INEOS GROUP HOLDINGS S.A.

Three month period ended March 31, 2018

INEOS GROUP HOLDINGS S.A.
INCOME STATEMENT (UNAUDITED)

	Three-Month Period Ended March 31,	
	2018	**2017**
	(€ in millions)	
Revenue	**3,990.6**	**4,008.0**
Cost of sales	(3,342.7)	(3,228.9)
Gross profit	**647.9**	**779.1**
Distribution costs	(52.5)	(51.8)
Administrative expenses	(86.3)	(89.4)
Operating profit	**509.1**	**637.9**
Share of profit of associates and jointly controlled entities using the equity accounting method	9.5	42.9
Profit before net finance costs	**518.6**	**680.8**
Finance income	19.8	20.9
Finance costs	19.3	(43.6)
Exceptional finance costs	-	(44.1)
Profit before tax	**557.7**	**614.0**
Tax charge	(98.7)	(142.7)
Profit for the period	**459.0**	**471.3**

The notes on pages 7 to 16 are an integral part of these interim condensed consolidated financial statements.

INEOS GROUP HOLDINGS S.A.
STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Three-Month Period Ended March 31,	
	2018	**2017**
	(€ in millions)	
Profit for the period	459.0	471.3
Other comprehensive income/(expense):		
Items that will not be recycled to profit and loss:		
Remeasurement of post employment benefit obligations net of tax	17.0	18.0
Items that may subsequently be recycled to profit and loss:		
Foreign exchange translation differences	17.6	24.4
Net loss on hedge of net investment in foreign operations net of tax	(172.5)	(109.6)
Other comprehensive expense for the period net of tax	**(154.9)**	**(85.2)**
Total comprehensive income for the period	**321.1**	**404.1**

The three month period ended March 31, 2017 has been restated in order to recognise the actuarial movement on the pension liability as at March 31, 2017.

The notes on pages 7 to 16 are an integral part of these interim condensed consolidated financial statements.

INEOS GROUP HOLDINGS S.A.
CONSOLIDATED BALANCE SHEETS

	March 31, 2018	December 31, 2017
	(Unaudited)	
	(€ in millions)	
Non-current assets		
Property, plant and equipment	4,288.1	4,255.4
Intangible assets	717.5	731.6
Investments in equity-accounted investees	357.0	351.1
Financial assets at fair value through profit or loss	226.6	-
Other investments	-	238.5
Financial assets at fair value through other comprehensive income	28.3	-
Other financial assets	-	28.3
Other receivables	964.7	957.4
Deferred tax assets	156.5	160.2
	6,738.7	6,722.5
Current assets		
Inventories	1,273.2	1,246.5
Trade and other receivables	1,846.0	1,712.9
Cash and cash equivalents	1,484.2	1,366.3
	4,603.4	4,325.7
Total assets	**11,342.1**	**11,048.2**
Equity attributable to owners of the parent		
Share capital	0.9	0.9
Share premium	779.4	779.4
Other reserves	(2,321.1)	(2,183.2)
Retained earnings	3,552.6	3,099.7
Total equity	**2,011.8**	**1,696.8**
Non-current liabilities		
Interest-bearing loans and borrowings	6,057.8	6,094.9
Trade and other payables	122.3	120.1
Employee benefits	684.5	701.0
Provisions	27.1	28.8
Deferred tax liabilities	201.6	202.3
Other financial liabilities	1.1	2.3
	7,094.4	7,149.4
Current liabilities		
Interest-bearing loans and borrowings	60.8	63.0
Trade and other payables	1,857.1	1,877.9
Tax payable	298.8	248.4
Other financial liabilities	7.8	0.2
Provisions	11.4	12.5
	2,235.9	2,202.0
Total liabilities	**9,330.3**	**9,351.4**
Total equity and liabilities	**11,342.1**	**11,048.2**

The notes on pages 7 to 16 are an integral part of these interim condensed consolidated financial statements.

INEOS GROUP HOLDINGS S.A.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
			(€ in millions)		
Balance at 31 December 2017	**0.9**	**779.4**	**(2,183.2)**	**3,099.7**	**1,696.8**
Impact of new accounting standards (see Note 2)	-	-	-	(6.1)	(6.1)
Restated total equity at the beginning of the financial year	**0.9**	**779.4**	**(2,183.2)**	**3,093.6**	**1,690.7**
Profit for the period	-	-	-	459.0	459.0
Other comprehensive income/(expense):					
Remeasurement of post employment benefit obligations net of tax	-	-	17.0	-	17.0
Foreign exchange translation differences	-	-	17.6	-	17.6
Net loss on hedge of net investment in foreign operations	-	-	(172.5)	-	(172.5)
Balance at 31 March 2018	**0.9**	**779.4**	**(2,321.1)**	**3,552.6**	**2,011.8**

