INEOS Styrolution Holding Limited

Unaudited Interim Financial Statements

Three month period ended 31 March 2019

INEOS Styrolution Holding Limited – Unaudited Interim Financial Statements

Consolidated Statement of Income for the three months ended 31 March 2019 and 2018

In millions of EUR	**1 Jan - 31 Mar 2019**	**1 Jan - 31 Mar 2018**
Revenue	1,254.6	1,303.1
Cost of sales	(1,008.5)	(1,042.7)
Gross profit	**246.1**	**260.4**
Selling and distribution expenses	(74.5)	(66.7)
General and administrative expenses	(28.8)	(28.3)
Research and development expenses	(2.9)	(3.4)
Other operating expense, net	(1.8)	(0.7)
Profit from operating activities	**138.1**	**161.3**
Interest income	7.5	1.5
Interest expense	(9.7)	(8.6)
Exchange movements	6.3	(8.7)
Net finance income / (costs)	**4.1**	**(15.8)**
Income before income tax	**142.2**	**145.5**
Income tax expense	(22.1)	(28.5)
Net income	**120.1**	**117.0**
Attributable to:		
Non-controlling interests	(0.4)	1.0
Owners of the company	**120.5**	**116.0**

The notes on pages 6 to 11 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the three months ended 31 March 2019 and 2018

In millions of EUR	**1 Jan - 31 Mar 2019**	**1 Jan - 31 Mar 2018**
Net income	**120.1**	**117.0**
Other comprehensive (loss) / income:		
Items that will not be reclassified to profit and loss:		
Remeasurement of post-employment benefit obligations	(4.6)	(0.9)
Deferred taxes on remeasurements of post-employment benefit obligations	1.4	0.2
Items that might subsequently be reclassified to profit and loss:		
Exchange differences on translation of foreign operations	23.9	(37.3)
Other comprehensive income / (loss), net of tax	**20.7**	**(38.0)**
Total comprehensive income	**140.8**	**79.0**
Attributable to:		
Non-controlling interests	0.2	-
Owners of the company	**140.6**	**79.0**

The notes on pages 6 to 11 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

In millions of EUR	**31 March 2019**	**31 December 2018**
Assets		
Property, plant and equipment	1,162.9	942.7
Intangible assets and goodwill	1,444.8	1,415.2
Deferred tax assets	44.3	36.5
Other receivables and miscellaneous non-current assets	4.7	4.8
Non-current assets	**2,656.7**	**2,399.2**
Inventories	502.7	525.9
Trade receivables	671.9	556.3
Income tax receivables	18.1	25.0
Other receivables and miscellaneous current assets	525.8	66.4
Cash and cash equivalents	276.8	567.1
Current assets	**1,995.3**	**1,740.7**
Total assets	**4,652.0**	**4,139.9**
Equity		
Share capital	0.3	0.3
Share premium	2,389.7	2,389.7
Merger reserve	(1,281.2)	(1,281.2)
Other reserves	108.5	88.4
Retained Earnings	1,147.6	1,027.1
Equity attributable to owners of the Company	**2,364.9**	**2,224.3**
Non-controlling interest	17.7	17.5
Total equity	**2,382.6**	**2,241.8**
Liabilities		
Financial indebtedness	971.2	671.9
Employee benefits obligations	65.2	58.4
Deferred tax liabilities	321.4	324.0
Other liabilities and other long term provisions	41.9	45.1
Non-current liabilities	**1,399.7**	**1,099.4**
Trade payables	516.6	465.6
Financial indebtedness	47.7	39.3
Current tax liabilities	154.6	137.6
Other liabilities and short term provisions	150.8	156.2
Current liabilities	**869.7**	**798.7**
Total liabilities	**2,269.4**	**1,898.1**
Total equity and liabilities	**4,652.0**	**4,139.9**

