

INEOS Styrolution Holding Limited
Unaudited Condensed Consolidated Interim Financial
Statements
Three and six month period ended 30 June 2020

INEOS Styrolution Holding Limited

Unaudited Condensed Consolidated Statement of Income for the three and six months ended 30 June 2020 and 2019

<i>In millions of EUR</i>	1 Apr - 30 Jun 2020	1 Apr - 30 Jun 2019	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
Revenue	825.4	1,306.8	1,909.3	2,561.4
Cost of sales	(698.0)	(1,041.2)	(1,594.1)	(2,049.7)
Gross profit	127.4	265.6	315.2	511.7
Selling and distribution expenses	(64.7)	(75.0)	(139.3)	(149.5)
General and administrative expenses	(25.8)	(29.9)	(55.3)	(58.7)
Research and development expenses	(3.2)	(3.4)	(6.2)	(6.3)
Other operating expense	(0.7)	-	(3.1)	(1.8)
Operating profit	33.0	157.3	111.3	295.4
Interest income	0.5	1.9	1.8	9.4
Interest expense	(6.3)	(9.3)	(24.9)	(19.0)
Exchange movements	(4.8)	(2.3)	(8.0)	4.0
Net finance costs	(10.6)	(9.7)	(31.1)	(5.6)
Income before income tax	22.4	147.6	80.2	289.8
Income tax expense	(8.7)	(30.1)	(27.5)	(52.2)
Net income	13.7	117.5	52.7	237.6
Attributable to:				
Non-controlling interests	(0.5)	0.3	(0.6)	(0.1)
Owners of the company	14.2	117.2	53.3	237.7

The notes on pages 6 to 12 are an integral part of these unaudited condensed consolidated interim financial statements.

INEOS Styrolution Holding Limited

Unaudited Condensed Consolidated Statement of Comprehensive Income for the three and six months ended 30 June 2020 and 2019

<i>In millions of EUR</i>	1 Apr - 30 Jun 2020	1 Apr - 30 Jun 2019	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
Net income	13.7	117.5	52.7	237.6
Other comprehensive loss:				
Items that will not be reclassified to profit and loss:				
Remeasurement of post-employment benefit obligations	(10.1)	(8.1)	-	(12.7)
Deferred taxes on remeasurements of post-employment benefit obligations	3.2	2.5	-	3.9
Items that might subsequently be reclassified to profit and loss:				
Exchange differences on translation of foreign operations	(21.8)	(23.4)	(27.9)	0.5
Other comprehensive loss, net of tax	(28.7)	(29.0)	(27.9)	(8.3)
Total comprehensive (loss)/ income	(15.0)	88.5	24.8	229.3
Attributable to:				
Non-controlling interests	(0.8)	0.1	(1.5)	0.3
Owners of the company	(14.2)	88.4	26.3	229.0

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INEOS Styrolution Holding Limited

Unaudited Condensed Consolidated Statement of Financial Position

<i>In millions of EUR</i>	30 June 2020	31 December 2019
Assets		
Property, plant and equipment	1,366.0	1,282.1
Intangible assets and goodwill	1,329.2	1,372.8
Deferred tax assets	45.3	47.1
Other receivables and miscellaneous non-current assets	6.3	4.3
Non-current assets	2,746.8	2,706.3
Inventories	367.8	487.5
Trade receivables	359.1	465.2
Income tax receivables	23.9	14.1
Other receivables and miscellaneous current assets	433.2	64.9
Cash and cash equivalents	380.1	289.7
Current assets	1,564.1	1,321.4
Total assets	4,310.9	4,027.7
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	68.6	95.6
Retained earnings	462.9	769.3
Equity attributable to owners of the company	1,640.3	1,973.7
Non-controlling interest	14.6	16.1
Total equity	1,654.9	1,989.8
Liabilities		
Financial indebtedness	1,338.7	925.6
Employee benefits obligations	75.4	74.1
Deferred tax liabilities	293.4	308.5
Other liabilities and other long term provisions	40.3	41.3
Non-current liabilities	1,747.8	1,349.5
Trade payables	305.7	433.9
Financial indebtedness	380.9	35.6
Current tax liabilities	64.1	44.6
Other liabilities and short term provisions	157.5	174.3
Current liabilities	908.2	688.4
Total liabilities	2,656.0	2,037.9
Total equity and liabilities	4,310.9	4,027.7

The notes on pages 6 to 12 are an integral part of these unaudited condensed consolidated interim financial statements.

