
Due to KPC	89	98
Due to PIC	16	17
Due to Kuwait Oil Company K.S.C	2	1
Due to DOW	54	115
Due to KNPC	0	0
Due to KPPC	1	1
Due to UNIVATION	0	1
Due to TKSC	0	-
	162	233

8. Additional Business and Geographical Information

Basis for segmentation

The Companies have one significant business segment i.e; Performance Materials & Chemicals ("PMC"), which is the reportable segment. This business segment manufactures and markets different types of basic petrochemical products (refer note 1 for more details).

Equate Management Team ("EMT"), a committee comprises of certain board members of EQUATE Group and TKOC and key members of management, reviews the internal management reports of segments to monitor the performance and allocate capital. Earnings before Interest, Tax, Depreciation and Amortization ("EBITDA") is the key measure used to monitor the performance of business because management believes that this information is the most relevant in evaluating the results of the business relative to other entities that operate in the similar industries. In addition to PMC business, EQUATE engaged in managing operations of petrochemical plants of certain related parties, which did not meet the quantitative threshold for reportable segment.

Information about reportable segments

	2016 (US$ million)			2015 (US$ million)		
	PMC	**Others**	**Total**	**PMC**	**Others**	**Total**
External segment revenue	1,626	78	1,704	958	120	1,078
EBITDA	494	27	521	519	34	553
Net profit for the period	262	16	278	393	23	416
Interest income	18	1	19	3	1	4
Interest expenses	(52)	(1)	(53)	(5)	(1)	(6)
Depreciation, amortization and reservation rights	(184)	(10)	(194)	(100)	(10)	(110)
Income tax expenses	(14)	(1)	(15)	(24)	(1)	(25)

Revenue by products and services

	2016 (US$ million)	2015 (US$ million)
Polyethylene	389	444
Ethylene Glycol	1,077	514
PET	160	-
Others	78	120
Total	1,704	1,078

Geographical information

PMC business is managed on a worldwide basis, but operate manufacturing facilities and sales offices primarily in Kuwait, Canada, Germany, Dubai, Hong Kong and Singapore. The geographical information analyses the Companies' revenue by the Company's country of domicile and other countries. In presenting the geographical information, the segment revenue has been based on geographic location of customers.

	2016 (US$ million)	2015 (US$ million)
Americas	255	-
North Asia	579	389
India Sub Continental	202	234
Europe	352	115
Rest of the World *	316	340
Total external revenues	1,704	1,078

* Rest of the World includes revenue from Kuwait of US$ 29 million (2015: US$ 28 million)

There are no customers that contributed more than 5% of the total revenue.

Other information

Revenue by product and region	EG (US$ million)	PE (US$ million)	PET (US$ million)	Others (US$ million)	Total (US$ million)
30 June 2016					
Americas	255	-	-	-	255
North Asia	439	140	-	-	579
India sub-continental	173	29	-	-	202
Europe	128	64	160	-	352
Rest of the World	82	156	-	78	316
External revenue	1,077	389	160	78	1,704
30 June 2015					
Americas	-	-	-	-	-
North Asia	193	196	-	-	389
India sub-continental	197	37	-	-	234
Europe	91	24	-	-	115
Rest of the World	33	187	-	120	340
External revenue	514	444	-	120	1,078

EBITDA by product line	EG (US$ million)	PE (US$ million)	PET (US$ million)	Others (US$ million)	Total (US$ million)
30 June 2016	336	155	3	27	521
30 June 2015	316	203	-	34	553

9. Financial instruments - fair value measurement and risk management

Fair value measurement

The fair value of the financial instrument is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

When measuring the fair value of an asset or a liability, the Companies uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of all financial instruments carried by the Companies as at 30 June 2016, that are not carried at fair value, are not materially different from their carrying values.

Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements of EQUATE Group and financial statements of TKOC for the year ended 31 December 2015.

10. Commitments and contingent liabilities

The Companies has a fixed gas purchase commitment with a related party of approximately US$ 1.203 million per day (31 December 2015: US$ 1.211 million) until the agreement is cancelled in writing by the parties.

The Companies under the excess EG marketing agreement has a commitment to purchase from DOW an annual volume for a term to 2024.

In addition to the above, the Companies had the following commitments and contingent liabilities outstanding as at 30 June 2016:

	30 June 2016 (US$ million)	**31 December 2015 (US$ million)**
Letters of credit and letters of guarantee	171	162
Capital commitments	57	53
Ethylene reservation fees	630	630
License-Gulf coast	2	5

MEGlobal Americas entered into agreement with various parties related to the development of a new world scale glycol plant in the Gulf Coast, of the United States ('US'). The plant is scheduled to come on stream in 2019.

Forward foreign exchange contracts

The Companies deals in forward foreign exchange contracts to manage its foreign currency positions and cash flows. The notional value of the contracts as at 30 June 2016 is as follows:

	30 June 2016 (US$ million)	31 December 2015 (US$ million)
Long position		
KD	315	297
CAD	352	509
Euro	25	11
Others	133	55
Short position		
CAD	450	319
Others	193	109

The fair value of forward foreign exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate. These are classified as Level III.

11. Operating lease

	30 June 2016 (US$ million)	31 December 2015 (US$ million)
Less than one year	29	29
Between one and five years	81	29
More than five years	4	56
	114	114

EQUATE Petrochemical Company K.S.C.C. and subsidiaries
State of Kuwait

Condensed consolidated interim financial information and independent auditor's report for the six-month period ended 30 June 2016

Contents

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Independent auditor's report on review of condensed consolidated interim financial information

The Board of Directors
EQUATE Petrochemical Company K.S.C.C.
State of Kuwait

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of EQUATE Petrochemical Company K.S.C.C. ("the Company") and its subsidiaries (together referred to as "the Group") as at 30 June 2016, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the condensed consolidated interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

KPMG

Other matter

The consolidated financial statements of the Company as at and for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 10 February 2016.

We further draw your attention to the fact that we have not reviewed the accompanying condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period ended 30 June 2015, or any of the related notes and accordingly, we do not express a review conclusion on them.

Safi A. Al-Mutawa
License No 138 "A"
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

Kuwait: 20 September 2016

Condensed consolidated statement of financial position
as at 30 June 2016

	Note	30 June 2016 (US$ million)	31 December 2015 (US$ million) (Audited)
Assets			
Property, plant and equipment	*4*	1,858	1,899
Goodwill		1,636	1,636
Intangible assets		438	465
Deferred tax assets		40	41
Deferred charges and other assets		318	306
Loans to related parties	*7*	455	726
Non-current assets		4,745	5,073
Inventories		242	232
Loans to related parties	*7*	136	183
Due from related parties	*7*	105	235
Trade and other receivables		645	602
Deferred charges and other assets		16	22
Cash and bank balances	*5*	1,313	1,203
Current assets		2,457	2,477
Total assets		7,202	7,550
Equity			
Share capital		700	700
Treasury shares		(450)	(450)
Statutory reserve		350	350
Remeasurement of retirement benefit obligation		(44)	(44)
Foreign currency translation reserve		7	5
Retained earnings		170	403
Total equity		733	964
Liabilities			
Loans and borrowings	*6*	2,000	-
Deferred income		372	404
Deferred tax liabilities		271	287
Retirement benefit obligation		305	273
Long term incentives		4	5
Non-current liabilities		2,952	969
Loans and borrowings	*6*	2,948	4,970
Long term incentives		5	5
Deferred income		32	32
Due to related parties	*7*	237	299
Trade and other payables		295	311
Current liabilities		3,517	5,617
Total liabilities		6,469	6,586
Total equity and liabilities		7,202	7,550

The accompanying notes form an integral part of these condensed consolidated interim financial information

Mohammad Ahmed Husain
President & Chief Executive Officer

Condensed consolidated statement of profit or loss and other comprehensive income

for the six month period ended 30 June 2016

	2016 (US$ million)	2015 (US$ million)
Sales	1,751	838
Cost of sales	(1,511)	(596)
Gross profit	240	242
Management fee	4	4
Reservation right fees	16	16
General, administrative and selling expenses	(43)	(12)
Other income	2	0
Foreign exchange (loss) / gain	(3)	1
Profit from operations	216	251
Finance income	20	6
Finance costs	(53)	(6)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), Zakat, tax on subsidiaries and Board of Directors' remuneration	183	251
Contribution to KFAS	(2)	(3)
Contribution to Zakat	(1)	(14)
Tax on subsidiaries	(10)	-
Board of Directors' remuneration	0	0
Net profit for the period	170	234
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation differences	2	-
Other comprehensive income for the period	2	-
Total comprehensive income for the period	172	234

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Condensed consolidated statement of changes in equity
for the six month period ended 30 June 2016

	Share capital (US$ million)	Treasury shares (US$ million)	Statutory reserve (US$ million)	Retained earnings (US$ million)	Remeasurement of retirement benefit obligations (US$ million)	Foreign currency translation reserve (US$ million)	Total (US$ million)
Balances as at 1 January 2015	700	(450)	350	567	(29)	-	1,138
Net profit for the period	-	-	-	234	-	-	234
Total comprehensive income for the period	-	-	-	234	-	-	234
Dividends paid (Note 12)	-	-	-	(567)			(567)
Balance as at 30 June 2015	700	(450)	350	234	(29)	-	805
Balances as at 1 January 2016	700	(450)	350	403	(44)	5	964
Net profit for the period	-	-	-	170	-	-	170
Other comprehensive income	-	-	-	-	-	2	2
Total comprehensive income for the period	-	-	-	170	-	2	172
Dividends paid (Note 12)	-	-	-	(403)	-	-	(403)
Balance as at 30 June 2016	700	(450)	350	170	(44)	7	733

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Condensed consolidated statement of cash flows
for the six month period ended 30 June 2016

	Note	2016 (US$ million)	2015 (US$ million)
Cash flows from operating activities			
Net profit for the period		170	234
Adjustments for:			
Depreciation		165	81
Amortisation		6	6
Reservation right fees		(16)	(16)
Deferred income tax		(19)	-
Finance costs		53	6
Finance income		(20)	(6)
Provision for retirement benefit obligation		16	16
Foreign exchange loss/(gain) on retirement benefit obligations		2	(7)
Provision for long term incentives		3	2
		360	316
Changes in:			
Inventories		(11)	(13)
Due from related parties		12	(40)
Trade and other receivables		(58)	(45)
Deferred charges and other assets		(37)	(3)
Due to related parties		62	35
Trade and other payables		26	(143)
Retirement benefit obligation paid		(2)	(4)
Long term incentives paid		(4)	(4)
Net cash from operating activities		348	99
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(81)	(1)
Investment in staff saving scheme		(2)	(1)
Matured/(placement) of short term deposits		(217)	413
Long-term loans repaid by related parties	7	318	86
Finance income received		17	8
Net cash from investing activities		35	505
Cash flows from financing activities			
Repayments of bridge facility	6	(2,000)	-
Repayments of Term loan		-	(99)
Long term loans borrowed	6	2,000	-
Loan origination fees paid		(42)	-
Finance costs paid		(47)	(6)
Dividends paid	12	(403)	(567)
Net cash used in financing activities		(492)	(672)
Net decrease in cash and cash equivalents		(109)	(68)
Cash and cash equivalents at beginning of the period		947	261
Cash and cash equivalents at end of the period	5	838	193

The accompanying notes form an integral part of these condensed consolidated interim financial information.

1. Reporting entity

EQUATE Petrochemical Company K.S.C.C. ("the Company") is a closed Kuwaiti Shareholding Company incorporated in the State of Kuwait on 20 November 1995. The Company is owned by DOW Europe Holding B.V. ("DEH"), Petrochemical Industries Company K.S.C. ("PIC"), Boubyan Petrochemical Company K.S.C. ("BPC") and Al-Qurain Petrochemical Industries Company K.S.C. ("QPIC").

The objective of the Company is to manufacture petrochemical products. The Company may, have interests in, or in any way associate itself with entities, which are carrying on activities similar to its own or which may help the Company to realise its objectives, whether in the State of Kuwait or abroad. The address of the Company's registered office is Olympia Tower, 6th floor, Salmiya, Kuwait.

Currently, the Company is engaged in the manufacturing and sales of ethylene glycol ("EG") and polyethylene ("PE"). The Company also operates and maintains Olefins II, Styrene, Aromatics and Polypropylene plants on behalf of its related entities in Kuwait.

On 23 December 2015, the Company acquired 100% equity interest of MEGlobal Canada ULC ("MEGC") and MEGlobal BV Netherlands ("MEG B.V."). The Company setup a new subsidiary Equate Petrochemical BV ("EQUATE BV") and on 23 December 2015 via this subsidiary the Company acquired MEG B.V. As a result, the comparative statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period ended 30 June 2015 do not include financial results of MEG B.V. and MEGC and that they are not comparable to those results for the six month period ended 30 June 2016. MEGC and MEG B.V. and its subsidiaries are engaged in the manufacturing and sales of EG and Polyethylene terephthalate ("PET").

The Management is evaluating scenarios of a potential future combination of The Kuwait Olefins Company K.S.C.C. ("TKOC"), an entity owned by the Shareholders of the Group, with the Company. This project is still in a feasibility study stage and not yet approved by the Board of Directors.

The condensed consolidated interim financial information as at and for the six month period ended 30 June 2016 comprise of the Company and its subsidiaries (together refer to as "the Group"). List of Directly and indirectly owned subsidiaries are as follows:

Name of company	Place of incorporation	Principal business	Percentage of holdings	
			30 June 2016	31 December 2015
EQUATE BV	Netherlands	Holding Company	100%	100%
MEGC	Canada	Manufacturing and sales of EG	100%	100%
Held through EQUATE BV				
MEG B.V.	Netherlands	Holding Company	100%	100%
MEGlobal Americas Inc	USA	Marketing and distribution of EG	100%	100%
MEGlobal Asia Limited	China	Marketing and distribution of EG	100%	100%
MEGlobal International FZE	UAE	Marketing and distribution of EG	100%	100%
MEGlobal Mexico S.A. de C.V.	Mexico	Marketing and distribution of EG	100%	100%
MEGlobal Trading Group	China	Marketing and distribution of EG	100%	100%
MEGlobal Europe GmbH	Switzerland	Marketing and distribution of EG	100%	100%
MEGlobal Comercio Do Brasil Ltda	Brazil	Marketing and distribution of EG	100%	100%
Equipolymers GmbH	Germany	Manufacturing and sales of PET	100%	100%
Equipolymers Srl	Italy	Marketing of PET	100%	100%
Held through MEGC				
Alberta & Orient Glycol Company ULC	Canada	Manufacturing and sales of EG	100%	100%

The address of the Company's registered office is Olympia Tower, 6th floor, Salmiya, Kuwait.

These condensed consolidated interim financial information were authorised for issue by the President and Chief Executive Officer of the company on 20 September 2016.

2. Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial information have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2015. They do not include all of the information required for a complete set of IFRS financial statements. However, selected notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last consolidated financial statements. Operating results for the six month period ended 30 June 2016 are not necessary indicative of the results that may be expected for the financial year ending 31 December 2016.

b) Judgments and estimates

In preparing this condensed interim financial information, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at 31 December 2015.

3. Significant accounting policies

The accounting policies used in the preparation of these condensed interim financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of IFRS 8- Operating Segments. Additionally, the Group also adopted amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 January 2016. These did not result in any material impact on the account policies, financial position or performance of the Group. In the current period, the Group has not early adopted any standards, interpretations or amendments to standards that have been issued but not yet effective.

IFRS 8- Operating Segments

Segment reporting requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This leads to segments being reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker. A segment is distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance.

4. Property, plant and equipment

During the six month period ended 30 June 2016, the Group spent US$ 81 million in capital expenditure (31 December 2015: US$ 66 million), including capital expenditure of US$ 23 million on the development of a new Ethylene Glycol plant in the Gulf Coast of the United States of America ("USGC"), which is scheduled to be operational in 2019.

5. Cash and bank balances

	30 June 2016 (US$ million)	31 December 2015 (US$ million) (Audited)
Cash balances	0	0
Bank balances	99	62
Term deposits	1,214	1,141
Cash and bank balances	1,313	1,203
Deposits with original maturity of more than 3 months	(436)	(219)
Amount reserved relating to staff saving scheme	(39)	(37)
Cash and cash equivalent for the statement of cash flows	838	947

The effective interest rate on time deposits as at 30 June 2016 was 1.63% (as at 31 December 2015: 0.92%) per annum.

6. Loans and borrowings

	30 June 2016 (US$ million)	31 December 2015 (US$ million) (Audited)
Long term loan	2,000	-
Bridge loan facilities	2,948	4,970
	4,948	4,970

The movement in the Loans and borrowings are as follows:

Bridge Loan Facilities

	30 June 2016 (US$ million)	30 June 2015 (US$ million)
Balance at 1 January	4,970	-
Payment during the period	(2,000)	-
Loan origination fee	(22)	-
Balance at 30 June	2,948	-

Long Term Loan Facilities

	30 June 2016 (US$ million)	30 June 2015 (US$ million)
Balance at 1 January	-	1,408
Payment during the period	-	(99)
Permanent financing	2,000	-
Balance at 30 June	2,000	1,309

On 17 December 2015, the Group entered into a US$ 6 billion bridge loan facility agreement ("Bridge Facility") with a consortium of banks and had drawn US$ 5 billion from the Bridge Facility. The remaining US$ 1 billion undrawn amount had an availability period until 31 March 2016, and such availability period had lapsed and the Group did not draw on the remaining facility. On 29 June 2016, the Group repaid US$ 2 billion of the Bridge Facility. As of 30 June 2016, the outstanding amount under the Bridge Facility was US$ 3 billion. Bridge facility is repayable over a period of 12 months with a six month extension option and carries an interest rate of 1.2603% per annum (as at 31 December 2015: 1.0195% per annum). The Group is jointly and severally a guarantor along with TKOC for this facility and the credit facilities include customary covenants.