The notes on pages 6 to 11 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

				Other reserves					
In millions of EUR	Share capital	Share premium	Merger reserve	Pension reserve	Cumulative translation adjustment reserve	Retained earnings	Equity attributable to owners of the company	Non-controlling interest	Total Equity
1 January 2019	**0.3**	**2,389.7**	**(1,281.2)**	**(1.3)**	**89.7**	**1,027.1**	**2,224.3**	**17.5**	**2,241.8**
Net income	-	-	-	-	-	120.5	120.5	(0.4)	120.1
Other comprehensive income / (loss)	-	-	-	(3.2)	23.3	-	20.1	0.6	20.7
Total comprehensive income for the period	**-**	**-**	**-**	**(3.2)**	**23.3**	**120.5**	**140.6**	**0.2**	**140.8**
Transactions with owners in their capacity as owners:									
Dividends	-	-	-	-	-	-	-	-	-
31 March 2019	**0.3**	**2,389.7**	**(1,281.2)**	**(4.5)**	**113.0**	**1,147.6**	**2,364.9**	**17.7**	**2,382.6**
1 January 2018	**0.3**	**2,389.7**	**(1,281.2)**	**2.1**	**56.7**	**740.9**	**1,908.5**	**17.8**	**1,926.3**
Net income	-	-	-	-	-	116.0	116.0	1.0	117.0
Other comprehensive income / (loss)	-	-	-	(0.7)	(36.3)	-	(37.0)	(1.0)	(38.0)
Total comprehensive income for the period	**-**	**-**	**-**	**(0.7)**	**(36.3)**	**116.0**	**79.0**	**-**	**79.0**
Transactions with owners in their capacity as owners:									
Dividends	-	-	-	-	-	(3.9)	(3.9)	-	(3.9)
31 March 2018	**0.3**	**2,389.7**	**(1,281.2)**	**1.4**	**20.4**	**853.0**	**1,983.6**	**17.8**	**2,001.4**

The notes on pages 6 to 11 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

In millions of EUR	1 January – 31 Mar 2019	1 January – 31 Mar 2018
Cash flows from operating activities		
Profit for the year	120.5	116.0
Adjustments for:		
Depreciation and impairment of property, plant and equipment	40.6	29.8
Amortization and impairment of intangible assets	19.0	18.7
Net finance (income)/costs	(4.1)	15.8
Loss from sale of property, plant and equipment	0.3	-
Tax charge	22.1	28.5
Minority interest	(0.4)	1.0
Increase in trade and other receivables	(44.1)	(83.0)
Decrease/(increase) in inventories	57.4	(16.6)
(Decrease)/increase in trade and other payables	(25.3)	58.5
(Decrease)/increase in provisions and employee benefits	(0.2)	0.7
Tax paid	(7.5)	(9.2)
Net cash flows generated from operating activities	**178.3**	**160.2**
Cash flows from investing activities		
Proceeds from long-term assets	0.1	0.3
Interest and other finance income received	1.5	1.0
Loans provided to related parties	(456.8) *	-
Business acquisition, net of cash acquired	(134.2)	-
Acquisition of intangible assets	-	(3.2)
Acquisition of property, plant and equipment	(35.2)	(45.9)
Net cash flows used in investing activities	**(624.6)**	**(47.8)**
Cash flows from financing activities		
Proceeds from external borrowings	200.0	-
Repayment of external borrowings	(32.8)	(59.2)
Interest paid	(8.3)	(7.3)
Debt issue costs	-	(0.7)
Capital element of finance lease payments	(5.4)	(0.2)
Dividends paid attributable to the owners of the company	-	(3.9)
Net cash flows generated/(used) in financing activities	**153.5**	**(71.3)**
Net changes in cash and cash equivalents	**(292.8)**	**41.1**
Cash and cash equivalents at 1 January	567.1	295.9
Effect of exchange rate fluctuations on cash held	2.5	(4.0)
Cash and cash equivalents at 31 March	**276.8**	**333.0**

* In the first three months of 2019, INEOS Styrolution granted a loan of EUR 454 million to INEOS Industries Holdings Limited. Management proposes to declare this payment as a dividend in the course of 2019.

The notes on pages 6 to 11 are an integral part of these consolidated financial statements.

Notes

1. Reporting entity

INEOS Styrolution Holding Limited ('the Company') is a private company, limited by shares, incorporated, registered and domiciled in the United Kingdom and has its registered office at Chapel Lane, Lyndhurst, Hampshire, SO43 7FG. The Company was incorporated on 18 December 2015 as a subsidiary of INEOS Industries Holding Limited. Additionally, INEOS Styrolution Financing Limited, domiciled in the United Kingdom with registered office at Chapel Lane, Lyndhurst, Hampshire, SO43 7FG, was founded as subsidiary of the Company on 18 December 2015.