These unaudited condensed consolidated interim financial statements were authorised for issue by the Managing Directors on 30 July 2020.

INEOS Styrolution Holding Limited
Unaudited Condensed Consolidated Statement of Changes in Equity

<i>In millions of EUR</i>	Other reserves					Retained earnings	Equity attributable to owners of the company	Non-controlling interest	Total Equity
	Share capital	Share premium	Merger reserve	Pension reserve	Cumulative translation adjustment reserve				
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	-	-	-	-	-	237.7	237.7	(0.1)	237.6
Other comprehensive loss	-	-	-	(8.8)	0.1	-	(8.7)	0.4	(8.3)
Total comprehensive income for the year	-	-	-	(8.8)	0.1	237.7	229.0	0.3	229.3
Transactions with owners in their capacity as owners:									
Dividends	-	-	-	-	-	-	-	-	-
30 June 2019	0.3	2,389.7	(1,281.2)	(10.1)	89.8	1,264.8	2,453.3	17.8	2,471.1
1 January 2020	0.3	2,389.7	(1,281.2)	(11.3)	106.9	769.3	1,973.7	16.1	1,989.8
Net income	-	-	-	-	-	53.3	53.3	(0.6)	52.7
Other comprehensive loss	-	-	-	-	(27.0)	-	(27.0)	(0.9)	(27.9)
Total comprehensive income for the year	-	-	-	-	(27.0)	53.3	26.3	(1.5)	24.8
Transactions with owners in their capacity as owners:									
Dividends	-	-	-	-	-	(359.7)	(359.7)	-	(359.7)
30 June 2020	0.3	2,389.7	(1,281.2)	(11.3)	79.9	462.9	1,640.3	14.6	1,654.9

The notes on pages 6 to 12 are an integral part of these unaudited condensed consolidated interim financial statements.

INEOS Styrolution Holding Limited

Unaudited Condensed Consolidated Statement of Cash Flows

<i>In millions of EUR</i>	1 January - 30 June 2020	1 January - 30 June 2019
Cash flows from operating activities		
Net income attributable to the owners of the company	53.3	237.7
Adjustments for:		
Depreciation and impairment of property, plant and equipment	88.5	83.8
Amortisation and impairment of intangible assets	31.3	38.4
Net finance costs	31.1	5.6
Loss from sale of property, plant and equipment	-	0.2
Income tax expense	27.5	52.2
Non-controlling interest	(0.6)	(0.1)
Decrease in trade and other receivables	83.1	11.2
Decrease in inventories	113.5	24.2
Decrease in trade and other payables	(155.9)	(45.4)
Increase/(decrease) in provisions and employee benefits	1.2	(1.7)
Tax paid	(30.7)	(103.7)
Net cash flows generated from operating activities	242.3	302.4
Cash flows from investing activities		
Proceeds from sale of long-term assets	0.3	1.3
Interest and other finance income received	1.4	2.7
Loans provided to related parties	-	(464.2)
Business acquisition, net of cash acquired*	(361.8)	(133.6)
Acquisition of intangible assets	(0.2)	(0.2)
Acquisition of property, plant and equipment	(171.7)	(85.5)
Net cash flows used in investing activities	(532.0)	(679.5)
Cash flows from financing activities		
Proceeds from external borrowings	982.0	200.0
Repayment of external borrowings	(198.3)	(88.9)
Interest paid	(14.3)	(16.7)
Debt issue costs	(13.1)	-
Capital element of lease payments	(11.3)	(10.1)
Dividends paid attributable to the owners of the company	(359.7)	-
Net cash flows generated in financing activities	385.3	84.3
Net increase / (decrease) in cash and cash equivalents	95.6	(292.8)
Cash and cash equivalents at 1 January	289.7	567.1
Effect of exchange rate fluctuations on cash held	(5.2)	0.3
Cash and cash equivalents at 30 June	380.1	274.6

* On 29 June 2020 the Group made a USD 400 million deposit payment in connection with the acquisition of the BP Aromatics and Acetyls business.