On 23 June 2016, the Group entered into a US$ 5 billion long term loan agreement ("Term Loan") with a consortium of banks. The Term Loan consisted of US$ 2 billion Tranche A 5-year bullet facility, US$ 2 billion Tranche B 3-year bullet facility, and US$ 1 billion 3-year revolving credit facility. The Group is jointly and severally a guarantor along with TKOC for the Term Loan and the credit facilities include customary covenants. On 23 June 2016, the Group drewdown US$2 billion from Tranche A facility. Tranche B facility has availability period until June 30, 2017.

Details of the Term Loan are as follows:

		Term Loan		
	Total Facility	Tranche A	Tranche B	Revolving credit facility
Islamic Financing	470	188	188	94
Conventional Financing	4,530	1,812	1,812	906
Total	5,000	2,000	2,000	1,000

Drawn/Outstanding as at 30 June, 2016

		Repayment terms	**(US$ million)**
Islamic financing	Tranche A	Bullet repayment on 5th year	188
Conventional financing	Tranche A	Bullet repayment on 5th year	1,812
			2,000

The effective interest rate as at 30 June 2016 for Tranche A Term Loan is 2.58%.

At the reporting date, the Group had available for its utilization, US$ 1 billion of undrawn committed revolving credit facility and US$ 2 billion of undrawn committed Tranche B facility.

The Group is also planning to refinance bridge loan facility with long term financing and several funding sources are considered in this respect.

7. Related party transactions

In the normal course of business, the Group enters into transactions with its shareholders PIC (directly owned by Kuwait Petroleum Corporation ("KPC")), BPC, QPIC and DEH's parent company The Dow Chemical Company ("DOW") and its affiliates.

EQUATE Marketing Company EC, Bahrain ("EMC"), which is owned by PIC and DEH, is the exclusive sales agent in certain territories for the marketing of PE produced by the Company. The Company reimburses all the actual expenses incurred by EMC.

During 2004, DOW and PIC initiated a number of joint venture petrochemical projects ("Olefins II projects") in Kuwait to manufacture polyethylene, ethylene glycol and styrene monomer. The Olefins II projects consist of the EQUATE expansion project, and the incorporation and development of The Kuwait Olefins Company K.S.C.C. ("TKOC"), The Kuwait Styrene Company K.S.C.C. ("TKSC") and Kuwait Aromatics Company K.S.C.C. ("KARO"). TKOC is owned by DEH (42.5%), PIC (42.5%), BPC (9%) and QPIC (6%). TKSC is a joint venture of DEH (42.5%) and KARO (57.5%). KARO is owned by PIC (40%), Kuwait National Petroleum Company K.S.C. ("KNPC") (40%) and QPIC (20%).

On 2 December 2004, the Company signed a Materials and Utility Supply Agreement ("MUSA") with TKOC, TKSC, KARO and PIC. Under the terms of the MUSA, the Company receives a reservation right fee from the above entities that equals the total capital construction costs incurred by the Company on the new utilities and infrastructure facilities under the Olefins II projects.

On 2 December 2004, the Company signed an Operations, Maintenance and Services Agreement ("OMSA") with TKOC, TKSC and KARO and PIC. Under the terms of the OMSA, the Company provides operating, maintenance and other services to the above entities and for which the Company receives a fixed management fee over and above the actual operating cost.

On 2 December 2004, the Company signed an Ethylene Supply Agreement with TKOC. Under the terms of the agreement, the price per metric tonne of ethylene is paid to TKOC based on the quantities delivered by them at the contract price.

During 2005, services agreements were signed between DOW, PIC and the Company with TKOC, TKSC, KARO and PIC for the provision of various services to the Olefins II projects.

An agreement to amend the MUSA and service agreements ("primary agreements") was signed between the parties to the primary agreements on 8 February 2006 releasing KARO from its obligations and liabilities under the primary agreements and appointing Kuwait Paraxylene Production Company K.S.C.C. ("KPPC") in place of KARO to assume and perform all obligations of KARO as if KPPC were and had been a party to the primary agreements. KPPC is a 100% owned subsidiary of KARO.

On 31 May 2006, the Company signed term loan agreements with TKOC and TKSC, under which the Company provided US$ 1.5 billion term loan to TKOC and US$ 497 million term loan to TKSC. The term loan is repayable over a period of 11 years in biannual instalments starting from 15 December 2009. During the period TKSC fully repaid the loan.

Operational Facility – Under the cash management services provided by Dow, MEG B.V. also has in place an overnight cash sweeping facility with a subsidiary of Dow, Dow International Finance S.a.r.l. ("DIFS"). Under this arrangement, MEGC and MEG B.V. and its subsidiaries sweep all of their bank account balances with DIFS on a daily basis and either invests or borrows funds with DIFS on an overnight basis. Under the terms of the agreement, the subsidiaries can borrow from DIFS at interest rates ranging from LIBOR plus a positive spread as set by Dow each half year that represents transactions with unrelated parties under similar terms and conditions plus 0.125% and inversely invest with DIFS at LIBOR plus a positive spread as set by Dow each half year that represents transactions with unrelated parties under similar terms and conditions minus 0.125%. Amounts outstanding at 30 June 2016 under these arrangements were a net deposit to DIFS of US$ 3.7 million (as at 31 December 2015: US$ 65 million net deposit) at interest rates ranging from 0.625% to 1.5220% (31 December 2015: 0.62% to 1.46%) per annum. These are indefinite credit arrangements subject to termination by either party. Interest is accrued monthly and capitalized.

All transactions with related parties are carried out on a negotiated contract basis.

The following is a description of significant related party agreements and transactions, other than described above:

a) Supply by Union Carbide Corporation ("UCC") of technology and licences relating to manufacture of PE and EG;
b) Feed gas and fuel agreement with PIC
c) Supply by the Group of certain materials and services required by PIC to operate and maintain the polypropylene plant
d) Excess EG Marketing Agreement
e) General Services Agreement
f) Secrecy Agreement
g) Long Term Land Lease Agreement
h) Site Services Agreement
i) Employee Seconding Agreement
j) Catalyst License Agreement
k) Binding Term sheet – Gulf Coast
l) Other Assignment and Assumption Agreements
m) Ethylene supply agreement by MEGC with Dow
n) Feedstock supply agreement by MEGC with Dow for the USGC Project
o) Master service agreement with Dow

Details of significant related party transactions are disclosed below:

	2016 (US$ million)	2015 (US$ million)
a) Sales and management fee		
Polypropylene plant management fees from PIC	0	0
Olefins plant management fees from TKOC	2	2
Styrene plant management fees from TKSC	0	0
Aromatics Plant management fees from KPPC	1	1
Sale of EG to MEGlobal International (Pre – acquisition)	-	221
Operating cost reimbursed by PIC for running of Polypropylene plant	17	29
Operating and utility cost reimbursed by TKOC for running of Olefins plant	74	77
Operating and utility cost reimbursed by TKSC for running of Styrene plant	26	22
Operating and utility cost reimbursed by KPPC for running of Aromatics plant	35	38
Interest income on long-term loan to TKOC and TKSC	5	5
b) Purchases and expenses		
Feed gas and fuel gas purchased from KPC	237	205
Purchase of EG from TKOC	195	281
Catalyst purchased from DOW	11	-
Ethylene Purchase from DOW	105	-
Service cost reimbursed to DOW	56	-
Glycol purchase from DOW	94	-
Catalyst purchased from UNIVATION	2	2
Operating costs reimbursed to EMC	2	1
Staff secondment costs reimbursed to DOW	2	3
Ethylene purchased from TKOC	61	56
c) Key management compensation		
Salaries, short term and terminal benefits	3	2

	30 June 2016 (US$ million)	31 December 2015 (US$ million) (Audited)
d) Due from related parties		
Due from PIC	15	16
Due from UCC	1	1
Due from DOW	25	135
Due from TKOC	14	16
Due from TKSC	5	10
Due from KPPC	44	46
Due from KNPC	1	1
Due from SADARA	-	1
Due from Others	-	9
	105	235
e) Loans to related parties		
Non-current portion		
TKOC	455	524
TKSC	-	202
	455	726
Current portion		
TKOC	136	132
TKSC	-	51
	136	183

	30 June 2016 (US$ million)	30 June 2015 (US$ million)
Movement of long-term loans: TKOC		
Balance at 1 January	656	781
Payment during the year	(65)	(62)
Balance at 30 June	591	719
Movement of long-term loans: TKSC		
Balance at 1 January	253	302
Payment during the year	(253)	(24)
Balance at 30 June	-	278

	30 June 2016 (US$ million)	31 December 2015 (US$ million) (Audited)
f) Due to related parties		
Due to KPC	75	85
Due to PIC	15	15
Due to Kuwait Oil Company K.S.C	0	0
Due to DOW	54	110
Due to KNPC	0	0
Due to KPPC	1	1
Due to TKOC	92	88
	237	299

8. Additional Business and Geographical Information

Basis for segmentation

The Group has one significant business segment i.e; Performance Materials & Chemicals ("PMC"), which is the reportable segment. This business segment manufactures and markets different types of basic petrochemical products (refer note 1 for more details).

Equate Management Team ("EMT"), a committee comprises of certain board members and key members of management, reviews the internal management reports of segments to monitor the performance and allocate capital. Earnings before Interest, Tax, Depreciation and Amortization ("EBITDA") is the key measure used to monitor the performance of business because management believes that this information is the most relevant in evaluating the results of the business relative to other entities that operate in the similar industries. In addition to PMC business, the Group is engaged in managing operations of petrochemical plants of certain related parties, which did not meet the quantitative threshold for reportable segment.

Information about reportable segments

	2016 (US$ million)			2015 (US$ million)		
	PMC	Others	Total	PMC	Others	Total
External segment revenue	1,626	125	1,751	670	168	838
EBITDA	367	4	371	318	4	322
Net profit for the period	166	4	170	230	4	234
Interest income	20	-	20	6	-	6
Interest expenses	(53)	-	(53)	(6)	-	(6)
Depreciation, amortization and reservation rights	(155)	-	(155)	(71)	-	(71)
Income tax expenses	(13)	-	(13)	(17)	-	(17)

Revenue by products and services

	2016 (US$ million)	2015 (US$ million)
Polyethylene	389	444
Ethylene Glycol	1,077	226
PET	160	-
Others	125	168
Total	1,751	838

Geographical information

PMC business is managed on a worldwide basis, but operate manufacturing facilities and sales offices primarily in Kuwait, Canada, Germany, Dubai, Hong Kong and Singapore. The geographical information analyses the Group's revenue by the Company's country of domicile and other countries. In presenting the geographical information, the segment revenue has been based on geographic location of customers.

	2016 (US$ million)	2015 (US$ million)
Americas	255	-
North Asia	579	280
India Sub-continental	202	116
Europe	352	75
Rest of the World *	363	367
Total external revenues	1,751	838

* Rest of the World includes revenue from Kuwait of US$ 29 million (2015: US$ 28 million).

There are no customers that contributed more than 5 % of the revenue.

Other information

Revenue by product and region	**EG (US$ million)**	**PE (US$ million)**	**PET (US$ million)**	**Others (US$ million)**	**Total (US$ million)**
30 June 2016					
Americas	255	-	-	-	255
North Asia	439	140	-	-	579
India sub-continental	173	29	-	-	202
Europe	128	64	160	-	352
Rest of the World	82	156	-	125	363
External revenue	1,077	389	160	125	1,751
30 June 2015					
Americas	-	-	-	-	-
North Asia	84	196	-	-	280
India sub-continental	79	37	-	-	116
Europe	51	24	-	-	75
Rest of the World	12	187	-	168	367
External revenue	226	444	-	168	838

EBITDA by product line	**EG (US$ million)**	**PE (US$ million)**	**PET (US$ million)**	**Others (US$ million)**	**Total (US$ million)**
30 June 2016	209	155	3	4	371
30 June 2015	115	203	0	4	322

9. Financial instruments - fair value measurement and risk management

Fair value measurement
The fair value of the financial instrument is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of all financial instruments carried by the Group as at 30 June 2016, that are not carried at fair value, are not materially different from their carrying values.

Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2015.

10. Commitments and contingent liabilities

The Group has a fixed gas purchase commitment with a related party of approximately US$ 0.992 million per day (31 December 2015: US$ 1 million) until the agreement is cancelled in writing by both parties.

The Group under the Excess EG marketing agreement has a commitment to purchase from DOW an annual volume for a term to 2024.

In addition to the above, the Group had the following commitments and contingent liabilities outstanding as at 30 June 2016:

	30 June 2016 (US$ million)	31 December 2015 (US$ million) (Audited)
Letters of credit and letters of guarantee	171	162
Capital commitments	53	53
Ethylene reservation fees	630	630
License-Gulf coast	2	5

MEGlobal Americas entered into agreement with various parties related to the development of a new world scale glycol plant in the Gulf Coast, of the United States ('US'). The plant is scheduled to come on stream in 2019.

Forward foreign exchange contracts

The Group deals in forward foreign exchange contracts to manage its foreign currency positions and cash flows. The notional value of the contracts as at 30 June 2016 is as follows:

	30 June 2016 (US$ million)	31 December 2015 (US$ million) (Audited)
Long position		
KD	315	297
CAD	352	509
Others	133	55
Short position		
CAD	450	319
Others	168	98

The fair value of forward foreign exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate. These are classified as Level III.

11. Operating lease

	30 June 2016 (US$ million)	31 December 2015 (US$ million) (Audited)
Less than one year	29	29
Between one and five years	81	29
More than five years	3	55
	113	113

12. Annual General Assembly

At the Company annual general meeting held on 24 March 2016, the shareholders approved the Board of Directors recommendation to distribute cash dividend of 0.19 cents per share amounted to US$ 403 million for the year 2015 (2014: 0.26 cents per share amounted to US$ 567 million).

EQUATE Petrochemical Company K.S.C.C.
and Subsidiaries

State of Kuwait

Consolidated Financial Statements and
Independent Auditor's Report for the year ended
31 December 2015

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EQUATE Petrochemical Company K.S.C.C. and subsidiaries
State of Kuwait

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of EQUATE Petrochemical Company K.S.C.C ("the Parent Company") and subsidiaries (together referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended and summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte.

EQUATE Petrochemical Company K.S.C.C. and subsidiaries
State of Kuwait

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS (Continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of accounts have been kept by the Parent Company, and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit; and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012, as amended, and its Executive Regulations and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended, and its Executive Regulations or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2015 that might have had a material effect on the business of the Parent Company or on its financial position.

Bader A. Al-Wazzan
Licence No. 62A
Deloitte & Touche
Al-Wazzan & Co.

Kuwait
10 February 2016

EQUATE Petrochemical Company K.S.C.C.
State of Kuwait

Consolidated Statement of Financial Position as at 31 December 2015

	Notes	USD million 2015	USD million 2014
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,899	1,231
Goodwill	3 & 5	1,636	-
Intangible assets	6	465	47
Deferred tax assets	7	41	-
Deferred charges and other assets	8	306	-
Loans to related parties	9	726	910
		5,073	2,188
Current assets			
Inventories	10	232	121
Loans to related parties	9	183	174
Due from related parties	9	235	142
Trade and other receivables	11	602	149
Deferred charges and other assets	8	22	-
Cash and bank balances	12	1,203	809
		2,477	1,395
Total assets		7,550	3,583
EQUITY and LIABILITIES			
Shareholders' equity			
Share capital	13	700	700
Treasury shares	13	(450)	(450)
Statutory reserve	13	350	350
Remeasurement of retirement benefit obligation	16	(44)	(29)
Foreign currency translation reserve		5	-
Retained earnings		403	567
Total equity		964	1,138
Non-current liabilities			
Loans and borrowings	14	-	1,056
Deferred income	15	404	421
Deferred tax liabilities	7	287	-
Retirement benefit obligation	16	273	231
Long term incentives		5	7
		969	1,715
Current liabilities			
Loans and borrowings	14	4,970	352
Deferred income	15	32	32
Long term incentives		5	7
Due to related parties	9	299	55
Trade and other payables	17	311	284
		5,617	730
Total liabilities		6,586	2,445
Total equity and liabilities		7,550	3,583

The attached notes on pages 7 to 35 form an integral part of these consolidated financial statements.

Abdulrasool Jafar
Chairman

Mohammad Ahmed Husain
President & Chief Executive Officer

Consolidated Statement of Profit or Loss and other Comprehensive Income – Year ended 31 December 2015

	Notes	USD million 2015	2014
Sales		1,712	1,802
Cost of sales	18	(1,295)	(1,243)
Gross profit		417	559
Management fee	9	8	9
Reservation right fees	15	32	32
General, administrative and selling expenses	19	(36)	(33)
Other income		4	1
Foreign exchange gain		3	4
Profit from operation		428	572
Finance income		12	15
Finance costs		(18)	(13)
Profit before statutory contributions and Board of Directors' remuneration		422	574
Contribution to KFAS	20	(4)	(6)
Contribution to Zakat	21	(15)	(1)
Board of Directors' remuneration	22	-	-
Net profit for the year		403	567
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit obligation		(15)	-
Exchange differences on translating foreign operations		5	-
Other comprehensive expenses for the year		(10)	-
Total comprehensive income for the year		393	567

The attached notes on pages 7 to 35 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity – Year ended 31 December 2015

	USD million						
	Share capital	Treasury shares	Statutory reserve	Retained earnings	Remeasurement of retirement benefit obligations	Foreign currency translation reserve	Total
Balances as at 1 January 2014	700	(450)	350	769	(29)	-	1,340
Net profit for the year	-	-	-	567	-	-	567
Total comprehensive income	-	-	-	567	-	-	567
Dividends paid	-	-	-	(769)	-	-	(769)
Balance as at 31 December 2014	700	(450)	350	567	(29)	-	1,138
Net profit for the year	-	-	-	403	-	-	403
Other comprehensive expense	-	-	-	-	(15)	5	(10)
Total comprehensive income	-	-	-	403	(15)	5	393
Dividends paid (Note 13)	-	-	-	(567)	-	-	(567)
Balance as at 31 December 2015	700	(450)	350	403	(44)	5	964

The attached notes on pages 7 to 35 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows - Year ended 31 December 2015

	Note	USD million 2015	2014
Cash flows - operating activities			
Net profit for the year		403	567
Adjustments:			
Depreciation	4	163	151
Amortisation	6	13	13
Reservation right fees	15	(32)	(32)
Finance costs		18	13
Finance income		(12)	(15)
(Write back)/provision for obsolete and slow moving inventories	10	(1)	2
Provision for retirement benefit obligation	16	30	31
Foreign exchange gain on retirement benefit obligations	16	(9)	(9)
Provision for long term incentives		1	8
Other adjustments to property, plant and equipment	4	17	-
Operating profit before working capital changes		591	729
Decrease/(increase) in inventories		16	(8)
Decrease in due from related parties		431	38
(Increase)/decrease in trade and other receivables		(107)	46
Increase in deferred charges and other assets		(7)	-
Long term incentives paid		(3)	(3)
Decrease in due to related parties		(261)	(52)
(Decrease)/increase in trade and other payables		(171)	24
Retirement benefit obligation paid		(10)	(9)
Net cash from operating activities		479	765
Cash flows - investing activities			
Purchase of property, plant and equipment	4	(67)	(137)
Purchase of intangible assets	6	(3)	(5)
Acquisition of subsidiary	3	(2,975)	-
Investment in staff saving scheme		(2)	(4)
Matured/(placement) of short term deposits		293	(98)
Long-term loans repaid by related parties		174	165
Finance income received		12	15
Net cash used in investing activities		(2,568)	(64)
Cash flows - financing activities			
Repayments of long term loan	14	(1,614)	(191)
Bridge loans obtained during the year	14	5,000	-
Loan origination fees paid	14	(30)	-
Finance costs paid		(15)	(12)
Dividends paid	13	(567)	(769)
Net cash from/(used in) financing activities		2,774	(972)
Net increase/(decrease) in cash and cash equivalents		685	(271)
Cash and cash equivalents at beginning of the year		262	533
Cash and cash equivalents at end of the year	12	947	262

The attached notes on pages 7 to 35 form an integral part of these consolidated financial statements.