2. Basis for preparation

(a) Statement of compliance

These consolidated Interim Financial Statements of INEOS Styrolution Holding Limited for the period ended 31 March 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not provide all of the information and disclosures included in complete consolidated Financial Statements and are therefore to be read in conjunction with the consolidated Financial Statements as of and for the period ending 31 December 2018. The same accounting policies, methods of computation and presentation have been followed in the preparation as were applied in the most recent annual financial statement except for the changes described below.

As of 1 January 2019, the Group, complying with IFRS requirements, has adopted the IFRS 16 standard. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Group applied IFRS 16 initially on 1 January 2019, using the modified retrospective approach and measuring the right of use asset equal to the lease liability. Therefore, the cumulative effect of adopting IFRS 16 was recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group has recognised additional lease liabilities of EUR 131.5 million as at 1 January 2019. The impact on EBITDA before special items, which is the main measure of profit, is expected to be approximately EUR 25 million for the year ended 31 December 2019.

The following is a reconciliation of the IAS 17 operating lease commitment as at 31 December 2018 to the opening IFRS 16 lease liability as at 1 January 2019:

	Millions of EUR
Operating lease commitments disclosed as at 31 December 2018	**148.5**
Discounting impact using the incremental borrowing rate on transition	(47.5)
Adjustments due to different treatment of extension and termination options	63.1
Exempted low-value contracts, short-term contracts and non-lease components	(14.0)
Scope change (contracts in scope of IAS 17 but not regarded as a lease under IFRS 16)	(18.6)
IFRS 16 lease liability as at 1 January 2019	**131.5**

The recognized right-of-use assets consists mainly of tanks, railcars, production buildings, administrative offices, passenger cars and land.

The consolidated Interim Financial Statements were authorized for issue by the Managing Directors on 2 May 2019.

(b) Basis of measurement

The basis of measurement for the consolidated Financial Statements is generally the historical cost basis except for those financial instruments categories measured at fair value.

(c) Functional and presentation currency

These consolidated Interim Financial Statements are presented in EUR. The functional currency of the Company and its subsidiaries is determined in line with IAS 21. All financial information presented in EUR has been rounded to the nearest tenth of a million, except when otherwise indicated.

(d) Use of estimates and judgments

The preparation of Financial Statements in conformity with IFRS requires 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 recognized in the period in which the estimates are revised and in any future periods affected.

3. Acquisition of subsidiary

Effective 1 February 2019, INEOS Styrolution acquired Total S.A.s Polystyrene business in China. The acquisition covers the wholly owned Chinese polystyrene business including two production sites in Ningbo and Foshan and two related sales offices in Guangzhou and Shanghai. The transaction includes the purchase of 100% of the equity interests in Total Petrochemical (Foshan) Company Limited and Total Petrochemical (Ningbo) Company Limited. This acquisition is in line with the Company's Triple Shift growth strategy.

The preliminary purchase price excluding cash acquired was agreed at USD 153.4 million. The purchase agreement provides for corrections for actual net working capital contributions compared to target. The final corrections for net working capital contributions have not been determined yet. In 2019, the Group did not incurred significant acquisition-related costs on legal fees and due diligence costs. These costs have been included in "administrative expenses" when incurred.

The initial accounting for the business combination is incomplete at the time the interim financial statements are authorized for issue. The allocation of the fair value of the consideration exchanged in the transaction to the identified assets and liabilities acquired is not completed yet.

The fair value of acquired trade receivables is EUR 34.3 million. The trade receivables comprise gross contractual amounts due of EUR 34.3 million, of which none was expected to be uncollectable at the date of acquisition.

For the two-month period since 1 February 2019, the acquired business contributed a revenue of EUR 59.2 million and an EBITDA of EUR 6.0 million. EBITDA is reduced because of inventory fair value considerations in the opening balance. If the acquisition had occurred on 1 January 2019, management estimates that consolidated revenue would have been EUR 114.2 million and the EBITDA including fair value considerations would have been EUR 9.8 million.