The notes on pages 6 to 12 are an integral part of these unaudited condensed consolidated interim financial statements.

INEOS Styrolution Holding Limited

Notes

1. Reporting entity

INEOS Styrolution Holding Limited ('the Company') is a private company, limited by shares, incorporated, registered and domiciled in England and Wales, 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.

2. Basis for preparation

(a) Statement of compliance

These unaudited condensed consolidated Interim Financial Statements of INEOS Styrolution Holding Limited for the period ended 30 June 2020 (herein referred to as 'Interim Financial Statements') have been prepared on a going concern basis and 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 2019. 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.

(b) Basis of measurement

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

(c) Functional and presentation currency

These 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 the Interim 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 recognised in the period in which the estimates are revised and in any future periods affected.

(e) Segment information

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a basis considered reasonable. Unallocated items comprise mainly assets that are used across segments (primarily the Company's headquarters), head office expenses and tax assets and liabilities. The Company has defined the following operating segments:

- Polymers EMEA
- Polymers Americas
- Polymers Asia
- Styrene Monomer

Detailed information by segment for the three and six months period ended 30 June 2020 is presented in the following tables. Inter-segment sales of the Styrene Monomer business contain internal cross-segment consumption of styrene monomer within the Company.

<i>In millions of EUR</i>	External sales		Inter-segment sales		EBITDA before Special Items*	
	1 Apr - 30 Jun 2020	1 Apr - 30 Jun 2019	1 Apr - 30 Jun 2020	1 Apr - 30 Jun 2019	1 Apr - 30 Jun 2020	1 Apr - 30 Jun 2019
Polymers EMEA	266.9	398.1	26.0	30.4	33.6	47.9
Polymers Americas	193.1	298.0	5.2	12.6	28.1	56.6
Polymers Asia	277.1	398.8	6.4	12.0	39.2	41.3
Styrene Monomer	88.3	211.9	296.4	475.8	(7.9)	74.0
Corporate and eliminations	-	-	(334.0)	(530.8)	-	-
Total	825.4	1,306.8	-	-	93.0	219.8

<i>In millions of EUR</i>	External sales		Inter-segment sales		EBITDA before Special Items*	
	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
Polymers EMEA	635.1	822.4	55.6	52.9	80.6	101.9
Polymers Americas	469.7	583.8	14.6	23.0	66.4	107.2
Polymers Asia	578.8	732.4	17.0	26.4	69.6	68.9
Styrene Monomer	225.7	422.8	762.0	931.3	14.5	139.8
Corporate and eliminations	-	-	(849.2)	(1,033.6)	-	-
Total	1,909.3	2,561.4	-	-	231.1	417.8

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

<i>In millions of EUR</i>	1 Apr - 30 Jun 2020	1 Apr - 30 Jun 2019	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
EBITDA before special items*	93.0	219.8	231.1	417.8
Special items (exceptional expenses)	-	-	-	-
Depreciation and amortisation	(60.0)	(62.6)	(119.8)	(122.2)
Gain / (loss) on sale of tangible fixed assets	-	0.1	-	(0.2)
Operating profit	33.0	157.3	111.3	295.4
Net finance costs	(10.6)	(9.7)	(31.1)	(5.6)
Income before income tax	22.4	147.6	80.2	289.8

* EBITDA represents income from operations before interest, taxation, depreciation of property, plant and equipment and amortisation of intangible assets. Although 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 before special items may not be comparable to similarly titled measures used by other companies. Special items refer to certain costs and benefits outside the usual course of business, which are expected to be non-recurring.

3. Revenue

The development of the product groups on a global level for the three and six months period ended 30 June 2020 and 2019 was as follows:

<i>In millions of EUR</i>	1 Apr - 30 Jun 2020	1 Apr - 30 Jun 2019	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
Polystyrene	392.4	558.5	840.2	1,058.9
ABS Standard	145.3	200.0	328.7	401.4
Specialties	199.4	336.4	514.7	678.3
Styrene Monomer	88.3	211.9	225.7	422.8
Total	825.4	1,306.8	1,909.3	2,561.4

The development of the revenue by region for the three and six months period ended 30 June 2020 and 2019 was as follows:

<i>In millions of EUR</i>	1 Apr - 30 Jun 2020	1 Apr - 30 Jun 2019	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
EMEA	268.9	407.0	648.3	837.9
Americas	273.4	485.0	667.6	961.5
Asia	283.1	414.8	593.4	762.0
Total	825.4	1,306.8	1,909.3	2,561.4

The second and third quarter sales tend to be the highest of the calendar year, but that seasonal effect can be impacted by turnaround activities and anticipated feedstock price movements.