1. Reporting entity

EQUATE Petrochemical Company K.S.C.C. ("the Parent Company") is a closed Kuwaiti Shareholding Company incorporated in the State of Kuwait on 20 November 1995. The Parent Company is owned by DOW Europe Holding B.V. ("DEH"), Petrochemical Industries Company K.S.C. ("PIC"), Boubyan Petrochemical Company K.S.C. ("BPC") and Al-Qurain Petrochemical Industries Company K.S.C. ("QPIC").

The objective of the Parent Company is to manufacture all kinds of petrochemical products. The Parent Company may have interests in, or in any way associate itself with entities, which are carrying on activities similar to its own or which may help the Parent Company to realise its objectives, whether in the State of Kuwait or abroad and may acquire or merge with such entities.

Currently, the Parent Company is engaged in the manufacture and sale of ethylene glycol ("EG") and polyethylene ("PE"). The Parent Company also operates and maintains Olefins II, Styrene, Aromatics and Polypropylene plants on behalf of related entities in Kuwait.

The address of the Parent Company's registered office is Olympia Tower, 6th floor, Salmiya, Kuwait

During the year, the Parent Company incorporated and acquired the following subsidiaries (together referred to as "the Group").

- MEGlobal Canada ULC ('MEGC') formed on December 2015 via a series of amalgamations including amalgamation with Equate Petrochemical Canada ULC ('EQUATE CANADA') (Incorporated in Nova Scotia, Canada on October 2015 by the Parent Company). Previously, MEGC operated as MEGlobal Canada Inc., a joint venture between Dow Chemical Canada ULC ("DCC ULC") and PicCan Holdings Inc. ("PicCan")

- Equate Petrochemical B.V. ('EQUATE BV') (Incorporated in Netherlands on November 2015)

The subsidiaries of the Group are as follows as at 31 December 2015

Name of company	Place of incorporation	Principal business	Percentage of holdings	
			31 Dec 15	31 Dec 14
EQUATE BV	Netherlands	Holding Company of MEGBV	100%	-
MEGlobal Canada ULC	Canada	Manufacture of EG	100%	-
Held through EQUATE BV				
MEGlobal B.V.	Netherlands	Marketing and distribution of EG	100%	-
MEGlobal Americas Inc, Midlands	USA	Marketing and distribution of EG	100%	-
MEGlobal Asia Limited, Hong Kong	China	Marketing and distribution of EG	100%	-
MEGlobal International FZE, Dubai	UAE	Marketing and distribution of EG	100%	-
MEGlobal Mexico S.A. de C.V, Mexico	Mexico	Marketing and distribution of EG	100%	-
MEGlobal Trading Group Ltd, Shanghai	China	Marketing and distribution of EG	100%	-
MEGlobal Europe GmbH, Horgen	Switzerland	Marketing and distribution of EG	100%	-
MEGlobal Comercio Do Brasil Ltda	Brazil	Marketing and distribution of EG	100%	-
Equipolymers GmbH, Schkopau	Germany	Manufacture of Polyethylene Terephthalate	100%	-
Equipolymers Srl, Milan	Italy	Manufacture of Polyethylene Terephthalate	100%	-
Held through MEGC				
Alberta & Orient Glycol Company ULC	Canada	Manufacture of EG	100%	-

These consolidated financial statements were approved for issue by Board of Directors on 10 February 2016 and are subject to approval of shareholders at the forth-coming Annual General Meeting.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These consolidated financial statements are prepared under the historical cost convention or amortised cost basis except for derivative financial instruments which is measured under fair value.

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of the following new and amended standards effective for the annual periods beginning on or after 1 January 2015.

IFRS 3 Business Combinations

Transactions under common control – With respect to business combinations arising from transfers of interests in entities that are under the control of the shareholders the Group has chosen to apply IFRS 3 – Business combinations. Accordingly transactions under common control are accounted for using the acquisition method whereby the assets and liabilities acquired are recognized at their fair value.

The cost of an acquisition is measured as the aggregate of the consideration transferred, and the identifiable assets acquired and liabilities assumed in a business combination which are measured at acquisition date fair value, and the amount of any non-controlling interests in the acquire. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the consolidated income statement.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and included in cost of acquisition in determination of goodwill. Any resulting gain or loss on re-measurement of previously held equity interest is recognised in consolidated income statement. If the initial accounting for the business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete and retrospectively adjusts these amounts during the measurement period of one year from the acquisition date.

Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred in the business combination, the amount recognized for non-controlling interest, and the fair value of any previously held equity interest in the acquiree, over the fair value of the acquiree's net identifiable assets acquired and liabilities assumed. If the aggregate consideration transferred, is lower than the fair value of net assets acquired, the difference is recognised as gain on business combination in the consolidated income statement on the acquisition date.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IFRS 8 and IAS 16 have had no impact on the disclosures or amounts recognised in the consolidated financial statements.

New and revised IASB Standards, but not yet effective

The following IASB Standards have been issued but are not yet effective and have not been early adopted by the Group.

IFRS 9: Financial Instruments:

The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Group is in the process of quantifying the impact of this standard on the Group's financial statements, when adopted.

IFRS 15 – Revenue from Contracts with customers

IFRS 15 was issued by IASB on 28 May 2014 and is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue recognition requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Group is in the process of evaluating the effect of IFRS 15 on the Group and do not expect any significant impact on adoption of this standard.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Group is in the process of evaluating the effect of IFRS 16.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. The Management of the Group do not anticipate that the application of these amendments to IAS 1 will have a material impact on the Group's financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of the above standards is not expected to have a material impact on the consolidated financial position or performance of the Group.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at the reporting date and its subsidiaries (investees which are controlled by the Group) as at the same date or a date not earlier than one month from the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Group's consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group lose control over a subsidiary, it derecognises the related assets (including goodwill and intangible assets), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Functional and presentation currency

These consolidated financial statements are presented in United States Dollars ("USD") which is the Group's functional currency. All financial information presented in USD has been rounded to the nearest million. A separate set of financial statements is prepared in Kuwaiti Dinar ("KD") for purpose of submission to the Ministry of Commerce and Industry, State of Kuwait.

2.4 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on the straight-line method based on estimated useful lives of assets as follows:

Buildings, land, waterway improvements and roads	5 to 40 years
Plant and equipment	1 to 20 years
Office furniture and equipment	5 years
Vehicles	5 years

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the property, plant and equipment being replaced. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of fixed asset. All other expenditure is recognised in the statement of profit or loss when the expense is incurred. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalised.

Assets in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

The replacement costs of major components and overhaul costs which improve the economic benefit that can be generated are capitalised by the Group. The Group recognises and accounts for each component of its asset separately for depreciation. The component approach is also applied where regular major inspections of an asset are a condition of continuing to use it. The cost of each inspection is treated as a separate item (replacement) of property, plant and equipment provided recognition criteria are satisfied.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised on a net basis within other income in the consolidated statement of profit or loss.

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

2.5 Goodwill

Goodwill arising on the acquisition of a subsidiary is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the consideration transferred over the net fair value of the identifiable net assets recognised.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the consideration transferred, the excess is recognised immediately in the consolidated statement of profit and loss as a bargain purchase gain.

Goodwill is not amortised, but is reviewed for impairment at least annually. Goodwill impairment is determined by assessing the recoverable amount of cash-generating unit to which goodwill relates. The recoverable amount is the value in use of the cash-generating unit, which is the net present value of estimated future cash flows expected from such cash-generating unit. If the recoverable amount of cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorated on the basis of the carrying amount of each asset in the unit.

Any impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.6 Intangible assets

Intangible assets consist of technology and licences for the manufacture of ethylene, ethylene glycol and polyethylene. Intangible assets also consist of assets acquired on business combination like customer relationships, intellectual properties, ethylene supply agreement, and brands.

Intangibles are measured at cost less accumulated amortisation and any accumulated impairment losses. Licenses to manufacture ethylene, ethylene glycol and polyethylene are amortised from the date of commencement of commercial production on a straight-line basis over twenty years, except for the olefin technology, which is amortised over five years.

Customer relationships, Intellectual properties and Ethylene Supply agreements acquired by the Group have finite useful lives and are measured at cost less accumulated amortization and any accumulated impairment losses.

Brands recognized by the Group on business combination has an infinite life and will be considered for annual impairment testing.

The estimated useful lives, residual values and amortisation methods are reviewed at each year end, with the effect of any changes in estimate being accounted for on a prospective basis.

At each reporting date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss.

2.7 Financial instruments

Classification

The Group classifies its financial instruments as "loans and receivables" and financial liabilities other than at fair value through profit or loss. Management determines the appropriate classification at the time of acquisition.

Recognition and de-recognition

The Group recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. A financial asset (in whole or in part) is de-recognised when the contractual right to the cash flows from the financial asset expires or, when the Group transfers substantially all the risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

All regular way purchase and sale of financial assets are recognized using trade date accounting. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Measurement

Loans and receivables

These are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortized cost using the effective yield method.

Loans to related parties, due from related parties, trade and other receivables and cash and bank balances are classified as loans and receivables.

Financial liabilities other than at fair value through profit or loss

Financial liabilities other than at fair value through profit or loss are subsequently measured at amortized cost using the effective yield method.

Loans and borrowings, due to related parties and trade and other payables are classified as financial liabilities other than at fair value through profit or loss

Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each statement of financial position date. The resulting gain or loss is recognised in the consolidated statement of profit or loss immediately. Foreign exchange forward contracts are treated as trading instruments and are stated at fair market value with gains or losses included in foreign exchange gain / (loss) in the consolidated statement of profit or loss within the period they occur.

Fair values

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

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

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value of financial instruments carried at amortised cost, other than short-term financial instruments, is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

Impairment

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in consolidated statement of profit and loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in consolidated statement profit and loss.

2.8 Inventories

Finished goods are measured at the lower of weighted average cost or net realisable value. The cost of finished products includes direct materials, direct labour and fixed and variable manufacturing overhead and other costs incurred in bringing inventories to their present location and condition.

Raw materials and catalysts are measured at weighted average cost net of allowance for slow-moving and obsolete items.

Spare parts are not intended for resale and are measured at weighted average cost after making allowance for slow-moving and obsolete items. Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs.

Net realisable value is the estimated selling price for inventories in the ordinary course of business less estimated costs of completion and selling expenses.

2.9 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank current accounts and short term deposits with an original maturity of three months or less from the date of placement.

2.10 Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the statement of changes in equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in treasury shares reserve.

2.11 Retirement obligations

The Parent Company accounts for retirement benefits under IAS 19 "Employee Benefits". Benefits are payable to employees on completion of employment in accordance with the Kuwaiti Labour Law. The subsidiaries have various pension plans in accordance with the local conditions and practices in the Country in which they operate. Benefits payable under these plans are in accordance to the laws in those countries.

The cost of providing retirement benefit plans are determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each statement of financial position date. Re-measurment of the Group's defined benefit obligation which mainly comprises actuarial gain and losses are recognised immediately in statement of other comprehensive income. Past service cost is recognised immediately in the period of plan amendment in the statement of profit or loss. Interest expense is determined on defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the defined benefit obligation during the period as a result of benefit payments. The liability is not externally funded.

Liabilities for defined contribution plans are expensed as the related service is provided.

2.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows that reflects current market assessments of the time value of money and the risks specific to the liability.

2.13 Revenue recognition

Sales net of applicable discounts, are recognised when the revenue is realised or realisable, has been earned, and collectability is reasonably assured. Revenue is recognised when significant risks and rewards of ownership are transferred to the buyer, which usually occurs at the time shipment is made. PE production is sold with freight paid by the Group and EG production is sold FOB ("Free On Board") shipping point. The transfer of the risks and rewards of ownership occurs when the product is delivered to the freight carrier. The Group's terms of sale are included in its contracts of sale, order confirmation documents and invoices. Freight costs are recorded as "Cost of Sales".

Interest income is accrued on effective yield basis, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.14 Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets by applying a capitalisation rate on the expenditure on such assets, until such time as the assets are substantially ready for their intended use. The capitalisation rate used by the Group is the weighted average of the borrowing costs applicable to the outstanding borrowings during the period. Borrowing costs that are not directly attributable to the acquisition, construction, or production of qualifying assets are recognised in the consolidated statement of profit or loss using the effective interest method in the period in which they are incurred.

2.15 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

2.16 Income taxes

Deferred income tax assets and liabilities are computed for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future. Such deferred income tax asset and liability computations are based on substantially enacted tax laws and rates applicable to periods in which the differences are expected to affect taxable income. Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.17 Reservation right fees

Reservation right fees are recognized in the consolidated statement of financial position as deferred income. The fees are presented as deferred income and recognized to income on a systematic and rational basis over a period of 20 years, which is the fees received from Olefins II project entities for usage of utility plant to the extent of construction cost of utility plant incurred by the Parent Company. The deferred income is amortised over the useful life of plant, which is 20 years.

2.18 Government Grants

Government grants related to assets are recognized in the consolidated statement of financial position as deferred income. The grants are presented as deferred income and recognized to income on a systematic and rational basis over a period of 20 years, which is the average life of the assets to which the grant relates.

2.19 Translation of foreign currencies

Transactions in foreign currencies are translated into USD at rates of exchange prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into USD at rates of exchange prevailing at the statement of financial position date. The resultant exchange differences are recorded in the statement of profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the statement of profit or loss.

The assets and liabilities of foreign operations, are translated to USD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to USD at the average exchange rates for current year. Foreign exchange differences arising on translation are recognized in other comprehensive income and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to the non-controlling interests.

2.20 Critical accounting judgements and key sources of estimation uncertainty

The Group bases its estimates and judgments on parameters available when the financial statements were prepared. Existing circumstances and judgments about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The following are the critical accounting judgements, apart from those involving estimations (see below), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Retirement Benefit Obligation

The cost of providing retirement benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each statement of financial position date. Actuarial valuations are based on a number of assumptions and require significant judgements made by the management. The management believes that the assumptions used in determining the retirement benefit obligation using actuarial valuation method are reasonable.

Determination of functional currency

Functional currency is the currency of the primary economic environment in which the Group operates. When indicators of the primary economic environment are mixed, management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The management have determined that the functional currency of the Group is USD since the majority of the Group's transactions are denominated in USD. Sales and Purchases are also received and paid in USD.

Acquisition accounting

The Group assesses the fair value of assets and liabilities assumed in an acquisition on a provisional basis. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the assessed fair values, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Deferred tax assets

The net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and are recorded on the statement of financial position. Deferred income tax assets are recorded to the extent that realization of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes reasonable judgments and estimates based on taxable profits and expectations of future income. As tax losses do not expire in Germany and Italy, utilization of these tax losses require management to consider taxable profits well into the future. This significant long-term view increases the uncertainty of such projections. As a result of this and certain limits on annual tax loss usage, the Group limits its consideration of German and Italian tax losses to 10 years, which is considered a more foreseeable future, even though the ability to potentially utilize the tax losses extends beyond this period.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date are discussed below:

Impairment of loans and receivables

The Group's management periodically reviews items classified as loans and receivables to assess whether an allowance for impairment should be recorded in the statement of profit or loss. Management estimates the amount and timing of future cash flows when determining the level of allowance required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

Impairment of other tangible and intangible assets and useful lives

The Group's management tests annually whether tangible and intangible assets have suffered impairment in accordance with accounting policies. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

During the year, the Group reviewed the estimated useful life over which its tangible assets are depreciated and intangible assets are amortised. The Group's management is satisfied that the estimates of useful life are appropriate. The depreciation and amortisation charged for the year may change significantly if actual life is different than the estimated useful life.

Acquisition accounting

The Group assesses the fair value of assets and liabilities assumed in an acquisition on a provisional basis. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the assessed fair values, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Legal contingencies

Legal contingencies cover a wide range of matters threatened in various jurisdictions against the Group. Provisions are recorded for pending litigation when it is determined that an unfavorable outcome is probable and the amount of loss can be reasonably estimated, after consideration of advice from attorneys. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of the settlement may materially vary from estimates.