4. Revenue

The development of the product groups on a global level for the three months period ended 31 March 2019 was as following:

In millions of EUR	1 Jan - 31 Mar 2019	1 Jan - 31 Mar 2018
Polystyrene	500.5	472.2
ABS Standard	201.4	240.5
Specialties	341.9	379.1
Styrene Monomer	210.8	211.3
Total	**1,254.6**	**1,303.1**

5. Property, plant and equipment

In the three month period ended 31 March 2019, the Company acquired EUR 35.2 million (YTD 31 March 2018: EUR 45.9 million) of property, plant and equipment. Investments in property, plant and equipment in 2019 mainly include the new ASA Specialties plant in Houston and the Moxi compounding investment in India.

6. Financial Indebtedness

In millions of EUR	31 March 2019	31 December 2018
Institutional term loans*	7.3	7.3
Lease under IFRS 16 / IAS 17	19.7	8.8
Short term borrowings other	21.0	23.5
Current financial indebtedness	**48.0**	**39.6**
Institutional term loans*	616.6	615.2
Borrowings from asset securitizations	230.0	50.0
Lease under IFRS 16 / IAS 17	125.8	7.9
Non-current financial indebtedness	**972.4**	**673.2**
Total gross debt	**1,020.4**	**712.7**
Discount and capitalized financing costs	(1.5)	(1.5)
Financial indebtedness	**1,018.9**	**711.2**

* Term Loans are denominated in EUR and USD.

Net finance income / costs

The distribution of the main interest income and expenses is as follows:

In millions of EUR	1 Jan - 31 Mar 2019	1 Jan - 31 Mar 2018
Interest payable and other finance charges	(9.0)	(7.1)
Amortization of issue costs	(0.1)	(0.4)
Interest on employee benefit liabilities	(0.5)	(0.7)
Net fair value gain / (loss) on derivatives	4.8	(0.2)
Other interest receivables	2.6	1.3
Net finance costs before exchange movements	**(2.2)**	**(7.1)**
Exchange movements	6.3	(8.7)
Total net finance income / (costs)	**4.1**	**(15.8)**

The net finance costs before exchange movements decreased in the first quarter of 2019 to EUR (2.2) million compared to EUR (7.1) million in the first quarter of 2018. The main reason for this decrease was the net fair value gain on commodity derivatives.

In the first quarter of 2019, the Company recorded net gains from foreign exchange valuation of mainly translation effects from intercompany loans, including financing between consolidated subsidiaries, of EUR 6.3 million (Q1 2018: EUR 8.7 million loss).

7. Related parties

Related parties comprise:

- Parent entities and their subsidiaries not included within the INEOS Styrolution Holding Limited Group;
- Entities controlled by the shareholders of INEOS Limited, the ultimate parent company of INEOS Styrolution Holding Limited; and
- Key management personnel.

In millions of EUR	**Transaction value** **1 Jan – 31 Mar 2019**	**Balance outstanding** **31 Mar 2019**	**Transaction value** **1 Jan – 31 Mar 2018**	**Balance outstanding** **31 Mar 2018**
Sale of products				
INEOS entities	21.0		27.7	
Purchase of raw materials				
INEOS entities	85.0		88.0	
Services received				
INEOS entities	10.7		8.4	
Trade and other receivables				
INEOS entities		12.0		17.5
Shareholder		458.1		-
Trade and other payables				
INEOS entities		(63.0)		(46.9)

On 30 January 2019, INEOS Styrolution granted a loan of EUR 450 million to INEOS Industries Holdings Limited. Management proposes to declare this payment as a dividend in the course of 2019.

8. Income tax expense

Income tax expense is recognized based on management's best estimate of the income tax rate expected for the year 2019 applied to the income before taxes of the first quarter 2019. The Group's year-to-date consolidated tax rate for 2019 is 15.5%, which is lower than the effective tax rate of 19.6% in the comparative period. The effective tax rate in the first three months of 2019 was positively impacted by true-ups of prior year's tax charges.

9. Financial Instruments

The financial assets/liabilities categorized as Fair Value through Profit and Loss (FVTPL) presented in Level 2 and Level 3 constitute separate classes of derivative financial instruments. Level 2 contains foreign currency derivatives and Level 3 contains commodity derivatives.