INEOS Styrolution is a chemical company producing and selling chemical products. The timing of revenue recognition for the vast majority of the Group's sale transactions is at a point in time.

4. Property, plant and equipment

In the six month period ended 30 June 2020, the Company acquired EUR 171.7 million (YTD 30 June 2019: EUR 85.5 million) of property, plant and equipment. Investments in property, plant and equipment in 2020 mainly include the new ASA Specialties plant in Houston and the conversion of a Polystyrene line to a mass ABS line in France.

5. Financial Indebtedness

<i>In millions of EUR</i>	30 June 2020	31 December 2019
Deposit bank facility	355.7	-
Institutional term loans*	1.8	7.3
Lease liability	20.1	21.1
Short term borrowings other	7.5	7.5
Current financial indebtedness	385.1	35.9
Senior secured note	600.0	-
Institutional term loans*	627.6	611.4
Lease liability	119.2	125.1
Borrowings from asset securitisation programme	-	190.0
Non-current financial indebtedness	1,346.8	926.5
Total gross debt	1,731.9	962.4
Discount and capitalised financing costs	(12.3)	(1.2)
Financial indebtedness	1,719.6	961.2

* Term Loans are denominated in EUR and USD.

Net finance costs

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

<i>In millions of EUR</i>	1 Apr - 30 Jun 2020	1 Apr - 30 Jun 2019	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
Interest payable and other finance charges	(9.0)	(6.6)	(16.8)	(13.5)
Interest payable on lease liabilities	(1.8)	(2.0)	(3.6)	(4.0)
Amortisation of issue costs	(0.5)	(0.1)	(2.0)	(0.2)
Interest on employee benefit liabilities	(0.4)	(0.6)	(0.9)	(1.1)
Net fair value gain / (loss) on derivatives	5.4	(1.4)	(1.6)	3.3
Other interest receivables	0.5	3.3	1.8	5.9
Net finance costs before exchange movements	(5.8)	(7.4)	(23.1)	(9.6)
Exchange movements	(4.8)	(2.3)	(8.0)	4.0
Total net finance costs	(10.6)	(9.7)	(31.1)	(5.6)

The net finance costs before exchange movements decreased in the second quarter of 2020 to EUR (5.8) million compared to EUR (7.4) million in the second quarter of 2019. The main reason for this decrease was a positive result in the derivative valuation, partially offset by an increase of interest payable for the term loans and the bond.

In the second quarter of 2020, the Company recorded net losses from foreign exchange valuation of mainly translation effects from intercompany loans, including financing between consolidated subsidiaries, of EUR (4.8) million (Q2 2019: EUR 2.3 million loss).

6. 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 ('INEOS'), the ultimate parent company of INEOS Styrolution Holding Limited; and

- Key management personnel.

<i>In millions of EUR</i>	Transaction value	Balance outstanding	Transaction value	Balance outstanding
	1 Jan - 30 Jun 2020	30 Jun 2020	1 Jan - 30 Jun 2019	30 Jun 2019
Sale of products				
INEOS entities	27.8		35.7	
Purchase of raw materials				
INEOS entities	119.2		180.9	
Services received				
INEOS entities	21.5		20.5	
Trade and other receivables				
INEOS entities		2.2		9.2
Shareholder		-		467.6
Trade and other payables				
INEOS entities		(29.9)		(63.5)

7. Income tax expense

Income tax expense is recognised based on management's best estimate of the income tax rate expected for the year 2020 applied to the income before taxes of the second quarter 2020. The Group's year-to-date consolidated tax rate for 2020 is 34.3%. The effective tax rate is higher compared to the comparable low rate of 18.0% in the comparative period in 2019 due to true-ups of the previous year tax expenses and foreign exchange translation effects on taxes that are calculated in the local currency that is different from the functional currency of the entity.

8. Financial Instruments

The carrying amount of all financial instruments is a reasonable approximation of the fair value.