3. Business Combination

On 23 December 2015, the Group entered into a share purchase agreement to acquire 100% equity of MEGC, an entity formed in December 2015 via a series of amalgamation, for a purchase consideration of USD 1,863 million. Previously, MEGC operated as MEGlobal Canada Inc., a joint venture between DCC ULC and PicCan. MEGC is a producer of EG. It operates three world scale EG facilities in Alberta, Canada. Subsequent to the acquisition, EQUATE CANADA merged with MEGC.

On 23 December 2015, the Group entered into a share purchase agreement to acquire 100% equity of MEGlobal BV ('MEGBV') through a newly incorporated wholly owned subsidiary EQUATE BV for a purchase consideration of USD 1,134 million. MEGBV was formed in the year 2004. Previously, it was a joint venture between DEH and PIC. Each party held a 50% shareholding interest. MEGBV is mainly involved in the marketing and distribution of MEG and DEG.

These consolidated financial statements include the effect of the business combination transactions and the results of the operations for the nine-day period ending 31 December 2015.

The fair values of assets acquired and liabilities assumed have been measured on a provisional basis. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

As the same ultimate shareholders would continue to control MEGC and MEGBV, the transaction is a common control transaction.

Following is a summary of the provisional effect of the business combination on the financial statements:

	USD million		
	MEGC	**MEGBV**	**TOTAL**
ASSETS			
Property, plant and equipment	561	217	778
Intangible assets	10	418	428
Cash and bank balances	-	22	22
Other assets	383	934	1,317
	954	1,591	2,545
LIABILITIES			
Loans and borrowings	-	203	203
Deferred taxes	178	83	261
Other liabilities	389	331	720
Total liabilities	567	617	1,184
Net assets acquired	387	974	1,361
Cash consideration paid	1,863	1,134	2,997
Goodwill	1,476	160	1,636
Cash flows on business combination			
Cash consideration paid	1,863	1,134	2,997
Cash and cash equivalents in subsidiary acquired	-	(22)	(22)
Net cash	**1,863**	**1,112**	**2,975**

Nine-day profits of the subsidiaries are immaterial to the profits of the Group. Had the subsidiaries been consolidated from 1 January 2015, the consolidated income statement would have included net profit of USD 320 million.

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Property, plant and equipment – Market comparison technique and cost technique: the valuation considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence, where applicable.

Intangible assets – Income approach and cost advantage technique: the valuation considers present value of cash flows attributable to the intangible assets measured either as cost savings or excess earnings.

Customer relationships – *Multi-period excess earnings method*: The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships by excluding any cash flows related to contributory assets.

Brand - *Relief-from-royalty method*: The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned.

Inventories – Market comparison technique: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories

4. Property, plant and equipment

	USD million				
	Buildings, land, waterway improvements and roads	**Plant and equipment**	**Office furniture and equipment**	**Assets under construction**	**Total**
Cost					
Balance at 1 Jan 2014	95	2,684	110	28	2,917
Additions	-	-	-	215	215
Transfers	-	4	-	(4)	-
Disposals	-	(6)	-	-	(6)
Balance at 31 Dec 2014	95	2,682	110	239	3,126
Additions	-	-	-	67	67
Assets acquired on acquisition (Note 3)	84	656	-	38	778
Transfers	1	133	2	(136)	-
Other adjustments	-	(17)	-	-	(17)
Exchange differences on translation	-	2	-	-	2
Balance at 31 Dec 2015	180	3,456	112	208	3,956
Balance at 1 Jan 2014	61	1,590	98	-	1,749
Charge for the year	5	141	5	-	151
Related to disposals	-	(5)	-	-	(5)
Balance at 31 Dec 2014	66	1,726	103	-	1,895
Charge for the year	5	156	2	-	163
Related to disposal	-	-	-	-	-
Exchange differences on translation	-	(1)	-	-	(1)
Balance at 31 Dec 2015	71	1,881	105	-	2,057
Carrying amounts					
At 31 Dec 2014	29	956	7	239	1,231
At 31 Dec 2015	109	1,575	7	208	1,899

Assets under construction comprise of improvement projects for the existing plant. Such assets are not subject to depreciation until the improvements are tested and available and ready for use. It also includes costs incurred on the development of a new world scale glycol plant in the Gulf Coast of the United States of America ("USGC project") which is scheduled to come on stream in 2019. The Group has purchased land worth USD 35 million as part of the Gulf Coast plant development.

Depreciation is allocated to cost of sales and general, administrative and selling expenses in order to reflect appropriately the way in which economic benefits are derived from the use of property, plant and equipment (Note 18 and Note 19).

The Parent Company's plant was constructed on a land leased from Government of Kuwait and this renewable lease is valid until January 2020.

5. Goodwill

Goodwill acquired in a business combination is allocated at acquisition to the Cash Generating Unit ('CGU') that is expected to benefit from that business combination. Goodwill represents expected economic benefits from the business combination including the future growth of the operations, synergies expected from supply chain and logistics, reduction of cost, silver leasing programs and access to global market and network. The impairment testing for Goodwill is carried out annually. The carrying amount of goodwill has been allocated to the Ethylene Glycol (EG) CGU. The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on future production volume increases, financial budgets, market prices, and the industry supply demand balance of glycol as reviewed by the directors.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the cash generating units are determined based on the value in use method. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The value in use of the cash-generating units to which goodwill has been allocated, as estimated by management indicates that there has been no impairment during the year ended 31 December 2015.

6. Intangible assets

	USD million					
	Technology and license fees	Customer Relationships	Brand	Intellectual property	Ethylene supply agreement	Total
Cost						
Balance at 1 January 2014	234	-	-	-	-	234
Additions	5	-	-	-	-	5
Balance at 31 December 2014	239	-	-	-	-	239
Intangibles acquired on acquisition (Note 3)	-	320	88	10	10	428
Additions	-	-	-	-	3	3
Balance at 31 December 2015	239	320	88	10	13	670
Accumulated amortisation and impairment losses						
Balance at 1 January 2014	179	-	-	-	-	179
Charge for the year	13	-	-	-	-	13
Balance at 31 December 2014	192	-	-	-	-	192
Charge for the year	13	-	-	-	-	13
Balance at 31 December 2015	205	-	-	-	-	205
Carrying amounts					-	-
At 31 December 2014	47	-	-	-	-	47
At 31 December 2015	34	320	88	10	13	465

In conjunction with the business combination, the Group obtained access to the distribution channels and customer relationships. These relationships have been recognized on acquisition and are being amortized over 10 years period. The amortization period of customer relationships represents management's best estimate of the expected usage or consumption of the economic benefits of the acquired assets, which is based on historical experience of customer attrition rates. The amortization of customer relationships is included in cost of sales.The Group has also recognized the MEGlobal brand as an intangible asset on its acquisition of the MEGBV and MEGC business. The brand is attributed to EG business and has an indefinite life, to be tested annually for impairment.

7. Deferred tax assets and liabilities

This primarily represent deferred tax assets and liabilities acquired on business combination.

	USD million	
	2015	**2014**
Deferred tax assets		
Post – retirement benefit obligations	5	-
Goodwill	54	-
Property, plant and equipment	(18)	-
	41	-
Deferred tax liabilities		
Other assets and intangibles		
Goodwill	130	-
Property, plant and equipment	61	-
	96	-
	287	-

8. Deferred charges and other assets

	USD million	
	2015	**2014**
Ethylene supply agreement	239	-
Others	89	-
	328	-
Classified as: -		
Current	22	-
Non-current	306	-
	328	-

Others primarily comprise of license costs and ethylene subscription fees which will be amortized upon start up of Glycol Plant in US Gulf Coast.

- License - agreement is with one of the subsidiary of Dow to secure a fully-paid up Ethylene Oxide / Ethylene Glycol license for USD 16 million. Instalments paid and accrued total USD 11 million, with two remaining instalment payments to be paid totalling USD 5 million in the 2018 / 2019 timeframe.

- Ethylene - binding term sheet with DOW to secure an ethylene supply contract for the Gulf Coast facility being developed. The contract secures the subscription rights to 27.6% of one of Dow's ethylene crackers under development. Total cost is USD 700 million, with future payments being USD 315 million on August 1, 2017 and USD 315 million on the earlier of the plants commencement date or February 1, 2019. The subscription payment is refundable if DOW does not proceed with its ethylene cracker.

9. Related party transactions

In the normal course of business the Parent Company enters into transactions with its shareholders PIC (directly owned by Kuwait Petroleum Corporation ("KPC")), BPC, QPIC and UCC's parent company The DOW Chemical Company ("DOW") and its affiliates.

EQUATE Marketing Company EC, Bahrain ("EMC"), which is owned by PIC and UCC, is the exclusive sales agent in certain territories for the marketing of PE and Styrene produced by the Parent Company and The Kuwait Styrene Company K.S.C.C. ("TKSC") respectively. The Parent Company reimburses all the actual expenses incurred by EMC.

During 2004, DOW and PIC initiated a number of joint venture petrochemical projects ("Olefins II projects") in Kuwait to manufacture polyethylene, ethylene glycol and styrene monomer. The Olefins II projects consist of the EQUATE expansion project, and the incorporation and development of The Kuwait Olefins Company K.S.C.C. ("TKOC"), TKSC and Kuwait Aromatics Company K.S.C.C. ("KARO"). TKOC is owned by DEH (42.5%), PIC (42.5%), BPC (9%) and QPIC (6%). TKSC is a joint venture of DEH (42.5%) and KARO (57.5%). KARO is owned by PIC (40%), Kuwait National Petroleum Company K.S.C. ("KNPC") (40%) and QPIC (20%).

On 2 December 2004, the Parent Company signed a Materials and Utility Supply Agreement ("MUSA") with TKOC, TKSC, KARO and PIC. Under the terms of the MUSA, the Parent Company receives a reservation right fee from the above entities that equals the total capital construction costs incurred by the Parent Company on the new utilities and infrastructure facilities under the Olefins II projects

On 2 December 2004, the Parent Company signed an Operations, Maintenance and Services Agreement ("OMSA") with TKOC, TKSC, KARO and PIC. Under the terms of the OMSA, the Parent Company provides operating, maintenance and other services to the above entities and for which the Parent Company receives a fixed management fee over and above the actual operating cost.

On 2 December 2004, the Parent Company signed an Ethylene Supply Agreement with TKOC. Under the terms of the agreement, the price per metric tonne of ethylene is paid to TKOC based on the quantities delivered by them at the contract price.

During 2005, services agreements were signed between DOW, PIC and the Parent Company with TKOC, TKSC, KARO and PIC for the provision of various services to the Olefins II projects.

An agreement to amend the MUSA and service agreements ("primary agreements") was signed between the parties to the primary agreements on 8 February 2006 releasing KARO from its obligations and liabilities under the primary agreements and appointing Kuwait Paraxylene Production Company K.S.C.C. ("KPPC") in place of KARO to assume and perform all obligations of KARO as if KPPC were and had been a party to the primary agreements. KPPC is a 100% owned subsidiary of KARO.

On 31 May 2006, the Parent Company signed term loan agreements with TKOC and TKSC, under which the Parent Company will provide a USD 1.5 billion term loan to TKOC and USD 497 million term loan to TKSC. The term loans are repayable over a period of 11 years in biannual instalments starting from 15 December 2009 and carry coupon rate of LIBOR + 0.625% till 19 May 2013, LIBOR + 0.725% till 19 May 2016 and LIBOR + 0.825% till the maturity date.

Operational Facility – Under the cash management services provided by Dow, the Group's subsidiaries also has in place an overnight cash sweeping facility with a subsidiary of Dow, Dow International Finance S.a.r.l. ("DIFS"). Under this arrangement, the subsidiaries in EQUATE BV sweeps all of the bank accounts and either invests or borrows funds on an overnight basis. Under the terms of the agreement, the subsidiaries can borrow from DIFS at interest rates ranging from LIBOR plus a positive spread as set by Dow each half year that represents transactions with unrelated parties under similar terms and conditions plus 0.125% and inversely invest with DIFS at LIBOR plus a positive spread as set by Dow each half year that represents transactions with unrelated parties under similar terms and conditions minus 0.125%. Amounts outstanding at December 31 under these arrangements were a net deposit of USD 65 million at interest rates ranging from 0.62% to 1.46%. These are indefinite credit arrangements subject to termination by either party. Interest is accrued monthly and capitalized.

All transactions with related parties are carried out on a negotiated contract basis.

The following is a description of significant related party agreements and transactions, other than described above:

a) Supply by UCC of technology and licences relating to manufacture of PE and EG;
b) Feed gas and fuel agreement with PIC
c) Supply by the Group of certain materials and services required by PIC to operate and maintain the polypropylene plant
d) Excess EG Marketing Agreement
e) General Services Agreement
f) Secrecy Agreement
g) Long Term Land Lease Agreement
h) Site Services Agreement
i) Employee Seconding Agreement
j) Catalyst License Agreement
k) Binding Term sheet – Gulf Coast
l) Other Assignment and Assumption Agreements

Details of significant related party transactions are disclosed below:

	USD million	
	2015	**2014**
a) Sales and management fee		
Polypropylene plant management fees from PIC	1	1
Olefins plant management fees from TKOC	3	4
Styrene plant management fees from TKSC	1	1
Aromatics Plant management fees from KPPC	3	3
Sale of EG to MEGlobal International (Pre – acquisition)	405	449
Operating cost reimbursed by PIC for running of Polypropylene plant	53	48
Operating and utility cost reimbursed by TKOC for running of Olefins plant	148	155
Operating and utility cost reimbursed by TKSC for running of Styrene plant	52	49
Operating and utility cost reimbursed by KPPC for running of Aromatics plant	80	85
Interest income on long-term loans to TKOC and TKSC	10	11
b) Purchases and expenses		
Feed gas and fuel gas purchased from KPC	465	381
Purchase of Ethylene Glycol from TKOC	14	-
Catalyst purchased from DOW	-	10
Catalyst purchased from UNIVATION	4	7
Operating costs reimbursed to EMC	4	5
Staff secondment costs reimbursed to DOW	5	4
Ethylene purchased from TKOC	66	78
c) Key management compensation		
Salaries and short term benefits	4	4
Terminal benefits	1	1
d) Due from related parties		
Due from PIC	16	18
Due from UCC	1	-
Due from DOW	135	-
Due from TKOC	16	18
Due from TKSC	10	8
Due from KPPC	46	44
MEGlobal FZE	-	53
Due from Kuwait National Petroleum Company ("KNPC")	1	1
Due from SADARA	1	-
Due from Others	9	-
	235	142
e) Loans to related parties		
Non-current portion		
TKOC	524	656
TKSC	202	254
	726	910
Current portion		
TKOC	132	125
TKSC	51	49
	183	174

	USD million	
	2015	**2014**
Movement of long-term loans: TKOC		
Balance at 1 January	781	900
Payment during the year	(125)	(119)
Balance at 31 December	656	781
Movement of long-term loans: TKSC		
Balance at 1 January	302	348
Payment during the year	(49)	(46)
Balance at 31 December	253	302

f) Due to related parties

	USD million	
	2015	**2014**
Due to KPC	85	40
Due to PIC	15	2
Due to Kuwait Oil Company K.S.C	-	1
Due to DOW	110	2
Due to KNPC	-	2
Due to KPPC	1	1
Due to TKOC	88	7
	299	55

10. Inventories

	USD million	
	2015	**2014**
Raw materials and consumables	62	48
Finished goods	115	23
Spare parts	56	52
	233	123
Provision for obsolete and slow moving inventories	(1)	(2)
	232	121

11. Trade and other receivables

	USD million	
	2015	**2014**
Trade receivables	541	128
Less: Provision for doubtful debts	(1)	(1)
Prepayments and others	62	22
	602	149

12. Cash and bank balances

	USD million	
	2015	2014
Cash balances	-	1
Bank balances	62	21
Term deposits	1,141	787
Total Cash and bank balances	1,203	809
Less: Deposits with original maturity more than 3 months	(219)	(512)
Less: Amount reserved relating to staff saving scheme (Note 17)	(37)	(35)
Cash and cash equivalent for the purpose of cash flows	947	262

The effective interest rate on time deposits as at 31 December 2015 was 0.92% (2014: 0.84%) per annum.

13. Share capital

The share capital of the Parent Company comprises 2,160 million authorised, issued and fully paid up shares of Fils 100 each (2014: 2,160 million authorised, issued and fully paid up shares of Fils 100 each) (1,000 Fils equals 1 Kuwaiti Dinar).

Treasury Shares

The Parent Company's treasury shares comprise the cost of the Parent Company's own shares held. At 31 December 2015 and 2014, the Parent Company held 113,612,868 shares which are 5.26% of the issued shares at a cost of USD 450 million. This amount is debited in the consolidated statement of changes in equity.

Statutory reserve

As required by the Companies Law No. 25 of 2012 and the Parent Company's Articles of Association, 10% of the profit for the year is to be transferred to the statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital. This reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in years when retained earnings are not sufficient for the payment of such dividends.

During the annual general meeting of 2008, the shareholders resolved to discontinue the transfer to the statutory reserve as the reserve reached 50% of the Parent Company's paid up share capital.

Proposed Dividend

The Board of Directors proposed a cash dividend of USD 403 million for the year ended 31 December 2015 (2014: USD 567 million) which is subject to the approval of shareholders at the Annual General Assembly. This dividend has not been recorded in the accompanying financial statements, and will be recorded only once it has been approved by the shareholders. On 30 March 2015, the shareholders approved the dividends for the year ended 31 December 2014 and accordingly USD 567 million was paid by the Parent Company.

14. Loans and borrowings

	USD million	
	2015	2014
Non-current portion of term debt	-	1,056
Current portion of term debt	-	202
Revolving loan	-	150
Bridge loan facility	4,970	-
	4,970	352

The movement in term debt is as follows:

	USD million	
	2015	2014
Balance at 1 January	1,258	1,448
Payment during the year	(1,258)	(191)
Loan origination fee	(30)	1
Bridge loan facility	5,000	-
Balance at 31 December	4,970	1,258

On 19 May 2006, the Group had signed a USD 2.5 billion term debt facility agreement with a consortium of banks which includes a term loan facility of USD 2.2 billion and a revolving loan facility of USD 300 million. The term loan is repayable over a period of 11 years in biannual instalments starting from 15 December 2009 and maturing in 15 June 2020. The coupon rate on this facility is LIBOR + 0.5% till 19 May 2013, LIBOR + 0.6% till 19 May 2016 and LIBOR + 0.7% till the maturity period and is payable on a monthly basis. The Group repaid and fully settled the term loan and the revolving loan facility. The facilities were secured by a charge over the Parent Company's property, plant and equipment and bank balances. The Bank has released the lien on the above assets on repayment.