Since there are no market prices available for the derivative financial instruments in the portfolio assigned to Level 2 due to the fact that they are not listed on the market, the fair values are calculated using standard financial valuation models, based entirely on observable inputs. The fair value of derivatives is the value that INEOS Styrolution would receive or have to pay if the financial instrument were transferred at the reporting date. The carrying amount of the financial asset is zero. The carrying amount of the financial liability is EUR 0.1 million (31 March 2019). The currency derivatives that were accounted for as of 31 December 2018 were settled during the first three months of 2019 (EUR 0.1 million).

The financial assets/liabilities assigned to Level 3 relate to commodity swaps on styrene monomer in order to hedge fix price forward polymer sales deals. Since there are no market prices available for the derivative financial instruments in the portfolio assigned to Level 3 due to the fact that they are not listed on the market, the fair values are calculated using standard financial valuation models. The calculation is based on observable and unobservable inputs, since there are no liquid forward prices available. The substantial input parameters are the price expectations regarding future monthly contract prices on styrene monomer. The carrying amount of the financial liability is EUR (1.3) million as of 31 March 2019. If the price expectations had been 10 percent lower at the reporting date, with otherwise unchanged parameters the fair value of the financial liability would have been EUR 2.8 million higher (i.e. the Fair Market Value of the open styrene monomer derivatives would have been EUR (4.1) million). If the price expectations had been 10% higher at the reporting date, with otherwise unchanged parameters, the fair value of the financial liability would have been EUR 2.8 million lower (the fair market value of the open styrene monomer derivatives would have been EUR 1.5 million).

31 March 2019				*Amounts recognized in the statement of financial position in accordance with IFRS 9*		
In millions of EUR	**Category in accordance with IFRS 9***	**Level**	**Carrying amounts**	**Amortized cost**	**Fair value recognized in equity**	**Fair value recognized in profit or loss**
Assets						
Trade receivables	AMC		671.9	671.9	-	-
Cash and cash equivalents	AMC		276.8	276.8	-	-
Other assets			548.6	548.6	-	-
of which long-term	AMC		4.7	4.7	-	-
of which short-term	AMC		543.9	543.9	-	-
of which: Derivatives	*FVTPL*	*2*	-	-	-	-
of which: Derivatives	*FVTPL*	*3*	-	-	-	-
Liabilities						
Trade payables	AMC		516.6	516.6	-	-
Financial indebtedness	AMC		1,018.9	1,018.9	-	-
Other short-term liabilities	AMC		150.8	150.8	-	-
of which: Derivatives	*FVTPL*	*2*	*0.1*	-	-	*(0.1)*
of which: Derivatives	*FVTPL*	*3*	*1.3*	-	-	*4.9*

***Categories:** AMC = Amortised cost, FVTPL = Fair Value Through Profit and Loss*

31 December 2018

As of 31 December 2018, EUR 0.1 million financial assets were categorized as Level 2 FVTPL and none were categorized as Level 3. There were no financial liabilities categorized as FVTPL assigned to Level 2, but EUR 6.2 million in Level 3 as of 31 December 2018.

All other financial assets and liabilities as of 31 December 2018 were stated at amortized cost.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s receivables from customers and INEOS, its ultimate owner, and cash and cash equivalents.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group’s standard payment and delivery terms and conditions are offered. The Group’s review includes external ratings, when available, and in some cases bank references. Credit limits are established for each customer, which represents the maximum open amount without requiring approval; these limits are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with working capital requirements, capital expenditure or its financial liabilities that are settled by delivering cash or other financial assets. 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.

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable investments at an amount in excess of expected cash outflows on financial liabilities over the succeeding 60 days. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the EUR, but also US Dollars. The currencies in which these transactions primarily are denominated are USD, EUR, INR and KRW.

The Group has established a currency risk policy under which material currency flows are analyzed and if management considers it needed the risks are mitigated. The Group looks at transactional and translation currency risks.

10. Subsequent events

No subsequent events are to be reported for the period between the reporting date of these Consolidated Financial Statements and their authorization by the Board of Directors on 2 May 2019.