The financial assets/liabilities categorised 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 and financial liability is zero (30 June 2020).

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 asset is EUR 0.2 million and the carrying amount of the financial liability is EUR 3.6 million as of 30 June 2020. 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 0.7 million higher (i.e. the Fair Market Value of the open styrene monomer derivatives would have been EUR 4.3 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 0.7 million lower (the fair market value of the open styrene monomer derivatives would have been EUR 2.9 million).

30 June 2020

Amounts recognised in the statement of
financial position

In millions of EUR						
	Category*	Level	Carrying amounts	Amortised cost	Fair value recognised in equity	Fair value recognised in profit or loss
Assets						
Trade receivables	AMC		359.1	359.1	-	-
Cash and cash equivalents	AMC		380.1	380.1	-	-
Other assets			463.4	463.4	-	-
of which long-term	AMC		6.3	6.3	-	-
of which short-term	AMC		457.1	457.1	-	-
of which: Derivatives	FVTPL	2	-	-	-	-
of which: Derivatives	FVTPL	3	0.2	-	-	(0.1)
Liabilities						
Trade payables	AMC		305.7	305.7	-	-
Financial indebtedness	AMC		1,719.6	1,719.6	-	-
Other short-term liabilities	AMC		157.5	157.5	-	-
of which: Derivatives	FVTPL	2	-	-	-	-
of which: Derivatives	FVTPL	3	3.6	-	-	(1.5)

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

31 December 2019

As of 31 December 2019, there were no financial assets or liabilities categorised as FVTPL assigned to Level 2. EUR 0.3 million financial assets and EUR 2.1 million financial liabilities were categorised as FVTPL assigned to Level 3 as of 31 December 2019.

All other financial assets and liabilities as of 31 December 2019 were stated at amortised 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, CNY, INR and KRW.

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

9. Subsequent events

INEOS Styrolution is closely monitoring the evolution of the COVID-19 pandemic and is following the World Health Organisation advices to ensure the health and safety of its employees. The effect the virus will have on the global economy and styrenics industry is difficult to assess at this point in time. INEOS Styrolution has implemented a number of measures to conserve cash during this uncertain period and has implemented policies to control all discretionary fixed costs. Management has reviewed all capital projects and taken decisions to defer or reduce discretionary expenditure where it is safe to do so. In addition, INEOS Styrolution has applied for corporate tax refunds and deferrals where available.

On 29 June 2020, INEOS has announced its intention to acquire BP's global Aromatics and Acetyls business. The business consists of 15 sites including joint ventures across the world (5 in the Americas, 2 in Europe and 8 in Asia). The closing of the transaction is subject to competition authority clearance.

No further significant subsequent events occurred for the period between the reporting date of these Consolidated Financial Statements and their authorisation by the Board of Directors on 30 July 2020.

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 realise 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 SECOND QUARTER 2020
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 second quarters of 2020 and 2019.

<i>In millions of EUR</i>	1 Apr - 30 Jun 2020	1 Apr - 30 Jun 2019	%	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019	%
Revenue	825.4	1,306.8	(36.8)	1,909.3	2,561.4	(25.5)
Cost of sales	(698.0)	(1,041.2)	(33.0)	(1,594.1)	(2,049.7)	(22.2)
Gross profit	127.4	265.6	(52.0)	315.2	511.7	(38.4)
Selling and distribution expenses	(64.7)	(75.0)	(13.7)	(139.3)	(149.5)	(6.8)
General and administrative expenses	(25.8)	(29.9)	(13.7)	(55.3)	(58.7)	(5.8)
Research and development expenses	(3.2)	(3.4)	(5.9)	(6.2)	(6.3)	(1.6)
Other operating expense	(0.7)	-	-	(3.1)	(1.8)	72.2
Operating profit	33.0	157.3	(79.0)	111.3	295.4	(62.3)
Interest income	0.5	1.9	(73.7)	1.8	9.4	(80.9)
Interest expense	(6.3)	(9.3)	(32.3)	(24.9)	(19.0)	31.1
Exchange movements	(4.8)	(2.3)	>100.0	(8.0)	4.0	n/a
Net finance costs	(10.6)	(9.7)	9.3	(31.1)	(5.6)	>100.0
		-				
Income before income tax	22.4	147.6	(84.8)	80.2	289.8	(72.3)
Income tax expense	(8.7)	(30.1)	(71.1)	(27.5)	(52.2)	(47.3)
Net income	13.7	117.5	(88.3)	52.7	237.6	(77.8)
Attributable to:						
Non-controlling interests	(0.5)	0.3	n/a	(0.6)	(0.1)	>100.0
Owners of the company	14.2	117.2	(87.9)	53.3	237.7	(77.6)