On December 17, 2015, the Group entered into a USD 6 billion bridge facility agreement with various international, regional and local banks. The bridge facility is repayable over a period of 12 months with a six month extension option. As of December 31, the Group had borrowed USD 5 billion at a rate of 1.0195% and had available USD 1 billion of undrawn committed facility in respect of which all precedent conditions have been met. As part of the overall USD 6 billion facility, the Group is jointly and severally a guarantor along with TKOC. The debt contains a financial covenant that the ratio of net debt to earnings before interest taxes, depreciation, and amortization ("EBITDA") for the twelve month period ending on the last day of the calendar year shall not exceed 4.0:1 for the combination of entities who are also guarantors listed above.

15. Deferred income

Deferred income comprises of the following: -

	USD million	
	2015	2014
Reservation right fees for Olefins II project	421	453
Government grants	15	-
Balance at 31 December	436	453

Reservation right fees received from Olefins II project entities for usage of utility plant relating to Olefins II project, to the extent of construction cost of utility plant incurred by the Parent Company. The deferred income is amortised over the useful life of plant, which is 20 years .

Government grants - The Group received a total of USD 34 million in 2005 and 2006 in government grants for the construction of the PET manufacturing facility at its Schkopau site. The government grants are presented as deferred income and recognized to income on a systematic and rational basis over a period of 20 years.

	USD million	
	2015	2014
Non-current portion of deferred income	404	421
Current portion of deferred income	32	32
	436	453

16. Retirement benefit obligation

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out at 31 December 2015. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2015	2014
Economic assumptions		
Discount rate	4.08% - 4.50%	5.00%
Expected rate of increase in		
- Basic salary & variable allowances including overtime and incentives	5% - 6%	6%
- Average annual & quarterly incentives	20% p.a	20% p.a
Long-term inflation	2% - 3.5% p.a	4% p.a
Management variable incentive pay (as a percentage of basic salary)	Target percentage level	Target percentage level
Demographic assumptions		
Retirement age		
- Kuwaiti employees	Age 50	Age 50
- Non-Kuwaiti employees	Age 55	Age 55
Decrement		
- Mortality	None	None
- Turnover	Service related rates	Service related rates

The total expense recognised in the statement of profit or loss is as follows:

	USD million	
	2015	2014
Current service costs	15	15
Interest on obligation	15	16
	30	31

The total charge for the year, which has been included in the statement of profit or loss, is as follows:

	USD million	
	2015	2014
Cost of sales	25	26
General, administrative and selling expenses	5	5
	30	31

Movement in the retirement benefit obligation is as follows:

	USD million	
	2015	2014
Retirement benefit obligation as at 1 January	231	218
Included in the consolidated statement of profit or loss		
Current and past service costs	15	15
Interest on obligation	15	16
	30	31
Included in other comprehensive income		
Re measurement (gain)/loss		
- Experience adjustment	3	(5)
- Actuarial changes arising from changes in economic assumptions	12	5
	15	-
Benefits paid	(10)	(9)
Foreign currency translation adjustment	(9)	(9)
Retirement benefit obligation as at 31 December 2015	257	231
Retirement benefit acquired in Business combination (Net of plan assets)	16	-
Total	273	231

The Parent Company's defined benefit obligation is unfunded. However, the subsidiaries have invested in Plan Assets.

Reconciliation of Fair Value of Plan Assets of the subsidiaries

	USD million	
	2015	2014
Defined benefit obligation of the subsidiaries	63	-
Fair value of plan assets of the subsidiaries	(47)	-
Net retirement benefit acquired in business combination	16	-

A sensitivity analysis of possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the retirement benefit obligation by the amounts shown below:

	USD million	
	0.25% increase	
	2015	2014
Discount rate	(6)	(5)
Basic salary & variable allowances including overtimes and incentives	5	5

17. Trade and other payables

	USD million	
	2015	2014
Trade payables	121	58
Staff incentives	36	42
Staff saving schemes	35	33
Staff leave and other employee benefits	14	15
Accrual for KFAS and Zakat	7	6
Income tax payable	16	-
Accrued turnaround and capital expense	-	81
Others	82	49
	311	284

18. Cost of sales

	USD million	
	2015	2014
Materials	893	815
Distribution expenses	44	50
Staff cost	118	140
Depreciation and amortisation	175	163
Others	65	75
	1,295	1,243

19. General, administrative and selling expenses

	USD million	
	2015	2014
Staff costs	22	28
Depreciation	1	1
Others	13	4
	36	33

20. Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

KFAS is calculated at 1% of the net profit for the year of the Parent Company after deducting the transfer to statutory reserve.

21. Contribution to Zakat

Zakat is calculated at 1% on the net profit for the year attributable to Kuwaiti shareholders of the Parent Company after allowable deductions. The current year charge includes additional Zakat of USD 13 million assessed by Ministry of Finance. These charges will be adjusted with the dividend distribution as agreed with the shareholders.

22. Board of Director's remuneration

The total remuneration payable to the Board during the year amounted to USD 74,823 (2014: USD 79,500). The same is disclosed as nil on the face of the consolidated statement of profit or loss due to rounding off to millions.

23. Financial instruments

The Group's assets and liabilities include the following financial instruments:

Loans to related parties
Due from related parties
Trade and other receivables
Cash and bank balances
Loans and borrowings
Due to related parties
Trade and other payables

Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction. The fair values of the above financial instruments are not significantly different from their book values. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each financial position date.

Financial risk factors

The Group's use of financial instruments exposes it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Finance Committee, which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure to and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The Group has significant credit risk exposure to banks. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Exposure to credit risk

The carrying amount of following financial assets represents the maximum credit exposure of the Group:

	USD million	
	2015	2014
Bank balances	1,203	808
Trade receivables	541	128
Due from related parties	235	142
Loans to related parties	909	1,084
Other receivables	42	17
Total	2,930	2,179

The average credit period on sales is 60 days except for some customers where a longer credit period has been approved. The average age of these receivables is 58 days (2014: 58 days). The Group has provided fully for all receivables over 120 days because historical experience is that, such receivables past due beyond 120 days are generally not recoverable. Trade receivables between 60 days and 120 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience and historical data of payment statistics.

Of the above assets USD 2,929 million (2014: KD 2,179 million) are neither past due nor impaired and USD 1 million (2014: USD nil) are past due but not impaired.

Included in the Group's trade receivables balance are debtors with a carrying amount of USD 0.031 million (2014: USD NIL) which are past due at the reporting date for which the Group has not provided for as there has not been a significant change in credit quality of the debtors and the amounts are still considered recoverable by the management.

As at the reporting date, there are no collateral held by the Group against the trade receivables.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believes that there is no further credit provision required in excess of the allowance for doubtful debts.

There was no movement in the allowance for doubtful debts during the current year.

There are no single third party customer accounts in excess of 5% of the Group's sales for the year ended 31 December 2015. The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	US million	
	2015	2014
Domestic & Gulf Cooperation Council countries (GCC)	89	19
North America	62	-
Asia	270	72
Europe	83	3
Other regions	37	34
	541	128

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	USD million					
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount
As at 31 December 2015						
Trade and other payables	311	-	-	-	311	311
Due to related parties	299	-	-	-	299	299
Loans and borrowings	5,020	-	-	-	5,020	4,970
Total	5,630	-	-	-	5,630	5,580
As at 31 December 2014						
Trade and other payables	284	-	-	-	284	284
Due to related parties	55	-	-	-	55	55
Loans and borrowings	361	221	726	128	1,436	1,408
Total	700	221	726	128	1,775	1,747

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The Groups' on balance sheet exposure to foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Euro	Kuwaiti Dinar	Other
31 December 2015 USD million			
Assets	28	23	6
Liabilities	(1)	(379)	-
Net exposure	27	(356)	6
31 December 2014 USD million			
Assets	17	18	12
Liabilities	(1)	(392)	-
Net exposure	16	(374)	12

The following exchange rates were applied to translate the monetary assets and liabilities at 31 December 2015:

(USD)	Reporting date Mid-spot rate	
	2015	2014
Euro	0.915	0.823
Kuwaiti Dinar	0.304	0.293

Foreign currency sensitivity analysis

As at 31 December 2015, if the USD had weakened/strengthened by 5% against the Euro and Kuwaiti Dinar with all other variables held constant, profit for the year would have been lower/higher by USD 16.435 million (2014: USD 17.897 million).

Foreign currency exposure risks are managed by dealing in forward contracts within approved limits. As at 31 December 2015, the Group had following net notional forward exchange contracts (off balance sheet exposure):

	USD million	
	2015	2014
Long position		
KD	-	273
CAD	509	-
Others	55	-
Short position		
CAD	319	-
KD	297	-
Others	98	11

The fair value of these forward exchange contracts was not significant at 31 December 2015. These contracts mature within one month from the consolidated statement of financial position date.

Interest rate risk

The Group is exposed to interest rate risk as it borrows and places funds.

Interest rate sensitivity analysis

The Bridge loan facility has a fixed interest rate hence there is no interest rate risk. During the previous year, if interest rates on USD denominated borrowings had been 10 basis points higher/lower with all other variables held constant, profit for the previous year would have been USD 0.346 million lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

The Group's exposure to interest rates on financial assets and financial liabilities are disclosed in Notes 9, 12 and 14 to the consolidated financial statements.

Determination of fair values

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. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The fair value of financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate. All financial assets are classified as Level III.

24. Commitments and contingent liabilities

The Group has a fixed gas purchase commitment with a related party of approximately USD 1 million (2014: USD 1 million) per day until the agreement is cancelled in writing by both parties.

The Group under the Excess EG Marketing agreement has a commitment to purchase from DOW an annual volume for a term to 2024.

In addition to the above, the Group had the following commitments and contingent liabilities outstanding as at 31 December:

	USD million	
	2015	2014
Letters of credit and letters of guarantee	162	2
Capital commitments	53	12
Ethylene reservation fees	630	-
License-Gulf coast	5	-

MEGlobal Americas entered into agreement with various parties related to the development of a new world scale glycol plant in the Gulf Coast, of the United States ('US'). The plant is scheduled to come on stream in 2019.

The commitments in respect of forward exchange contracts have been disclosed within foreign currency risk in Note 23 to the consolidated financial statements.

25. Operating lease

	USD million	
	2015	2014
Less than one year	29	1
Between one and five years	29	4
More than five years	55	4
	113	9

26. Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. There were no changes in the Group's approach to Capital Management during the year.

The capital structure of the Group consists of debt, which includes the loans and borrowings net of loans to related parties, cash and bank balances and equity, comprising issued capital, treasury shares, statutory reserves and retained earnings.

The Kuwait Olefins Company K.S.C.C.
State of Kuwait

Independent auditor's review report and condensed interim financial information for the six month period ended 30 June 2016

The Kuwait Olefins Company K.S.C.C.
State of Kuwait

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Independent auditor's report on review of condensed interim financial information

The Board of Directors
The Kuwait Olefins Company K.S.C.C.
State of Kuwait

Introduction

We have reviewed the accompanying condensed statement of financial position of The Kuwait Olefins Company K.S.C.C. ("the Company") as at 30 June 2016, the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the interim financial information ("the condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Other matter

The financial statements of the Company as at and for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 10 February 2016.

KPMG

We further draw your attention to the fact that we have not reviewed the accompanying condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period ended 30 June 2015, or any of the related notes and accordingly, we do not express a review conclusion on them.

Safi A. Al-Mutawa
License No 138 "A"
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

Kuwait: 20 September 2016

The Kuwait Olefins Company K.S.C.C.
State of Kuwait

Condensed statement of financial position
as at 30 June 2016

	Note	30 June 2016 (US$ '000)	31 December 2015 (US$ '000) (Audited)
Assets			
Property, plant and equipment		714,993	742,861
Intangible assets		269,513	280,337
Non-current assets		984,506	1,023,198
Inventories		18,936	20,695
Due from related parties	5	141,662	132,970
Trade receivables		331	166
Prepayments and other receivables		2,801	1,038
Cash and cash equivalents	4	178,827	455,052
Current assets		342,557	609,921
Total assets		1,327,063	1,633,119
Equity			
Share capital		380,417	380,417
Statutory reserve		190,208	190,208
Retained earnings		107,105	332,662
Total equity		677,730	903,287
Liabilities			
Loans and borrowings	5	450,360	518,586
Non-current liabilities		450,360	518,586
Loans and borrowings	5	135,848	132,306
Due to related parties	5	31,059	37,100
Accruals and other liabilities		31,207	40,793
Trade payables		859	1,047
Current liabilities		198,973	211,246
Total liabilities		649,333	729,832
Total equity and liabilities		1,327,063	1,633,119

The accompanying notes form an integral part of these condensed interim financial information.

Mohammad Ahmed Husain
President & Chief Executive Officer

The Kuwait Olefins Company K.S.C.C.
State of Kuwait

Condensed statement of profit or loss and other comprehensive income
for the six month period ended 30 June 2016

	2016 (US$ '000)	**2015 (US$ '000)**
Sales	268,620	359,473
Cost of sales	(155,952)	(166,352)
Gross profit	112,668	193,121
General, administrative and selling expenses	(2,711)	(2,053)
Foreign exchange loss	(28)	(60)
Profit from operations	109,929	191,008
Finance income	3,420	1,879
Finance costs	(4,472)	(4,098)
Profit before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), Zakat and Board of Directors' remuneration	108,877	188,789
Contribution to KFAS	(1,103)	(1,901)
Contribution to Zakat	(634)	(7,013)
Board of Directors' remuneration	(37)	(37)
Net profit for the period	107,103	179,838
Other comprehensive income	-	-
Total comprehensive income for the period	107,103	179,838

The accompanying notes form an integral part of these condensed interim financial information.

The Kuwait Olefins Company K.S.C.C.
State of Kuwait

Condensed statement of changes in equity
for the six month period ended 30 June 2016

	Share capital (US$ '000)	Statutory reserve (US$ '000)	Retained earnings (US$ '000)	Total (US$ '000)
Balances as at 1 January 2015	380,417	190,208	473,542	1,044,167
Net profit for the period	-	-	179,838	179,838
Total comprehensive income	-	-	179,838	179,838
Dividend paid (note 9)	-	-	(473,540)	(473,540)
Balance as at 30 June 2015	380,417	190,208	179,840	750,465
Balances as at 1 January 2016	380,417	190,208	332,662	903,287
Net profit for the period	-	-	107,103	107,103
Total comprehensive income	-	-	107,103	107,103
Dividend paid (note 9)	-	-	(332,660)	(332,660)
Balance as at 30 June 2016	380,417	190,208	107,105	677,730

The accompanying notes form an integral part of these condensed interim financial information.

The Kuwait Olefins Company K.S.C.C.
State of Kuwait

Condensed statement of cash flows
for the six month period ended 30 June 2016

	Note	2016 (US$ '000)	2015 (US$ '000)
Cash flows from operating activities			
Net profit for the period		107,103	179,838
Adjustments for:			
Depreciation		29,068	28,716
Amortisation		10,824	10,824
Finance costs		4,472	4,098
Finance income		(3,420)	(1,879)
Gain on sale of property, plant and equipment		-	(617)
Provision for KFAS and Zakat		1,737	8,914
		149,784	229,894
Changes in:			
- inventories		1,759	(21,410)
- due from related parties		(8,692)	(9,688)
- trade and other receivables		(165)	452
- due to related parties		(6,149)	7,774
- trade and other payables		(189)	(738)
- prepayments and other receivables		(1,721)	(584)
- accruals and other liabilities		(11,323)	(15,688)
Net cash from operating activities		123,304	190,012
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,200)	(168)
Purchase of intangible assets		-	(861)
Placement of short term deposits		183,286	418,860
Finance income received		3,378	4,733
Proceeds on sale of property, plant and equipment		-	332
Net cash from investing activities		185,464	422,896
Cash flows from financing activities			
Repayments of long term loan	*5*	(65,267)	(61,724)
Finance costs paid		(3,780)	(3,561)
Dividend paid	*9*	(332,660)	(473,540)
Net cash used in financing activities		(401,707)	(538,825)
Net (decrease) / increase in cash and cash equivalents		(92,939)	74,083
Cash and cash equivalents at beginning of the period		131,766	87,096
Cash and cash equivalents at end of the period	*4*	38,827	161,179

The accompanying notes form an integral part of these condensed interim financial information.

1. Reporting entity

The Kuwait Olefins Company K.S.C.C. ("TKOC") is a Closed Kuwaiti Shareholding Company incorporated in the State of Kuwait on 10 October 2004. TKOC is owned by DOW Europe Holding B.V. ("DEH"), Petrochemical Industries Company K.S.C.C. ("PIC"), Boubyan Petrochemical Company K.S.C. ("BPC") and Al-Qurain Petrochemical Industries Company K.S.C. ("QPIC").

TKOC is engaged in the manufacture and sale of Ethylene and Ethylene Glycol ("EG").

The address of the Company's registered office is 1st floor, Building 19, Block 19, South Sabahiya, State of Kuwait.

The Management is evaluating scenarios of a potential future combination of EQUATE Petrochemicals Company K.S.C.C., an entity owned by the Shareholders of the Group, with the Company. This project is still in a feasibility study stage and not yet approved by the Board of Directors.

These condensed interim financial information were authorised for issue by the President and Chief Executive Officer of the Company on 20 September 2016.

2. Basis of preparation

a) Statement of compliance

These condensed interim financial information have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Company's last annual financial statements as at and for the year ended 31 December 2015. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last financial statements. Operating results for the six month period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

b) Judgments and estimates

In preparing these condensed interim financial information, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2015.