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
			(€ in millions)		
Balance at 31 December 2016	**0.9**	**779.4**	**(1,712.5)**	**1,362.3**	**430.1**
Profit for the period	-	-	-	471.3	471.3
Other comprehensive income/(expense):					
Foreign exchange translation differences	-	-	24.4	-	24.4
Net loss on hedge of net investment in foreign operations	-	-	(109.6)	-	(109.6)
Remeasurement of post employment benefit obligations net of tax	-	-	18.0	-	18.0
Balance at 31 March 2017	**0.9**	**779.4**	**(1,779.7)**	**1,833.6**	**834.2**

The three month period ended March 31, 2017 has been restated in order to recognise the actuarial movement on the pension liability as at March 31, 2017.

The notes on pages 7 to 16 are an integral part of these interim condensed consolidated financial statements.

INEOS GROUP HOLDINGS S.A.
STATEMENT OF CASH FLOWS (UNAUDITED)

	Three-Month Period Ended March 31,	
	2018	**2017**
	(€ in millions)	
Cash flows from operating activities		
Profit before tax	557.7	614.0
Adjustments for:		
Depreciation, amortisation and impairment	109.0	114.8
Net finance (income)/cost	(39.1)	66.6
Share of profit of equity-accounted investees	(9.5)	(42.9)
Increase in trade and other receivables	(211.9)	(432.8)
Increase in inventories	(45.4)	(83.8)
Increase in trade and other payables	50.2	195.7
Increase/(decrease) in provisions and employee benefits	0.2	(2.2)
Tax paid	(15.0)	(28.1)
Net cash from operating activities	**396.2**	**401.3**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	3.4
Proceeds from sale of investments	0.1	0.9
Interest and other finance income received	2.4	6.3
Acquisition of property, plant and equipment	(212.0)	(161.2)
Acquisition of other investments	-	(13.3)
Net cash used in investing activities	**(209.5)**	**(163.9)**
Cash flows from financing activities		
Securitisation Facility	0.1	(0.9)
Redemption of Senior Notes	-	(1,151.9)
Refinancing of Senior Secured Term Loans	-	(79.0)
Issue costs	-	(10.0)
Interest paid	(58.2)	(130.7)
Repayment of loans	(16.5)	(19.1)
Proceeds from other loans	40.3	-
Net cash used in financing activities	**(34.3)**	**(1,391.6)**
Net increase/(decrease) in cash and cash equivalents	152.4	(1,154.2)
Cash and cash equivalents at 1 January	1,366.3	2,204.1
Effect of exchange rate fluctuations on cash held	(34.5)	(37.7)
Cash and cash equivalents at March 31	**1,484.2**	**1,012.2**

The notes on pages 7 to 16 are an integral part of these interim condensed consolidated financial statements.

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements include INEOS Group Holdings S.A. and all its subsidiaries (together referred to as the "Group"). Intra-group transactions and balances have been eliminated on consolidation. The financial and operating results for any period less than a year are not necessarily indicative of the results that may be expected for a full year. The Group does not experience any significant seasonality in its operating results.

The accompanying interim condensed consolidated financial statements of the Group are unaudited.

2. PRINCIPAL ACCOUNTING POLICIES

The financial information has been prepared and approved by the directors in accordance with IAS 34 "Interim financial reporting" as adopted by the European Union in response to the IAS regulation (EC 1606/2002) effective from January 1, 2018. In compliance with IAS 34, the Company has opted for a condensed scope of reporting in the interim financial statements compared with the consolidated annual financial statements. The accounting policies are set out in the INEOS Group Holdings S.A. annual report for the year ended December 31, 2017, although from January 1, 2018 the Group has applied IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* for the first time.

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The impact of adopting IFRS 9 has resulted in the following adjustments or reclassifications:

The Group's non-voting preferred partnership interest in Ineos Investments Partnership, an entity held under common control by the Group's ultimate shareholders was previously held at amortised cost under IAS 39; however under IFRS 9 it has been designated as a financial asset at fair value through profit or loss. The remeasurement of this investment under IFRS 9 has resulted in an adjustment to opening equity of €6.1 million as at 1 January 2018. The carrying value of this financial asset measured at fair value through the profit and loss was €226.6 million as at March 31, 2018.

The Group's equity investments which are held for long-term strategic purposes were previously classified as available-for-sale and held at amortised cost; however under IFRS 9 the Group has designated these investments as financial assets at fair value through other comprehensive income. The carrying value of these financial assets measured at fair value through other comprehensive income was €28.3 million as at March 31, 2018.

IFRS 9 requires the use of an expected loss model in assessing the recoverability of trade receivables. Due to the quality of the Group's trade receivables and its low history of bad debts the application of IFRS 9 has not resulted in a material change to the allowance for impairment in respect of trade receivables.