Revenue in the second quarter of 2020 was EUR 825.4 million, which is a decrease of EUR (481.4) million or (36.8)% compared to EUR 1,306.8 million in the second quarter of 2019. Revenue declined because of lower sales volumes and lower raw material price base for our raw material inputs, mainly benzene and styrene monomer. These reductions in raw material prices were also reflected in the sales prices.

External sales volumes were 802kt, which is a decrease of 18.0% compared to 978kt in the second quarter of 2019. The decrease mainly came from lower Styrene sales due to capacity increases and a weak downstream demand. Polymer sales volumes decreased in the second quarter of 2020 compared to the same period last year because of competitive markets and COVID-19 impacts. For Specialties, lockdown measures from COVID-19 negatively impacted the demand in all regions. The ABS Standard sales improved in Asia and were stable in EMEA compared to the second half of 2019 as the demand increased. Similarly, Polystyrene sales volumes were stable compared to last year with strong demand in Asia mainly from early recovery of primarily China. In EMEA and Americas, customers restock their inventories due to low sales prices. However, challenging market conditions and weaker downstream demand due to COVID-19 effects did offset this.

Revenue is not a key performance indicator in our business, while sales volumes are. The second quarter sales volumes tend to be the highest of the calendar year, but that seasonal effect can be impacted by turnaround activity and anticipated feedstock price movements.

Cost of Sales: Cost of sales decreased by EUR (343.2) million or (33.0)% to EUR (698.0) million in the second quarter 2020 compared to EUR (1,041.2) million in the previous year. The cost of sales decreased because of lower sales volumes and lower raw material prices.

Gross profit: Gross profit of the second quarter of 2020 decreased by EUR (138.2) million or (52.0)% to EUR 127.4 million compared to EUR 265.6 million in the same period of the previous year.

Styrene and Polymer demand reduced as markets weakened. The weaker demand put pressure on the gross margins of our commodity and standard products businesses. Our Specialties segment reported consistent gross margin results based on its diversified portfolio. Gross margins improved as feedstock prices declined and quarterly pricing was fixed.

The underlying styrene margins in the second quarter of 2020 were soft due to China capacity increase, weak downstream demand and negative COSA effects. However, the supply-demand balance improved during the second quarter of 2020 as underlying crude prices were stable and the derivative demand rebounded. Our Bayport, Texas plant was in scheduled turnaround while in the second quarter of 2019 all INEOS Styrolution plants were available. Gross profit was negatively impacted by EUR 71 million non-cash COSA ('Cost Of Sales Adjustment') loss in the second quarter of 2020 compared to a COSA gain in the second quarter of 2019 of EUR 20 million. The negative COSA effect or inventory holding result, was realised 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 decreased by EUR (10.3) million or (13.7)% to EUR (64.7) million in the second quarter of 2020 compared to EUR (75.0) million in the previous year due to lower sales volumes.

General and administrative expenses: General and administrative expenses in the second quarter of 2020 decreased by EUR 4.1 million or (13.7)% to EUR (25.8) million compared to EUR (29.9) million in the second quarter of 2019. During the second quarter of 2020, the management implemented measures to control all discretionary fixed costs and all non-essential recruitment has been halted, which lowered the general and administrative expenses compared to the the previous year.

Research and development expenses: Research and development expenses slightly decreased to EUR (3.2) million compared to EUR (3.4) million in the same period of 2019. 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 the Triple Shift growth strategy the Group continuously invests in new products and product applications.

Other operating expenses: Other operating expense was EUR (0.7) million, compared to nil in the previous year.

EBITDA before special items: EBITDA before special items decreased by EUR (126.8) million or (57.7)% from EUR 219.8 million in the second quarter of 2019 to EUR 93.0 million in the second quarter of 2020. The main reasons were the COSA losses due to sharp decline in raw material prices and the negative EBITDA effects of COVID-19.