3. Significant accounting policies

The accounting policies used in the preparation of these condensed interim financial information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2015, except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Company, which are effective for annual reporting period starting from 1 January 2016. These did not result in any material impact on the accounting policies, financial position or performance of the Company.

In the current period, the Company has not early adopted any standards, interpretations or amendments to standards that have been issued but not yet effective.

4. Cash and cash equivalents

	30 June 2016 (US$ '000)	31 December 2015 (US$ '000) (Audited)
Bank balances	3,827	7,150
Time deposits	175,000	447,902
Cash and cash equivalents	178,827	455,052
Deposits with original maturity of more than 3 months	(140,000)	(323,286)
Cash and cash equivalent in the statement of cash flows	38,827	131,766

The average effective interest rate on time deposits as at 30 June 2016 was 1.44% (31 December 2015: 0.89%) per annum.

5. Related party transactions

In the normal course of business the Company enters into transactions with its shareholders PIC (directly owned by Kuwait Petroleum Corporation ("KPC")), BPC, QPIC and DEH's parent company The DOW Chemical Company ("DOW") and its affiliates.

On 17 April 2006, the Company signed a distribution agreement with MEGlobal International FZE Dubai ("MEGlobal") as distributor for EG produced by the Company. MEGlobal is a 100% owned subsidiary of Equate Petrochemical Company K.S.C.C., a company owned by the shareholders ("EQUATE").

During 2004, DOW and PIC initiated a number of joint venture petrochemical projects ("Olefins II projects") in Kuwait to manufacture polyethylene, ethylene glycol and styrene monomer. The Olefins II projects consist of the EQUATE expansion project, the incorporation and development of the Company and The Kuwait Styrene Company K.S.C.C. ("TKSC").

On 2 December 2004, the Company signed a Materials and Utility Supply Agreement ("MUSA") with EQUATE. Under the terms of the MUSA, the Company contributed reservation right fee to EQUATE that represents 45.32% of total capital construction costs incurred by EQUATE on the new utilities and infrastructure facilities developed and owned by EQUATE. The percentage contribution of reservation right fee is based on the usage percentage of new facilities and infrastructure facilities by the Company.

On 2 December 2004, the Company signed an Operations, Maintenance and Services Agreement ("OMSA") with EQUATE. Under the terms of the OMSA, the Company receives various services from EQUATE in respect of the Olefins II operations.

On 2 December 2004, the Company signed an Ethylene Supply Agreement with EQUATE and TKSC. Under the terms of the agreement, the price per metric tonne of ethylene is paid by EQUATE and TKSC based on the quantities delivered to them at the contract price.

During 2005, services agreements were signed between the Company, DOW, PIC and EQUATE for the provision of various services to the Company during the development of the Plant under construction. Since then the plant has been constructed and it is fully operational.

On 31 May 2006, the Company signed a US$ 1,504 million term loan agreement with EQUATE being the Company's share of term loan secured by EQUATE from local and foreign banks ("Lenders") on 19 May 2006. The term loan is repayable to EQUATE over a period of 11 years in semi-annual instalments starting from 15 December 2009 and carries coupon rate of LIBOR + 0.625% till 19 May 2013, LIBOR + 0.725% till 19 May 2016 and LIBOR + 0.825% till the maturity date. According to terms of loan agreement with Lenders, property, plant and equipment and bank balances of EQUATE and Company were pledged as collateral. In December 2015, EQUATE prepaid entire term loan balance to the lenders and as a result, the Lenders released lien on above assets during the six month period ended 30 June 2016.

All transactions with related parties are carried out on a negotiated contract basis. Details of significant related party transactions are as below:

	2016 (US$'000)	2015 (US$'000)
Transactions with related parties		
a) Sales and management fee		
Sales to EQUATE, Kuwait Paraxylene Production Company K.S.C.C. (KPPC), TKSC and PIC	66,867	71,992
Sale of EG to MEGlobal	195,376	281,415
b) Purchases and expenses		
Feed gas purchased from KPC	27,854	41,136
Olefins II plant management fees to EQUATE	1,525	1,623
Operating and utility cost reimbursed to EQUATE for running the Olefins II plant	73,784	77,021

During the period, there were no key management compensation.

	30 June 2016 (US$ '000)	31 December 2015 (US$ '000) (Audited)
Balances with related parties		
c) Due from related parties		
Due from EQUATE	6,445	7,846
Due from PIC	2,722	3,106
Due from KPC	43,095	37,434
Due from BPC	-	1,115
Due from QPIC	-	743
Due from TKSC	3,578	2,686
Due from MEGlobal	85,822	80,040
	141,662	132,970

	30 June 2016 (US$ '000)	31 December 2015 (US$ '000) (Audited)
d) Loans and borrowings		
EQUATE		
Non-current portion	450,360	518,586
Current portion	135,848	132,306
	586,208	650,892
Movement of loans and borrowings		
Balance at 1 January	650,892	774,943
Payment during the year	(65,267)	(61,724)
Loan origination fee	583	584
Balance at 30 June	586,208	713,803
e) Due to related parties		
Due to EQUATE	14,427	16,329
Due to KPC	13,736	12,936
Due to PIC	1,000	1,875
Due to Kuwait Oil Company K.S.C	1,521	501
Due to DOW	42	5,179
Due to KPPC	333	280
	31,059	37,100

6. Commitments and contingent liabilities

The Company has a fixed gas purchase commitment with a related party of approximately US$ 211,207 per day until the agreement is cancelled in writing by both parties.

During the period, EQUATE secured medium term loan facilities from local and foreign financial institution of US$ 5 billion (31 December 2015: US$ 6 billion). Under the terms of agreement, the Company along with EQUATE is the guarantor to these facilities.

In addition to the above, the Company had the following commitments and contingent liabilities outstanding as at 30 June:

	30 June 2016 (US$ '000)	**31 December 2015 (US$ '000) (Audited)**
Letters of guarantees	-	98
Capital commitments	3,703	49

Forward foreign exchange contracts

The Group deals in forward foreign exchange contracts to manage its foreign currency positions and cash flows. The notional value of the contracts as at 30 June 2016 is as follows:

	30 June 2016 (US$ '000)	**31 December 2015 (US$ '000) (Audited)**
Short position		
Euro	24,536	10,899

The fair value of forward foreign exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate. These are classified as Level 3.

7. Financial instruments - fair value measurement and risk management

Fair value measurement

Financial instruments comprise of financial assets and financial liabilities. Fair values of all financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity it is assumed that the carrying amounts approximate to their fair value.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2015.

8. Operating lease

	30 June 2016 (US$ '000)	31 December 2015 (US$ '000) (Audited)
Less than one year	95	94
Between one and five years	380	378
More than five years	1,046	1,038
	1,521	1,510

9. Annual General Assembly

At the annual general meeting held on 24 March 2016, the shareholders approved the Board of Directors recommendation to distribute cash dividend of 31.38 cents per share amounted to US$ 332.66 million for the year 2015 (2014: 44.67 cents per share amounted to US$ 473.54 million).

The Kuwait Olefins Company K.S.C.C.
State of Kuwait

Annual Financial Statements and
Independent Auditors' Report for the year ended
31 December 2015

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The Kuwait Olefins Company K.S.C.C.
State of Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Report on the Financial Statements

We have audited the accompanying financial statements of The Kuwait Olefins Company K.S.C.C. ("the Company"), which comprise the statement of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended, summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards.

Deloitte

The Kuwait Olefins Company K.S.C.C.
State of Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (Continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of accounts have been kept by the Company, and the financial statements, together with the contents of the report of the Company's Board of Directors relating to these financial statements, are in accordance there with. We further report that we obtained all the information and explanations that we required for the purpose of our audit; and that the financial statements incorporate all information that is required by the Companies Law No. 25 of 2012, as amended, and its Executive Regulations and by the Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended, and its Executive Regulations or of the Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2015 that might have had a material effect on the business of the Company or on its financial position.

Bader A. Al-Wazzan
License No. 62A
Deloitte & Touche
Al-Wazzan & Co.

Kuwait
10 February 2016

The Kuwait Olefins Company K.S.C.C.
State of Kuwait

Statement of Financial Position as at 31 December 2015

	Note	US$ '000 2015	US$ '000 2014
ASSETS			
Non-current assets			
Property, plant and equipment	4	742,861	796,290
Intangible assets	5	280,337	301,125
		1,023,198	1,097,415
Current assets			
Inventories	6	20,695	10,653
Due from related parties	14	132,970	164,720
Trade receivables		166	729
Prepayments and other receivables		1,038	4,576
Bank balances	7	455,052	618,346
		609,921	799,024
Total assets		1,633,119	1,896,439
EQUITY and LIABILITIES			
Shareholder's equity			
Share capital	8	380,417	380,417
Statutory reserve	8	190,208	190,208
Retained earnings		332,662	473,542
Total equity		903,287	1,044,167
Non-current liabilities			
Loans and borrowings	14	518,586	649,723
		518,586	649,723
Current liabilities			
Loans and borrowings	14	132,306	125,220
Accruals and other liabilities		40,793	42,954
Due to related parties	14	37,100	32,757
Trade payables		1,047	1,618
		211,246	202,549
Total liabilities		729,832	852,272
Total equity and liabilities		1,633,119	1,896,439

The attached notes on pages 7 to 20 form an integral part of these financial statements.

Ayad Al Kandari
Chairman

Mohammad Ahmed Husain
President & Chief Executive Officer

The Kuwait Olefins Company K.S.C.C.
State of Kuwait

Statement of Profit or Loss and Other Comprehensive Income – Year ended 31 December 2015

	Notes	US$'000 2015	US$'000 2014
Sales		690,296	827,768
Cost of sales	9	(336,131)	(337,760)
Gross profit		354,165	490,008
General, administrative and selling expenses	10	(5,654)	(6,354)
Other income		617	-
Foreign exchange loss		(293)	(275)
Profit from operation		348,835	483,379
Finance costs	11	(8,044)	(8,867)
Finance income		3,270	4,596
Profit before statutory contributions and Board of Directors' remuneration		344,061	479,108
Contribution to KFAS	12	(3,430)	(4,778)
Contribution to Zakat	13	(7,892)	(717)
Board of Directors' remuneration		(79)	(79)
Net Profit for the year		332,660	473,534
Other comprehensive income		-	-
Total comprehensive income for the year		332,660	473,534

The attached notes on pages 7 to 20 form an integral part of these financial statements.

The Kuwait Olefins Company K.S.C.C.
State of Kuwait

Statement of Changes in Shareholders' Equity – Year ended 31 December 2015

	US$ '000			
	Share capital	Statutory reserve	Retained earnings	Total
Balance as at 1 January 2014	380,417	190,208	439,278	1,009,903
Net Profit for the year	-	-	473,534	473,534
Dividends paid (Note 8)	-	-	(439,270)	(439,270)
Balance as at 31 December 2014	380,417	190,208	473,542	1,044,167
Net profit for the year			332,660	332,660
Dividend paid (Note 8)			(473,540)	(473,540)
Balance as at 31 December 2015	380,417	190,208	332,662	903,287

The attached notes on pages 7 to 20 form an integral part of these financial statements.

The Kuwait Olefins Company K.S.C.C.
State of Kuwait

Statement of Cash Flows - Year ended 31 December 2015

	Notes	US$ '000 2015	US$ '000 2014
Cash flows - operating activities			
Net profit for the year		332,660	473,534
Adjustments:			
Depreciation and amortisation	4 & 5	79,195	78,885
Gain on sale of property, plant and equipment		(617)	-
Finance income		(3,270)	(4,596)
Finance costs		8,044	8,867
Provision for KFAS and Zakat		11,322	5,495
Allowance		-	9,558
Operating profit before working capital changes		427,334	571,743
(Increase) /decrease in inventories		(10,042)	14,096
Decrease in due from related parties		31,750	21,444
Increase /(decrease) in trade receivables		563	(10)
Decrease /(increase) in prepayments and other receivables		1,113	(109)
Decrease /(increase) in due to related parties		4,342	(4,004)
(Decrease) /increase in accruals and other liabilities		(13,482)	5,594
Decrease in trade payables		(571)	(763)
Net cash from operating activities		441,007	607,991
Cash flows- investing activities			
Addition in property, plant and equipment	4	(4,573)	(8,202)
Sale of property, plant and equipment		1,074	-
Matured / (Placement) of short term deposits		207,964	(84,550)
Purchase of intangible assets	5	(862)	(579)
Finance income received		5,696	3,894
Net cash from /(used in) investing activities		209,299	(89,437)
Cash flows -financing activities			
Repayment of loans and borrowings	14	(125,220)	(118,544)
Finance costs paid		(6,876)	(7,797)
Dividend paid	8	(473,540)	(439,270)
Net cash used in financing activities		(605,636)	(565,611)
Net increase in cash and cash equivalents		44,670	(47,057)
Cash and cash equivalents at beginning of the year		87,096	134,153
Cash and cash equivalents at the end of the year	7	131,766	87,096

The attached notes on pages 7 to 20 form an integral part of these financial statements.

1. Constitution and activities

The Kuwait Olefins Company K.S.C.C. ("the Company") is a Closed Kuwaiti Shareholding Company incorporated in the State of Kuwait on 10 October 2004. The Company is owned by DOW Europe Holding B.V. ("DEH"), Petrochemical Industries Company K.S.C.C. ("PIC"), Boubyan Petrochemical Company K.S.C. ("BPC") and Al-Qurain Petrochemical Industries Company K.S.C. ("QPIC").

The Company is engaged in the manufacture and sale of ethylene and ethylene glycol ("EG").

These financial statements were approved for issue by Board of Directors on 10th February 2016 and are subject to approval of shareholders at the annual general meeting.

The address of the Company's registered office is 1st floor, Building 19, Block 19, South Sabahiya, Kuwait.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These financial statements are prepared under the historical cost convention except for derivative financial instruments which are measured at fair value.

The accounting policies used in the preparation of these financial statements are consistent with those used in the previous year except for the adoption of the following new and amended standards effective for the annual periods beginning on or after 1 January 2015.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

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

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

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

The above amendments have had no impact on the disclosures or amounts recognised.

2.2 New and revised IASB Standards, but not yet effective

The following IASB Standards have been issued but are not yet effective and have not been early adopted by the Company.

IFRS 9: Financial Instruments:

The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Company's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Company is in the process of quantifying the impact of this standard on the Company's financial statements, when adopted.

IFRS 15 – Revenue from Contracts with customers

IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue recognition requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Company is in the process of evaluating the effect of IFRS 15 on the Company when adopted.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Company is in the process of evaluating the effect of IFRS 16 and do not expect any significant impact on adoption of this standard.

2.3 Functional and presentation currency

These financial statements are presented in United States Dollars ("US$") which is the Company's functional currency. All financial information presented in US$ has been rounded to the nearest thousand. A separate set of financial statements is prepared in Kuwaiti Dinar ("KD") for purpose of submission to the Ministry of Commerce and Industry, State of Kuwait.

2.4 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use, at the following annual rates:

Buildings and roads	5%
Plant and equipment	5%
Office furniture and equipment	20%

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the property, plant and equipment being replaced. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of fixed asset. All other expenditure is recognised in the statement of profit or loss when the expense is incurred. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalised.

Assets in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

The replacement costs of major components and overhaul costs which improve the economic benefit that can be generated are capitalised by the Company. The Company recognises and accounts for each component of its asset separately for depreciation. The component approach is also applied where regular major inspections of an asset are a condition of continuing to use it. The cost of each inspection is treated as a separate item (replacement) of property, plant and equipment provided recognition criteria are satisfied.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised on a net basis within other income in the statement of profit or loss.

2.5 Intangible assets

Intangible assets consist of technology and licences for the manufacture of ethylene and ethylene glycol, and reservation right fees for the right of use of the new utilities and infrastructure facilities developed by Equate Petrochemical Company K.S.C.C and its subsidiaries. ("EQUATE") under the Olefins II Projects (Note 5). Intangibles are measured at cost less accumulated amortisation and any accumulated impairment losses. Costs that are directly associated with identifiable non-monetary assets controlled by the Company and that will probably generate economic benefits exceeding cost beyond one year are recognised as intangible assets.

The intangible assets are amortised from the date of commencement of commercial production on a straight-line basis over twenty years. The estimated useful lives, residual values and amortisation methods are reviewed at each year end, with the effect of any changes in estimate being accounted for on a prospective basis.

The carrying amount of intangible asset is reviewed at each financial position date to determine whether there is any indication of impairment. If any such indication exists, an impairment loss is recognized in the statement of comprehensive income, being the difference between carrying value and the asset's recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.6 Impairment of tangible and intangible assets

An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset is the higher of an asset's fair value less cost to sell and value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific asset, or a group of similar assets, may be impaired. If such evidence exists, an impairment loss is recognised in the statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss.

2.7 Financial instruments

Classification

The Company classifies its financial instruments as loans and receivables, financial liabilities other than at fair value through profit or loss and derivatives. Management determines the appropriate classification at the time of acquisition.

Recognition and de-recognition

The Company recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. A financial asset (in whole or in part) is de-recognised when the contractual right to the cash flows from the financial asset expires or, when the Company transfers substantially all the risks and rewards of ownership and has not retained control. If the Company has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

All regular way purchase and sale of financial assets are recognized using trade date accounting. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Measurement

Loans and receivables

These are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortized cost using the effective yield method.

Due from related parties, trade receivables, other receivables and cash and bank balances are classified as loans and receivables.

Financial liabilities other than at fair value through profit or loss

Financial liabilities other than at fair value through profit or loss are subsequently measured at amortized cost using the effective yield method.

Loans and borrowings, due to related parties, accruals and other liabilities and trade payables are classified as financial liabilities other than at fair value through profit or loss

Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each statement of financial position date. The resulting gain or loss is recognised in the statement of profit or loss immediately. Foreign exchange forward contracts are treated as trading instruments and are stated at fair market value with gains or losses included in foreign exchange gain / (loss) in the statement of profit or loss within the period they occur.