Forward Looking Statements

The following report includes "forward-looking statements", based on our current expectations and projections about future events, including:

- the cyclical nature of our businesses and their sensitivity to changes in supply and demand;
- raw material availability and costs, as well as supply arrangements, including arrangements with principal feedstock suppliers;
- the highly competitive nature of our principal industries;
- current or future environmental requirements, including those related to greenhouse gas and other air emissions, and the related costs of maintaining compliance and addressing liabilities;
- currency fluctuations and economic downturns in the countries in which we operate;
- our ability to implement our business and cost reduction strategies;
- our ability to successfully integrate acquired businesses and realize anticipated synergies and cost savings; and
- our indebtedness may affect our ability to service our outstanding indebtedness, which would likely impact the way we operate our business.

All statements other than statements of historical facts included in this report, without limitation, statements regarding our future financial position, risks and uncertainties related to our Company and the notes, strategy, capital expenditures, projected costs and our plans and objectives for future operations, may be deemed to be forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties. Words such as "believe," "expect," "anticipate", "may", "intend", "will", "should", "estimate" and similar expressions or the negatives of these expressions are intended to identify forward-looking statements. In addition, from time to time we or our representatives, acting in respect of information provided by us, have made or may make forward-looking statements orally or in writing and these forward-looking statements may be included in but are not limited to press releases (including on our website), reports to our security holders and other communications. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PRESENTATION OF THE INEOS STYROLUTION FIRST QUARTER 2019 BUSINESS RESULTS OF OPERATION

The Company prepared this discussion and analysis of its results of operations by comparing its unaudited consolidated Interim Financial Statements of income and cash flows for the first quarters of 2019 and 2018.

In millions of EUR	**1 Jan - 31 Mar 2019**	**1 Jan - 31 Mar 2018**	**%**
Revenue	1,254.6	1,303.1	(3.7)
Cost of sales	(1,008.5)	(1,042.7)	(3.3)
Gross profit	**246.1**	**260.4**	**(5.5)**
Selling and distribution expenses	(74.5)	(66.7)	11.7
General and administrative expenses	(28.8)	(28.3)	1.8
Research and development expenses	(2.9)	(3.4)	(14.7)
Other operating expense, net	(1.8)	(0.7)	>100
Result from operating activities	**138.1**	**161.3**	**(14.4)**
Interest income	7.5	1.5	>100
Interest expense	(9.7)	(8.6)	12.6
Exchange movements	6.3	(8.7)	n/a
Net finance income / (costs)	**4.1**	**(15.8)**	**n/a**
Income before income tax	**142.2**	**145.5**	**(2.3)**
Income tax expense	(22.1)	(28.5)	(22.5)
Net income	**120.1**	**117.0**	**2.7**
Attributable to:			
Non-controlling interests	(0.4)	1.0	n/a
Owners of the company	**120.5**	**116.0**	**3.9**

Revenue in the first quarter of 2019 was EUR 1,254.6 million, which is a decrease of EUR (48.5) million or (3.7)% compared to EUR 1,303.1 million in the first quarter of 2018. Sales volumes increased in the first quarter of 2019 compared to the same period in 2018. Despite the higher sales volumes, revenue declined because of lower raw material price base for mainly benzene and styrene monomer. These reductions were also reflected in the sales prices.

External sales volumes were to 964kt which is an increase of 16.8% compared to 825kt in the first quarter of 2018. The increase mainly came from higher Polystyrene and Styrene Monomer sales. Polystyrene demand improved compared to last year because customers replenished their stock levels, benefitting from the decline of sales prices driven by lower raw material costs. Sales volume includes 47 kt from the 2 recently acquired Chinese Polystyrene assets as of 1 February 2019. In Styrene Monomer, stable demand and full availability of our plants increased our sales. In the first quarter of 2018 our Bayport, Texas, plant was in scheduled turnaround. Specialties sales volumes decreased slightly, especially due to the weaker demand from the automotive industry in EMEA and Asia. ABS Standard sales slightly reduced compared to Q1-2018, but the market showed signs of recovery in the first quarter of 2019 with improved demand compared to the fourth quarter of 2018.

The revenue of INEOS Styrolution decreased in the first quarter of 2019 compared to the same period in 2018. Revenue is not a key performance indicator in our business, sales volumes are a leading indicator of business performance.

In the first quarter, sales volumes tend to be seasonally better than in the fourth quarter, but weaker than in the second and third quarter.