The EBITDA before special items development of the product groups on a global level for the three and six months period ended 30 June 2020 was as follows:

<i>In millions of EUR</i>	1 Apr - 30 Jun 2020	1 Apr - 30 Jun 2019	%	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019	%
Polystyrene	51.0	66.6	(23.4)	85.3	121.3	(29.7)
ABS Standard	25.2	26.8	(6.0)	49.0	54.6	(10.3)
Specialties	24.7	52.3	(52.8)	82.3	102.1	(19.4)
Styrene Monomer	(7.9)	74.1	(110.7)	14.5	139.8	(89.6)
Total	93.0	219.8	(57.7)	231.1	417.8	(44.7)

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.

<i>In millions of EUR</i>	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
Cash flow from operating activities	242.3	302.4
Cash flow from investing activities	(532.0)	(679.5)
Cash flow from financing activities	385.3	84.3

Cash provided from operating activities

Cash provided from operating activities by INEOS Styrolution in the six months of 2020 was EUR 242.3 million. Positive cash flow was generated because of the solid business performance. Working capital requirements decreased in the first six months of 2020 compared to year-end 2019 due to weaker trading conditions and lower feedstock costs.

Cash used in investing activities

The total cash outflow for investing activities in the first six months of 2020 was EUR 532.0 million compared to EUR 679.5 million in the same period in 2019. Thereof, cash used for investments in property, plant and equipment as well as intangible assets was EUR 171.9 million. That is 100.5% higher than the amount spent in the same period of prior year (EUR 85.7 million). Investments in property, plant and equipment in 2020 mainly include the new ASA Specialties plant in Houston and the conversion of a Polystyrene line to a mass ABS line in France.

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

<i>In millions of EUR</i>	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019
TAR	(12.4)	(0.5)
Sustenance / SHE	(28.1)	(18.6)
Expansion	(131.2)	(66.4)
Intangible fixed assets	(0.2)	(0.2)
Total property, plant and equipment and Intangible fixed assets	(171.9)	(85.7)
Business acquisition, net of cash acquired	(361.8)	(133.6)
Other investing activities	1.7	(460.2)
Total cash used in investing activities	(532.0)	(679.5)

Cash used in financing activities

The total cash inflow for financing activities for the first six months of 2020 was EUR 385.3 million.

On 31 January 2020, the Group successfully completed an amend-and-extend transaction of the existing term loans increasing the principal amount of the EUR tranche to EUR 450 million while keeping the USD tranche at USD 202 million. In addition, the Group issued a fixed coupon senior secured note with a principal amount of EUR 600 million. The maturity of the instruments is January 2027.

On 4 February 2020, the Company's shareholder approved an interim dividend of EUR 350 million from INEOS Styrolution Holding Limited to the shareholder INEOS Industries Holdings Limited.

On 11 February 2020, the Group repaid the drawn amount under the securitisation programme in the amount of EUR 190 million.

On 25 March 2020, the Company's shareholder approved an interim dividend of EUR 5 million from INEOS Styrolution Holding Limited to the shareholder INEOS Industries Holdings Limited.

On 26 June 2020, the Company's shareholder approved an interim dividend of EUR 5 million from INEOS Styrolution Holding Limited to the shareholder INEOS Industries Holdings Limited.

On 29 June 2020, the Group raised a loan facility of USD 400 million in connection with the deposit for the acquisition of the BP global Aromatics and Acetyls business.

Financing of INEOS Styrolution

The financing of the Group is through the issuance of a senior secured note, institutional term loans, a trade receivables securitisation 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 June 2020 of the Group was as follows (the amounts below differ from the consolidated statement of financial position due to the accounting for discounts and capitalised financing costs):

<i>In millions of EUR</i>	30 Jun 2020	31 Dec 2019
Senior secured note	600.0	-
Institutional term loans	629.4	618.7
Deposit bank facility	355.7	-
Borrowings from asset securitisation programme	-	190.0
Lease liability	139.3	146.2
Other borrowings	7.5	7.5
Total gross debt	1,731.9	962.4
Cash and cash equivalents	(380.1)	(289.7)
Net Debt*	1,351.8	672.7

* 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 amortised over the term of the loans. Term Loans are denominated in EUR and USD.