Fair values

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

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

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value of financial instruments carried at amortised cost, other than short-term financial instruments, is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

For financial instruments carried at amortized cost, fair values are not materially different from their carrying values and are used only for disclosure purpose. Fair value of such financial instruments are classified under level 3 determined based on discounted cash flow basis, with most significant inputs being the discount rate that reflects the credit risk of counterparties.

Impairment

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in statement of profit and loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in statement of profit and loss.

2.8 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank current accounts and short term deposits with an original maturity of three months or less from the date of placement.

2.9 Inventories

Finished goods are measured at the lower of weighted average cost or net realisable value. The cost of finished products includes direct materials, direct labour and fixed and variable manufacturing overhead and other costs incurred in bringing inventories to their present location and condition.

Raw materials and catalysts are measured at weighted average cost net of allowance for slow-moving and obsolete items.

Spare parts are not intended for resale and are measured at weighted average cost after making allowance for slow-moving and obsolete items. Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs.

Net realisable value is the estimated selling price for inventories in the ordinary course of business less estimated costs of completion and selling expenses.

2.10 Revenue recognition

Sales net of applicable discounts, are recognised when the revenue is realised or realisable, has been earned, and collectability is reasonably assured. Revenue is recognised when significant risks and rewards of ownership are transferred to the buyer, which usually occurs at the time shipment is made. EG production is sold FOB ("Free On Board") shipping point. The transfer of the risks and rewards of ownership occurs when the product is delivered to the freight carrier. The Company's terms of sale are included in its contracts of sale, order confirmation documents and invoices. Freight costs are recorded as "Cost of Sales".

Interest income is accrued on effective yield basis, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.11 Provisions for liabilities

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows that reflects current market assessments of the time value of money and the risks specific to the liability.

2.12 Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets by applying a capitalisation rate on the expenditure on such assets, until such time as the assets are substantially ready for their intended use. The capitalisation rate used by the Company is the weighted average of the borrowing costs applicable to the outstanding borrowings during the period. Borrowing costs that are not directly attributable to the acquisition, construction, or production of qualifying assets are recognised in the statement of profit or loss using the effective interest method in the period in which they are incurred.

2.13 Accounting for leases

Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

2.14 Foreign currencies transactions.

The functional currency of the Company is the US Dollars (USD). Though the primary economic environment in which the Company operates is the State of Kuwait, the functional currency is US Dollar as it is the currency that mainly dictates the Company's sales proceeds from goods and services and the costs of goods or services.

Foreign currency transactions are translated into US Dollars at the rates prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the rates of exchange ruling at the financial position date. Resultant gains or losses are taken to the statement of profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the statement of profit or loss.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRSs require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The following are the critical accounting judgements, apart that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Determination of functional currency

Functional currency is the currency of the primary economic environment in which the Company operates. When indicators of the primary economic environment are mixed, management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The management have determined that the functional currency of the Company is US$ since the majority of the Company's transactions are denominated in US$. Sales and Purchases are also received and paid in US$.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date are discussed below:

Impairment of loans and receivables

The Company's management periodically reviews items classified as loans and receivables to assess whether an allowance for impairment should be recorded in the statement of profit or loss. Management estimates the amount and timing of future cash flows when determining the level of allowance required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

Impairment of tangible and intangible assets and useful lives

The Company's management tests annually whether tangible and intangible assets have suffered impairment in accordance with accounting policies , the recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

During the year, the Company reviewed the estimated useful life over which its tangible assets are depreciated and intangible assets are amortised. The Company's management is satisfied that the estimates of useful life are appropriate. The depreciation and amortisation charged for the year may change significantly if actual life is different than the estimated useful life.

4. Property, plant and equipment

	US $ '000				
	Buildings and roads	**Plant and equipment**	**Office furniture and equipment**	**Assets under construction**	**Total**
Cost					
Balance as at 1 January 2014	9,641	1,121,057	22,135	1,248	1,154,081
Additions	-	-	-	8,202	8,202
Transfers	-	4,966	-	(4,966)	-
Balance as at 31 December 2014	9,641	1,126,023	22,135	4,484	1,162,283
Additions	-	-	-	4,573	4,573
Disposals	-	(1,239)	-	-	(1,239)
Transfers	-	8,007	-	(8,007)	-
Balance as at 31 December 2015	9,641	1,132,791	22,135	1,050	1,165,617
Accumulated depreciation and impairment losses					
Balance as at 1 January 2014	2,450	284,158	22,135	-	308,743
Charge for the year	482	56,768	-	-	57,250
Balance as at 31 December 2014	2,932	340,926	22,135	-	365,993
Charge for the year	482	57,063	-	-	57,545
Disposals	-	(782)	-	-	(782)
Balance as at 31 December 2015	3,414	397,207	22,135	-	422,756
Carrying amounts					
As at 31 December 2014	6,709	785,097	-	4,484	796,290
As at 31 December 2015	6,227	735,584	-	1,050	742,861

Depreciation is allocated to cost of sales as it relates to the Olefins Plant. The Company's plant was constructed on a land leased from Government of Kuwait and this renewable lease is valid until May 2031.

5. Intangible assets

	US$ '000	
	2015	**2014**
Cost		
Licence fees paid to Technip USA Corporation ("TECHNIP")	2,210	2,210
Licence fees paid to The Dow Chemical Company ("DOW")	90,160	89,298
Licence fees paid to UOP Limited	364	364
Reservation right fees paid to EQUATE	340,255	340,255
As at 31 December	432,989	432,127
Accumulated amortisation		
As at 1 January	131,002	109,367
Charge for the year	21,650	21,635
As at 31 December	152,652	131,002
Carrying amounts	280,337	301,125

Licence fees paid to TECHNIP and to UOP Limited represent the amounts incurred for the acquisition of Ethylene technology. Licence fees paid to DOW represent the amount incurred for acquisition of Glycol technology. Licence fees are being amortised over 20 years. During the year Company paid US$ 0.9 million to DOW towards increase in the annual licensed capacity.

Amortisation of intangible assets is allocated to cost of sales.

Reservation right fees represent the Company's share of the total costs incurred on the Utilities and Infrastructure facilities developed and owned by EQUATE (Note 14).

6. Inventories

	US$ '000	
	2015	2014
Raw materials and consumables	19,332	7,190
Finished goods	1,363	3,463
	20,695	10,653

7. Bank balances

	US$ '000	
	2015	2014
Bank balances	7,150	4,996
Time deposits with original maturity of three months or less	124,616	82,100
Cash and cash equivalents in statement of cash flows	131,766	87,096
Add: Time deposits with original maturity period exceeding three months	323,286	531,250
	455,052	618,346

The effective interest rate on time deposits as at 31 December 2015 was 0.89% (2014: 0.89%) per annum.

8. Share capital

The authorised share capital of the Company comprises 1,060 million authorised, issued and fully paid up shares of 100 Fils each (2014: 1,060 million authorised shares of 100 Fils each) (1,000 Fils equal 1 Kuwaiti Dinar).

Statutory reserve

In accordance with the Companies Law No. 25 of 2012, as amended, and the Company's articles of association, 10% of the profit for the year is transferred to statutory reserve, until the reserve totals 50% of the paid-up share capital. The reserve is not available for distribution except for payment of a dividend of 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividends.

During 2013, the shareholders in the AGM resolved to discontinue the transfer to statutory reserve as the reserve reached 50% of the Company's paid up share capital. Accordingly, there are no transfers to the statutory reserve during the year.

Proposed dividend

The Board of Directors proposed a cash dividend of US$ 332.66 million for the year ended 31 December 2015 (2014: US$ 473.53 million) which is subject to the approval of shareholders at the Annual General Assembly. This dividend has not been recorded in the accompanying financial statement and will be recorded after approval of the shareholders. On 30 March 2015, the shareholders approved the dividend for the year ended 31 December 2014 and accordingly US$ 473.54 million, representing 44.67 cents per share was paid by the Company.

9. Cost of sales

	US $ '000	
	2015	2014
Materials	150,013	156,916
Distribution expenses	6,163	7,451
Service cost	100,760	94,508
Depreciation and amortisation	79,195	78,885
	336,131	337,760

10. General, administrative and selling expenses

	US $ '000	
	2015	2014
Marketing and sales	1,775	1,982
Administration	3,879	4,372
	5,654	6,354

11. Finance Cost

This represents interest expenses on term loan facility taken from EQUATE at an effective interest rate of 0.91% (2014: 0.90%) as disclosed in Note 14.

12. Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

KFAS is calculated at 1% of the net profit for the year of the Company after deducting the transfer to statutory reserve.

13. Contribution to Zakat

Zakat is calculated at 1% on the net profit for the year attributable to Kuwaiti shareholders of the Company after allowable deductions. The current year charge includes additional Zakat of USD 5,920 thousands assessed by Ministry of Finance. These charges are adjusted with the dividend distribution as agreed with the shareholders.

14. Related party transactions

In the normal course of business, the Company enters into transactions with its shareholders PIC (wholly owned by Kuwait Petroleum Corporation ("KPC")), BPC, QPIC, DOW and its affiliates.

On 17 April 2006, the Company signed a distribution agreement with MEGlobal International FZE Dubai ("MEGlobal") as distributor for EG produced by the Company. MEGlobal is a 50:50 joint venture of PIC and DOW.

During 2004, DOW and PIC initiated a number of joint venture petrochemical projects ("Olefins II projects") in Kuwait to manufacture polyethylene, ethylene glycol and styrene monomer. The Olefins II projects consists of the EQUATE expansion project, the incorporation and development of the Company and The Kuwait Styrene Company ("TKSC").

On 2 December 2004, the Company signed a Materials and Utilities Supply Agreement ("MUSA") with EQUATE. Under the terms of the MUSA, the Company contributed reservation right fees to EQUATE that represent 45.32% of the capital construction costs incurred by EQUATE on the new utilities and infrastructure facilities developed and owned by EQUATE. The percentage contribution of reservation right fee is based on the usage percentage of the new utilities and infrastructure facilities by the Company.

On 2 December 2004, the Company signed an Operations, Maintenance and Services Agreement ("OMSA") with EQUATE. Under the terms of the OMSA, the Company receives various services from EQUATE in respect of the Olefins II operations.
On 2 December 2004, the Company signed an Ethylene Supply Agreement with EQUATE and TKSC. Under the terms of the agreement, the price per metric tonne of ethylene is paid by EQUATE and TKSC based on the quantities delivered to them at the contract price.

During 2005, Services Agreements were signed between the Company, DOW, PIC and EQUATE for the provision of various services to the Company during the development of the Plant under construction. Since then the plant has been constructed and it is fully operational.

On 31 May 2006, the Company signed a US$ 1,504 million term loan agreement with EQUATE being the Company's share of term loan EQUATE obtained from local and foreign banks ('Lenders'). The term loan is repayable over a period of 11 years in semi-annual instalments starting from 15 December 2009 and carries the coupon rate of LIBOR +0.625% till 19 May 2013, LIBOR +0.725% till 19 May 2016 and LIBOR + 0.825% till the maturity date. The facility is secured by a charge over the Company's property, plant and equipment and bank balances (Note 4 and 7). Subsequent to the balance sheet date, the Lenders have released the lien on the above assets.

Details of significant related party transactions and balances are as follows:

	US$ '000	
	2015	**2014**
Due from related parties		
Due from EQUATE	7,846	6,992
Due from PIC	3,106	2,524
Due from KPC	37,434	37,434
Due from KPPC	-	120
Due from BPC	1,115	-
Due from QPIC	743	-
Due from TKSC	2,686	3,699
Due from ME Global	80,040	113,951
	132,970	164,720
Loans and borrowings		
EQUATE		
Non-current portion of loans and borrowings	518,586	649,723
Current portion of loans and borrowings	132,306	125,220
	650,892	774,943
Movement in loans and borrowings		
Balance at 1 January	774,943	892,319
Payment during the year	(125,220)	(118,544)
Loan origination fees	1,169	1,168
Balance at 31 December	650,892	774,943
Due to related parties		
Due to EQUATE	16,329	18,870
Due to PIC	1,875	1,000
Due to KPPC	280	9
Due to KPC	12,936	12,836
Due to Kuwait Oil Company	501	-
Due to DOW	5,179	42
	37,100	32,757
Sales		
Sales of EG to MEGlobal	554,476	684,744
Sales to EQUATE, TKSC and PIC	134,279	140,365
Expenses		
Feed gas purchased from KPC	83,699	97,344
Catalysts and other raw materials purchased from DOW	24,058	-
Olefins II plant management fees to EQUATE	3,053	3,474
Operating and utility cost reimbursed to EQUATE for running the Olefins II plant	147,725	155,116

15. Financial instruments –Fair value and risk management

The Company's assets and liabilities include the following financial instruments:

Due from related parties
Trade receivables
Other receivables
Bank balances
Loans and borrowings
Due to related parties
Trade payables
Accruals and other liabilities

Fair value

The fair values of the above financial instruments are not significantly different from their book values. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each financial position date.

Financial risk factor

The Company's use of financial instruments exposes it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Company continuously reviews its risk exposures and takes measures to limit it to acceptable levels. Risk management is carried out by the senior management under policies approved by the board of directors. Senior management identifies and evaluates financial risks in close co-operation with the operating units.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The significant risks that the Company is exposed to are discussed below:

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and the equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.
Foreign currency exposure risks are managed by dealing in forward contracts within approved limits. As at 31 December 2015, the Company had following net notional forward exchange contracts (off balance sheet exposure):

	US$ '000	
	2015	**2014**
Short position		
Euro	10,899	25,523

The fair value of these forward exchange contracts was not significant at 31 December 2015. These contracts mature within one month from the statement of financial position date.

The Company's on balance sheet exposure to foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

31 December 2015 (US$'000)	**Euro**	**Kuwaiti Dinar**	**Other**
Assets	8,788	887	-
Liabilities	-	(5,588)	-
Net long/ (short) exposure	8,788	(4,701)	-

31 December 2014 (US$'000)	**Euro**	**Kuwaiti Dinar**	**Other**
Assets	20,752	56	6
Liabilities	-	(16,880)	-
Net long/(short) exposure	20,752	(16,824)	6

The following exchange rates were applied to translate monetary assets and liabilities at 31 December 2015:

(US$)	**Reporting date Mid-spot rate**	
	2015	**2014**
Euro	0.915	0.823
Kuwaiti Dinar	0.304	0.293

Foreign currency sensitivity analysis

As at 31 December 2015, if the US$ had weakened/strengthened by 5% against the Euro and Kuwaiti Dinar with all other variables held constant, profit for the year would have been lower/higher by US$ 0.204 million (2014: US$ 0.196 million).

Interest rate risk

The Company is exposed to interest rate risk as it borrows and places funds.

Interest rate sensitivity analysis

At 31 December 2015, if interest rates on US$ denominated borrowings had been 10 basis points higher/ lower with all other variables held constant, profit for the year would have been US$ 0.749 million (2014: US$ 0.859 million) lower/ higher, mainly as a result of higher/ lower interest expense on floating rate borrowings.

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in note 14.

Equity price risk

Equity price risk is the risk that value of the instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market. The Company is not exposed to equity price risk as there are no investments in equity securities.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure to and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

The Company has significant credit risk exposure to banks. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Exposure to credit risk

The carrying amount of following financial assets represents the maximum credit exposure of the Company:

	US$ '000	
	2015	**2014**
Bank balances	455,052	618,346
Trade receivables	166	729
Due from related parties	132,970	164,720
Other receivables	967	3,881

The average credit period on sales is 64 days. As at the statement of financial position date, the trade receivables were fully performing.

Transactions with related parties are carried out on a negotiated contract basis. All the related parties have a high credit rating and are reputable in the market. Management believes that certain related party balances amounting to US$ 117.7 million as at 31 December 2015 are currently being reconciled with the involved parties. These are carried under 'Due from Related parties' net of provisions.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the Company's non-derivative financial liabilities based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying balances as the impact of discounting is not significant.

	US$'000					
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount
As at 31 December 2015						
Trade payables	1,047	-	-	-	1,047	1,047
Due to related parties	37,100	-	-	-	37,100	37,100
Accruals and other liabilities	40,793	-	-	-	40,793	40,793
Loans and borrowings	137,794	144,060	389,678	-	671,532	650,892
Total	216,734	144,060	389,678	-	750,472	729,832
As at 31 December 2014						
Trade payables	1,618	-	-	-	1,618	1,618
Due to related parties	32,757	-	-	-	32,757	32,757
Accruals and other liabilities	42,954	-	-	-	42,954	42,954
Loans and borrowings	131,411	137,321	450,844	74,718	794,294	774,943
Total	208,740	137,321	450,844	74,718	871,623	852,272

16. Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. There were no changes in the Company's approach to Capital Management during the year.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt to adjusted capital. Net debt is calculated as total borrowings (including current and non- current portion) of long term loan from related parties less cash and bank balances.

Gearing ratio

The gearing ratio at 31 December was as follows:

	US$ '000	
	2015	2014
Debt	650,892	774,943
Less: Cash and bank balances	(455,052)	(618,346)
Net debt	195,840	156,597
Equity	903,287	1,044,167
Net debt to equity ratio	21.68%	15.00%

17. Commitments and contingencies

The Company has a fixed gas purchase commitment with a related party day until the agreement is cancelled in writing by both parties.

During the year, EQUATE has been granted bridge facility amounting to USD 6 billion. The Company along with EQUATE is the guarantor of this facility.

In addition to the above, the Company had the following commitments and contingent liabilities outstanding as at 31 December:

	US$ '000	
	2015	**2014**
Letters of guarantees	-	98
Capital commitments	12	49

18. Operating leases

	US$ '000	
	2015	**2014**
Less than one year	94	103
Between one and five years	378	413
More than five years	1,038	1,136
	1,510	1,652

APPENDIX — UNAUDITED CONSOLIDATED PRO FORMA FINANCIAL INFORMATION

[*Please see next page*]

Equate Petrochemical Company K.S.C.C.
State of Kuwait

Pro forma consolidated financial Information for the year ended 31 December 2015

Contents

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The Board of Directors
EQUATE Petrochemical Company K.S.C.C.
State of Kuwait

Independent Auditor's Assurance Report on the Compilation of Pro Forma Consolidated Financial Information Included in a Prospectus

We have completed our assurance engagement to report on the compilation of pro forma consolidated financial information of EQUATE Petrochemical Company K.S.C.C. ("the Company") by the Company's management. The pro forma consolidated financial information consists of the pro forma consolidated income statement for the year ended 31 December 2015, and related notes as set out in the section entitled "unaudited pro forma consolidated financial information" of the prospectus issued by EQUATE Petrochemical B.V., a wholly owned subsidiary, of the Company. The applicable criteria on the basis of which management has compiled the pro forma consolidated financial information are described in Note 2 to the pro forma consolidated financial information.