Cost of Sales: Cost of sales decreased by EUR 34.2 million or 3.3% to EUR (1,008.5) million in the first quarter 2019 compared to EUR (1,042.7) million in the previous year. The cost of sales decreased because of lower raw material prices, partly offset by higher sales volumes.

Gross profit: Gross profit of the first quarter of 2019 decreased by EUR (14.3) million or 5.5% to EUR 246.1 million compared to EUR 260.4 million in the same period of the previous year.

Polymer market conditions showed a mixed picture. Polystyrene volumes increased because customers were restocking on the lower sales price trend, which again helped the gross profit. ABS Standard margins were very strong in the first half year of 2018 especially in Asia, but reduced in the second half of 2018. This resulted in a slower gross profit start into the year 2019. Specialties had a slow start of the year due to reduced demand from the automotive industry, mainly in the EMEA and Asia regions. The weaker demand reduced gross margin levels.

The underlying styrene margins in Q1 2019 were slightly better compared to the same period in 2018. All INEOS Styrolution plants were available while in the first quarter of 2018 our Bayport, Texas plant was in scheduled turnaround. Gross profit was negatively impacted by EUR 14 million non-cash COSA ('Cost Of Sales Adjustment') losses in the first quarter of 2019. In the first quarter of 2018 the Company reported a COSA gain of EUR 6 million. The negative COSA effect or inventory holding result, was realized because the Company sold products at lower market prices that were procured and produced at higher costs.

Selling and distribution expenses: Selling and distribution expenses increased by EUR 7.8 million or 11.7% to EUR (74.5) million in the first quarter of 2019 compared to EUR (66.7) million in the previous year. Selling and distribution expenses increased mainly because of higher volumes sold.

General and administrative expenses: General and administrative expenses increased by EUR 0.5 million or 1.8% to EUR (28.8) million compared to EUR (28.3) million in the previous year. The main reasons for this are the annual inflation and the integration of the new business in China.

Research and development expenses: Research and development expenses decreased to EUR (2.9) million compared to EUR (3.4) million in the same period of 2018. The research and development costs are relatively stable, but can be impacted by the phasing of projects and the usage of external consultants. As integral part of its Triple Shift growth strategy the Group continuously invests in new products and product applications.

Other operating income/(expenses): Other operating expense was EUR (1.8) million, compared to other operating expenses of EUR (0.7) million in the previous year.

EBITDA before special items: EBITDA before special items decreased by EUR 11.8 million or 5.6% from EUR 209.8 million in Q1 2018 to EUR 198.0 million in Q1 2019. Our trading results in Q1 2019 improved versus Q4 2018 and is in line with our outlook. Sales volumes increased compared to both Q4 2018 and Q1 2018. The main reasons were the strong sales of our Polystyrene Asia and EMEA businesses, our expanded footprint in Asia and strong demand in Styrene Monomer. The Q1 2019 EBITDA, when corrected for COSA results, is in line with our Q1 2018 EBITDA.

Reconciliation of EBITDA before special items to income before income tax:

In millions of EUR	**1 Jan – 31 Mar 2019**	**1 Jan – 31 Mar 2018**
EBITDA before special items	198.0	209.8
Special items (exceptional expenses)	-	-
Depreciation and amortisation	(59.6)	(48.5)
Loss on sale of tangible fixed assets	(0.3)	-
Profit from operations	**138.1**	**161.3**
Net finance income / (costs)	4.1	(15.8)
Income before income tax	**142.2**	**145.5**

* EBITDA represents income from operations plus depreciation of property, plant and equipment and amortization of intangible assets. EBITDA before special items represents EBITDA less special items. Although EBITDA and EBITDA before special items should not be considered substitute measures for profit and net cash flow from operating activities, we believe that they provide useful information regarding our ability to meet future debt service requirements, EBITDA and EBITDA before special items may not be comparable to similarly titled measures used by other companies.