In applying IFRS 9 there have been no other material changes. As a result of the adoption of the new accounting standard, the Group has taken the exemption not to apply IFRS 9 retrospectively, and as such any comparative figures from January 1, 2017 to December 31, 2017 have not been restated.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised and replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 introduces a five-step model to determine when to recognise revenue and at what amount, based on transfer of control over goods or services to the customer.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has applied IFRS 15 retrospectively with the effect of initially applying the standard at the date of the earliest comparative period, taking advantage of the four practical expedients offered on transition to IFRS 15. As a result of adopting IFRS 15 there have been no material changes to the financial statements presented in this report.

3. SEGMENTAL INFORMATION

Class of business

The Group reports under three business segments: O&P North America, O&P Europe and Chemical Intermediates.

The revenue and operating profit attributable to each different class of business as measured under IFRS is as follows:

	Three-Month Period Ended March 31,	
	2018	2017
	(€ in millions)	
Revenue		
O&P North America	910.9	975.9
O&P Europe	1,578.3	1,531.1
Chemical Intermediates	2,047.4	2,006.9
Eliminations	(546.0)	(505.9)
	3,990.6	4,008.0
EBITDA before exceptionals		
O&P North America	183.3	284.3
O&P Europe	191.7	220.7
Chemical Intermediates	243.1	247.7
	618.1	752.7

Reconciliation of earnings from continuing operations before operating exceptional items, interest, taxation, depreciation and amortisation (‘EBITDA before exceptionals’) to operating profit:

	Three-Month Period Ended March 31,	
	2018	2017
	(€ in millions)	
EBITDA before exceptionals	618.1	752.7
Depreciation and amortisation	(109.0)	(114.8)
Operating profit	509.1	637.9

4. FINANCE COSTS

	Three-Month Period Ended March 31,	
	2018	2017
	(€ in millions)	
Interest payable on senior notes	25.1	34.3
Interest payable on bank loans and overdrafts	25.7	43.2
Interest payable on securitisation	2.0	2.0
Amortisation of issue costs	1.4	1.6
Other finance charges	4.5	5.7
Net fair value loss on derivatives	6.5	6.0
Finance costs before exchange movements	65.2	92.8
Exchange movements	(84.5)	(49.2)
Total finance costs	(19.3)	43.6

The exchange movements reflect net foreign exchange gains or losses associated with short term intra group funding.

5. EXCEPTIONAL FINANCE COSTS

In February 2017, the Group completed a refinancing of the Senior Secured Term Loans and the redemption of the Senior Notes due 2019 (see Note 8). The Group has assessed that the refinancing of the Senior Secured Term Loans represented a substantial modification and resulted in the extinguishment of the existing debt. As a result the existing debt has been derecognised and the modified debt recognised at fair value. Due to the substantial modification of the Senior Secured Term Loans, the unamortised issue costs of €23.6 million at this date were written off as exceptional finance costs. Following the early redemption of the Senior Notes due 2019, an exceptional finance cost of €20.5 million has been recognised, which includes an early prepayment premium of €16.7 million and the write-off of deferred issue costs associated with the redeemed Notes of €3.8 million.

6. TAXATION

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

After adjusting for the profit from the share of associates and jointly controlled entities, the effective tax rate of approximately 18% for the first three months of 2018 reflects the anticipated tax rate for the Group for the full year. The reduction in the Group’s effective tax rate is primarily due to US tax reforms, which have reduced the US tax rate (federal and state) from 38% to 22% with effect from January 1, 2018. After adjusting for the profit from the share of associates and jointly controlled entities the effective rate in the same period in 2017 was approximately 25%, which reflected the anticipated tax rate for the full year.

7. INVENTORIES

	March 31, 2018	December 31, 2017
	(€ in millions)	
Raw materials and consumables	459.0	439.7
Work in progress	21.7	22.8
Finished products	792.5	784.0
	1,273.2	1,246.5

8. BORROWINGS

Borrowing obligations as of March 31, 2018 and December 31, 2017 are as follows:

	March 31, 2018	December 31, 2017
	(€ in millions)	
Non-current liabilities		
Senior Secured Term Loans	3,351.2	3,404.4
Senior Secured Notes due 2023	765.1	764.8
Senior Secured Notes due 2025	544.3	544.2
Senior Notes due 2024	1,046.7	1,060.4
Securitisation Facility	279.0	282.5
Koln CoGen Facility	40.3	-
Noretyl Facility	20.2	27.0
Finance lease liabilities	1.1	1.2
Other loans	9.9	10.4
	6,057.8	6,094.9

	March 31, 2018	December 31, 2017
Current liabilities		
Current portion of borrowings under Senior Secured Term Loans	31.9	33.2
Noretyl Facility	26.9	26.9
Other loans	1.9	2.8
Current portion of finance lease liabilities	0.1	0.1
	60.8	63.0