The pro forma consolidated financial information has been compiled by the Company's management to illustrate the impact of the transactions set out in Note 2, on the financial performance of the Company for the year ended 31 December 2015 as if the transactions had taken place at 1 January 2015. As part of this process, information about the Company's financial performance has been extracted by management from the Company's consolidated financial statements for the year ended 31 December 2015, on which an audit report has been published.

The Company Management's Responsibility for the Pro Forma Consolidated Financial Information

The Company's management is responsible for compiling the pro forma consolidated financial information on the basis of preparation as described in Note 3 to the pro forma consolidated financial information.

Auditor's Responsibilities

Our responsibility is to express an opinion about whether the pro forma consolidated financial information has been compiled, in all material respects, by the Company's management on the basis of preparation as described in Note 3 to the pro forma consolidated financial information and the basis of preparation as described in Note 3 to the pro forma consolidated financial information is consistent with the accounting policies of the Company.

KPMG

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Company's management has compiled, in all material respects, the pro forma consolidated financial information on the basis of preparation as described in Note 3 to the pro forma consolidated financial information.

For the purposes of this engagement, we are not responsible for updating or re-issuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated financial information.

The purpose of pro forma consolidated financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 1 January 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Company's management in the compilation of the pro forma consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the auditor's judgment, having regard to the auditor's understanding of the nature of the Company, the event or transaction in respect of which the pro forma consolidated financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated financial information.

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

Opinion

In our opinion, the pro forma consolidated financial information has been compiled, in all material respects, on the basis of preparation as described in Note 3 to the pro forma consolidated financial information. Further, in our opinion the basis of preparation as described in Note 3 to the financial information is consistent with the accounting policies of the Company.

Emphasis of matter

Without qualifying our opinion we draw attention to:

Note 3 to the pro forma consolidated financial information, which describes the limitations of the pro forma consolidated financial information.

Note 1 to the pro forma consolidated financial information, which describes that the Company had previously issued the pro forma consolidated financial information for the year ended 31 December 2015. However, as explained in Note 6, in view of application for listing of proposed issue of debt securities by one of the subsidiaries, the Company included additional disclosures in Note 5 to the accompanying pro forma consolidated financial information. Accordingly, the previously issued pro forma consolidated financial information and our independent auditor's assurance report dated 20 September 2016 for the same period are replaced with these accompanying pro forma consolidated financial information and this independent auditor's assurance report.

Other matter

The consolidated financial statements of the Company as at and for the year ended 31 December 2015 were audited by another auditor who expressed an unqualified audit opinion on those financial statements in their report dated 10 February 2016.

Basis of Preparation and Restriction on Distribution and Use

We draw attention to Note 3 to the pro forma consolidated financial information, which describes the basis of preparation. The pro forma consolidated financial information has been prepared by the Company to illustrate the impact of the transactions as described in Note 2, on the financial performance of the Company for the year ended 31 December 2015. These pro forma consolidated financial information has been prepared for the purpose of inclusion in prospectus for issue of debts securities. As a result, the pro forma consolidated financial information may not be suitable for any other purpose. Our report is intended solely for the management and for the purpose described above and should not be used for any other purposes.

Safi A. Al-Mutawa
License No 138 "A"
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

Kuwait: 14 October 2016

Equate Petrochemical Company K.S.C.C.
State of Kuwait

Pro Forma Consolidated Income Statement
for the year ended 31 December 2015

	USD million
Sales	4,238
Cost of sales	(3,496)
Gross profit	742
Management fee	8
Reservation right fees	32
General, administrative and selling expenses	(52)
Other income	15
Profit from operations	745
Finance income	14
Finance costs	(86)
Profit before statutory contributions and income taxes	673
Statutory contributions	(18)
Provision for income taxes	(55)
Net profit for the year	**600**

The attached notes 1 to 6 form an integral part of this pro forma consolidated financial Information.

Mohammad Ahmed Husain
President & Chief Executive Officer

P.T.

1. Background information

Equate Petrochemical Company K.S.C.C. ("the Company" or "EQUATE") is a closed Kuwaiti Shareholding Company incorporated in the State of Kuwait on 20 November 1995. The Company is owned by DOW Europe Holding B.V. ("DEH"), Petrochemical Industries Company K.S.C. ("PIC"), Boubyan Petrochemical Company K.S.C. ("BPC") and Al-Qurain Petrochemical Industries Company K.S.C. ("QPIC").

The Company is engaged in the manufacture and sale of ethylene glycol ("EG") and polyethylene ("PE"). The Company also operates and maintains Olefins II, Styrene, Aromatics and Polypropylene plants on behalf of related entities in Kuwait.

The address of the Company's registered office is Olympia Tower, 6th floor, Salmiya, Kuwait.

These pro forma consolidated financial information were previously authorized for issuance by the President & Chief Executive Officer of the Company on 20 September 2016. However, as a result of revision and the inclusion of additional disclosures as explained in Note 6, these pro forma consolidated financial information were authorized for reissuance by the President & Chief Executive Officer of the Company on 14 October 2016.

2. Transaction and applicable criteria

During the year, the Company incorporated and acquired the following subsidiaries (together referred to as "the Group").

- MEGlobal Canada ULC ('MEGC') formed on December 2015 via a series of amalgamations including amalgamation with Equate Petrochemical Canada ULC ('EQUATE CANADA') (Incorporated in Nova Scotia, Canada in October 2015 by the Parent Company). Previously, MEGC operated as MEGlobal Canada Inc., a joint venture between Dow Chemical Canada ULC ("DCC ULC") and PicCan Holdings Inc. ('PicCan')

- Equate Petrochemical B.V. ('EQUATE BV') (Incorporated in Netherlands in November 2015). EQUATE BV acquired MEGlobal BV ('MEGBV') on 23 December 2015.

On 23 December 2015, the Group entered into a share purchase agreement to acquire 100% equity of MEGC, an entity formed in December 2015 via a series of amalgamation, for a purchase consideration of USD 1,863 million. Subsequent to the acquisition, EQUATE CANADA merged with MEGC.

On 23 December 2015, the Group entered into a share purchase agreement to acquire 100% equity of MEGBV through EQUATE BV for a purchase consideration of USD 1,134 million.

The purchase consideration for the acquisition of MEGC and MEGBV has been funded through a bridge loan facility. In order to enter in to Debt Capital Market and the Sukuk transaction to settle the bridge loan facility, the arrangers have requested the management to compile a Pro Forma Financial Information to illustrate the impact on the Group's financial performance as if the transactions had been undertaken as at 1 January 2015 and on the assumption that the provisional fair value of the net assets acquired on 1 January 2015 was not different than the provisional fair value of the net assets as on the actual date of acquisitions and the acquisitions were recorded using the acquisition basis of accounting. It is also assumed that drawdown from bridge loan was affected on 1 January 2015 to fund the acquisitions. ("the applicable criteria").

3. Basis of preparation and limitations of the pro forma consolidated financial information

3.1 Basis of preparation

The pro forma consolidated financial Information have been prepared by extracting the information from the following sources:

- Audited consolidated financial statements of the Group for the year ended 31 December 2015 for which an unqualified audit opinion has been issued dated 10 February 2016.

- Audited consolidated financial statements of MEGBV for the year ended 31 December 2015 for which an unqualified audit opinion has been issued dated 3 May 2016 and management accounts of MEGBV for 9 days period ended 31 December 2015.

- Management accounts of MEGC for the year ended 31 December 2015 and audited special purpose consolidated financial statements of MEGC for 9 days period ended 31 December 2015.

A consolidated financial statement has been issued by the Group as at and for the year ended 31 December 2015 based on the actual acquisition date (i.e, 23 December 2015) on which an unqualified audit opinion has been issued dated 10 February 2016. The accounting standards and policies used in preparing the pro forma consolidated financial Information and the corresponding adjustments are consistent with those applied in preparation of the Group's consolidated financial statements for the year ended 31 December 2015, which have been prepared in accordance with the International Financial Reporting Standards ("IFRSs").

3.2 Limitations of the pro forma consolidated financial Information

For the purpose of a correct interpretation of the information provided in the pro forma consolidated financial Information, the following should be taken into account:

- given that the pro forma consolidated financial Information presents a hypothetical situation, had the acquisition actually been under taken as at 1 January 2015, the historical data would not necessarily have been identical to the Pro Forma data presented;

- the pro forma adjustments shown represent material effects on the Pro Forma Statement of Income directly connected to the transaction for which the preparation of the pro forma consolidated financial Information is required;

- the pro forma consolidated financial Information has been prepared solely for the purposes of presenting objectively the measureable effects of the transaction and, therefore, does not take into account, the potential effects resulting from changes in management strategy and operational decisions resulting from the execution of the transaction.

- the pro forma consolidated financial Information does not reflect forward-looking information and is not intended in any way to present the expected future financial performance of the Group following the transaction and, therefore, should not be used in this sense;

4. Business combination

The pro forma consolidated financial information includes the effect of the business combinations on the results of the operations for the year ended 31 December 2015. The arrangers have requested the management to compile a pro forma consolidated financial Information to illustrate the impact on the Group's financial performance as if the transactions had been undertaken as at 1 January 2015 and on the assumption that the provisional fair value of the net assets acquired on 1 January 2015 was not different than the provisional fair value of the net assets as on the actual date of acquisitions and the acquisitions were recorded using the acquisition basis of accounting. Additionally, it is also assumed that the Group drewdown from bridge loan facility to fund the acquisitions on 1 January 2015 ("the applicable criteria").

5. **Details of the Pro Forma adjustments to the Statement of Income for the year ended 31 December 2015 together with explanatory notes are provided below:**

a) **Pro Forma adjustments in the Statement of Income**

	In USD million								
	Consolidated income statement of the Group	**Pro forma adjustments**						**Total Pro forma adjustments**	**Total**
		A	**B**	**C**	**D**	**E**	**F**		
Sales	1,712	2,847	822	(738)	(405)	-	-	2,526	4,238
Cost of sales	(1,295)	(2,758)	(494)	738	405	(43)	(49)	(2,201)	(3,496)
Gross profit	417	89	328	-	-	(43)	(49)	325	742
Management fee	8	-	-	-	-	-	-	-	8
Reservation right fees	32	-	-	-	-	-	-	-	32
General, administrative and selling expenses	(36)	(15)	(1)	-	-	-	-	(16)	(52)
Other income	7	(4)	12	-	-	-	-	8	15
Profit from operations	428	70	339	-	-	(43)	(49)	317	745
Finance income	12	10	-	(8)	-	-	-	2	14
Finance costs	(18)	(5)	(8)	8	-	(33)	(30)	(68)	(86)
Profit before statutory contributions and income taxes	422	75	331	-	-	(76)	(79)	251	673
Statutory contributions	(19)	-	-	-	-	1	0	1	(18)
Income taxes	-	(1)	(85)	-	-	15	16	(55)	(55)
Net profit for the year	**403**	**74**	**246**	-	-	**(60)**	**(63)**	**197**	**600**

Consolidated income statement of the Group has been extracted from the audited consolidated financial statement of the Company as at and for the year ended 31 December 2015.

Pro forma adjustments

Note A – Income and expenses for the 356 day period from 1 January 2015 to 22 December 2015 for MEGBV

This represents income earned and expenses incurred by MEGBV for the 356 day period from 1 January 2015 to 22 December 2015. As the pro forma consolidated financial information is prepared to illustrate the impact of the acquisition and merger as if the transaction had been undertaken as at 1 January 2015, in accordance with IFRS, income and expenses earned and incurred by MEGBV for the 356 day period from 1 January 2015 to 22 December 2015 are added to the Company's numbers. The numbers for the period from 23 December 2015 to 31 December 2015 are already included in the Company's consolidated income statement. This illustrates that, had the Company acquired MEGBV on 1 January 2015, the Company's consolidated sales, cost of sales and as a result gross profit would have been higher by USD 2,847 million, USD 2,758 million and USD 89 million respectively, subject to elimination of certain transactions between MEGBV and MEGC as illustrated in column C and, MEGBV and the Company as illustrated in column D during these 356 days. The Company's general, administrative and selling expenses would have been higher by USD 15 million whereas the Company's other income would have been lower by USD 4 million leading to a higher profit from operations of USD 70 million 356 day period from 1 January 2015 to 22 December 2015. The Company's finance income and finance cost would have been higher by USD 10 million and USD 5 million respectively, subject to elimination of certain transactions between MEGBV and MEGC as illustrated in column C during these 356 days resulting in a USD 75 million higher profit before statutory contributions and income taxes for the same period. The Company's income taxes would have been higher by USD 1 million as a result net profit for the 356 day period would have been higher by USD 74 million. These pro forma adjustments all have been derived by deducting 9 days income and expenses of MEGBV (already included in consolidated accounts of the Company) from the audited consolidated financial statements of MEGBV for the year ended 31 December 2015.

Note B - Income and expenses for the 356 day period from 1 January 2015 to 22 December 2015 for MEGC

This represents income earned and expenses incurred by MEGC for the 356 day period from 1 January 2015 to 22 December 2015. As the pro forma consolidated financial information is prepared to illustrate the impact of the acquisition and merger as if the transaction had been undertaken as at 1 January 2015, in accordance with IFRS, the income and expenses earned and incurred by MEGC for the 356 day period from 1 January 2015 to 22 December 2015 are added to the Company's numbers. The numbers for the period from 23 December 2015 to 31 December 2015 are already included in the Company's consolidated income statement. This illustrates that, had the Company acquired MEGC on 1 January 2015, the Company's consolidated sales, cost of sales and as a result gross profit would have been higher by USD 822 million, USD 494 million and USD 328 million respectively, subject to elimination of certain transactions between MEGC and MEGBV as illustrated in column C during these 356 days. The Company's general, administrative and selling expenses would have been higher by USD 1 million and the Company's other income would have been higher by USD 12 million leading to higher profit from operations of USD 339 million for the 356 day period from 1 January 2015 to 22 December 2015. The Company's finance cost would have been higher by USD 8 million, subject to elimination of certain transactions between MEGBV and MEGC as illustrated in column C during these 356 days resulting in a USD 331 million higher profit before statutory contributions and income taxes for the same period. The Company's income taxes would have been higher by USD 85 million as a result net profit for the 356 day period would have been higher by USD 246 million. These pro forma adjustments all have been derived by deducting 9 days income and expenses of MEGC (already included in consolidated accounts of the Company) from the management accounts of MEGC for the year ended 31 December 2015.

Note C – Elimination of intercompany transactions for the 356 day period from 1 January 2015 to 22 December 2015 between MEGBV and MEGC

As the pro forma consolidated financial information is to illustrate the impact of the acquisition and merger as if the transaction had been undertaken as at 1 January 2015, in accordance with IFRS, the following intercompany transactions have been eliminated for the 356 day period:

- Intercompany sales and cost of sales in the amount of USD 738 million.
- Interest income and interest expense applied to intercompany loans in the amount of USD 8 million.

Note D – Elimination of intercompany transactions for the 356 day period from 1 January 2015 to 22 December 2015 between EQUATE and MEGBV

As the pro forma consolidated financial information is to illustrate the impact of the acquisition and merger as if the transaction had been undertaken as at 1 January 2015, in accordance with IFRS, the following intercompany transactions have been eliminated for the 356 day period:

- Intercompany sales and cost of sales in the amount of USD 405 million.

Note E – Pro forma depreciation and amortization on fair value adjustments to property, plant and equipment and intangible assets for MEGBV and finance cost on bridge loan facility for the 356 day period from 1 January 2015 to 22 December 2015

As the pro forma consolidated financial information is to illustrate the impact of the acquisition and merger as if the transaction had been undertaken as at 1 January 2015, in accordance with IFRS, the following adjustments have been made:

- Depreciation and amortization on the fair value adjustments to property, plant and equipment and intangible assets resulting from the acquisition, for the 356 day period in the amount of USD 43 million.
- Finance cost on the bridge facility utilized to fund the MEGBV acquisition for the three hundred and fifty six days period in the amount of USD 33 million.
- Statutory contributions, for the 356 day period, in the amount of USD 1 million.
- Income taxes effect of the above changes in the amount of USD 15 million.

Note F – Pro forma depreciation and amortization on fair value adjustments to property, plant and equipment and intangible assets for MEGC and finance cost on bridge loan facility for the 356 day period from 1 January 2015 to 22 December 2015.

As the pro forma consolidated financial information is to illustrate the impact of the acquisition and merger as if the transaction had been undertaken as at 1 January 2015, in accordance with IFRS, the following adjustments have been made:

- Depreciation and amortization on the fair value adjustments to property, plant and equipment and intangible assets resulting from the acquisition, for the 356 day period, in the amount of USD 49 million.
- Finance cost on the bridge facility utilized to fund the MEGC acquisition for the three hundred and fifty six days period in the amount of USD 30 million.
- Income taxes effect of the above changes in the amount of USD 16 million.

6. Additional disclosures

Subsequent to issue of pro forma consolidated financial information by the management of the Company on 20 September 2016, the Company included certain additional disclosures to further explain the pro forma adjustments set out in Note 5 in connection with the application for notes to be issued on the EQUATE Petrochemical B.V.'s USD 4,000,000,000 global medium term note programme (to which the Company is a guarantor) to be admitted to the official list and to trading on the regulated market of the Irish stock exchange . This revision did not result in any change, in the basis of preparation of pro forma consolidated financial information and pro forma consolidated statement of income for the year ended 31 December 2015.

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