Segment information The development of the product groups on a global level for the three months period ended 31 March 2019 was as following:

In millions of EUR	External sales			EBITDA before Special Items		
	1 Jan - 31 Mar 2019	1 Jan - 31 Mar 2018	%	1 Jan - 31 Mar 2019	1 Jan - 31 Mar 2018	%
Polystyrene	500.5	472.2	6.0	54.7	46.7	17.3
ABS Standard	201.4	240.5	(16.3)	27.8	43.4	(36.0)
Specialties	341.9	379.1	(9.8)	49.8	66.4	(25.0)
Styrene Monomer	210.8	211.3	(0.2)	65.7	53.3	23.6
Total	**1,254.6**	**1,303.1**	**(3.7)**	**198.0**	**209.8**	**(5.6)**

LIQUIDITY AND CAPITAL RESOURCES

The cash flow statement was prepared in accordance with the indirect method. Cash and cash equivalents do not include deposits and guarantees that are not immediately available. These amounts are included in other receivables.

In millions of EUR	**1 Jan - 31 Mar 2019**	**1 Jan - 31 Mar 2018**
Cash flow from operating activities	178.3	160.2
Cash flow from investing activities	(624.6)	(47.8)
Cash flow from financing activities	153.5	(71.3)

Cash provided from operating activities

Cash provided from operating activities by INEOS Styrolution in the first three months of 2019 was EUR 178.3 million. Positive cash flow was generated because of the strong business performance. Working capital requirements decreased in 2019 compared to year-end 2018 in line with lower feedstock prices.

Cash used in investing activities

The total cash outflow for investing activities in the first three months of 2019 was EUR 624.6 million compared to EUR 47.8 million in the same period in 2018. Thereof, cash used for investments in property, plant and equipment as well as intangible assets was EUR 35.2 million. That is 28.3% lower than the amount spent in the same period prior year (EUR 49.1 million). Investments in property, plant and equipment in 2019 mainly include the new ASA Specialties plant in Houston and the Moxi compounding investment in India. In February 2019, the Group acquired the Total S.A.s Polystyrene business for an amount net of cash acquired of EUR 134.2 million.

The cash used in investing activities was invested in the following areas:

In millions of EUR	**1 Jan - 31 Mar 2019**	**1 Jan - 31 Mar 2018**
TAR	-	(17.5)
Sustenance / SHE	(14.9)	(18.2)
Expansion	(20.3)	(10.2)
Intangible fixed assets	-	(3.2)
Total property, plant and equipment and Intangible fixed assets	**(35.2)**	**(49.1)**
Business acquisition, net of cash acquired	(134.2)	-
Other investing activities	(455.2)	1.3
Total cash used in investing activities	**(624.6)**	**(47.8)**

Cash used in financing activities

The total cash inflow for financing activities for the first three months 2019 was EUR 153.5 million.

On 23 January 2019, INEOS Styrolution agreed to increase the drawn amount under the asset securitization program from EUR 50 million to EUR 250 million.

On 30 January 2019, INEOS Styrolution granted a loan of EUR 450 million to INEOS Industries Holdings Limited. Management proposes to declare this payment as a dividend in the course of 2019.

On 11 March 2019, INEOS Styrolution decided to reduce the drawn amount under the asset securitization program from EUR 250 million to EUR 230 million.

On 28 March 2019, INEOS Styrolution granted an additional loan of EUR 4 million to INEOS Industries Holdings Limited. Management proposes to declare this payment as a dividend in the course of 2019.

Financing of INEOS Styrolution

The financing of the Group is through the issuance of Institutional Term Loans and a Trade Receivables Securitization Facility (up to EUR 450 million) and ancillary working capital lines.

The financing of INEOS Styrolution and the use of funds at the end of March 2019 of the Group was as follows (the amounts below differ from the consolidated statement of financial position due to the accounting for discounts and capitalized financing costs):

In millions of EUR	**31 Mar 2019**	**31 Dec 2018**
Institutional term loans	623.9	622.5
Long term borrowings from asset securitizations	230.0	50.0
Lease under IFRS 16 / IAS 17	145.5	16.7
Other financing	21.0	23.6
Total gross debt	**1,020.4**	**712.7**
Cash and cash equivalents	(276.8)	(567.1)
Net Debt*	**743.6**	**145.7**

* Net debt includes the notional amount of the institutional term loans rather than the carrying amount in accordance with IFRS which is lower than the notional amount due to debt issuance cost that are amortized over the term of the loans. Term Loans are denominated in EUR and USD.