	March 31, 2018		
	Gross loans and borrowings	Issue costs	Net loans and borrowings
		(€ in millions)	
Senior Secured Term Loans	3,395.5	(12.4)	3,383.1
Senior Secured Notes due 2023	770.0	(4.9)	765.1
Senior Secured Notes due 2025	550.0	(5.7)	544.3
Senior Notes due 2024	1,054.8	(8.1)	1,046.7
Securitisation Facility	280.6	(1.6)	279.0
Koln CoGen Facility	40.3	-	40.3
Noretyl Facility	48.1	(1.0)	47.1
Other	13.0	-	13.0
	6,152.3	(33.7)	6,118.6

8. BORROWINGS (Continued)

	December 31, 2017		
	Gross loans and borrowings	Issue costs	Net loans and borrowings
		(€ in millions)	
Senior Secured Term Loans	3,450.5	(12.9)	3,437.6
Senior Secured Notes due 2023	770.0	(5.2)	764.8
Senior Secured Notes due 2025	550.0	(5.8)	544.2
Senior Notes due 2024	1,068.8	(8.4)	1,060.4
Securitisation Facility	284.2	(1.7)	282.5
Noretyl Facility	55.0	(1.1)	53.9
Other	14.5	-	14.5
	6,193.0	(35.1)	6,157.9

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity
Senior Secured Term Loans	$/€	LIBOR/EURIBOR plus 2.00%	2024
Senior Secured Notes	€	2.125%/4.0%	2023-2025
Senior Notes	$/€	5.375%-5.625%	2024
Securitisation Facility	$/€/£	Variable	2020
Koln CoGen Facility	€	2.85%	2024
Noretyl Facility	€	EURIBOR plus 2.75%	2019
Other	€/$	3.75 – 9.0%	2018-2024

Senior Secured Term Loans

The Group has outstanding borrowings under a senior credit facilities agreement (the 'Senior Secured Term Loans' or 'Term Loans') dated April 27, 2012 (as amended and restated). The Term Loans are denominated in both Euros and US dollars with tranches maturing in 2024.

In February 2017, the Group completed a refinancing of the Senior Secured Term Loans. The Term Loans due 2018 were repaid in full, the Term Loans due 2020 were extended to March 2022 and a new tranche of €1.4 billion Term Loans due 2024 were issued. The entire facility was repriced and the Applicable Margin on the Euro denominated Term Loans was reduced to 2.50% and on the US dollar denominated Term Loans was reduced to 2.75%. The LIBOR floor was also reduced to 0.75% on the Euro denominated Term Loans and was removed for the US dollar denominated Term Loans.

As a result of the substantial modification of the Senior Secured Term Loans, the unamortised issue costs at this date of €23.6 million were written off (see Note 5).

In November 2017 the Group issued €550 million of Senior Secured Notes due 2025. The proceeds from the new Notes, along with the proceeds from the full repayment of the Styrolution Term Loan (see Note 10), were used to partially repay the Senior Secured Term Loans. The remaining Term Loans were refinanced with a lower interest margin and a new maturity date of March 31, 2024.

The Senior Secured Term Loans outstanding at March 31, 2018 before issue costs were €3,395.5 million (December 31, 2017: €3,450.5 million) of which €34.0 million (December 31, 2017: €34.5 million) is due within one year. The total amounts outstanding on the Euro denominated Term Loans were €2,054.9 million (December 31, 2017: €2,060.0 million) and the USD denominated Term Loans due 2024 were €1,340.6 million (December 31, 2017: €1,390.5 million).

The Term Loans are to be repaid in equal quarterly instalments, in aggregate annual amounts equal to 1% of the original principal amount of the Term Loans. The Term Loans mature on March 31, 2024.

8. BORROWINGS (Continued)

The outstanding Term Loans denominated in US dollars bear interest at a rate per annum equal to LIBOR plus the Applicable Margin. The Term Loans denominated in Euros bear interest at a rate per annum equal to EURIBOR (subject to a floor of 0.50% per annum) plus the Applicable Margin.

As at March 31, 2018 the Applicable Margin for the Euro denominated Term Loans and the US dollar denominated Term Loans was 2.00%.

The Senior Secured Term Loans rank pari passu with the Senior Secured Notes due 2023 and the Senior Secured Notes due 2025 and are structurally senior to the Senior Notes due 2024. The notes are guaranteed by INEOS Group Holdings S.A., INEOS Holdings Limited and certain of their subsidiaries on a senior secured basis. The Term Loans and the guarantees are secured by first ranking liens on the same assets (subject to certain exceptions) that secure INEOS Holdings Limited's obligations under the senior secured notes.

The Term Loans have numerous customary operating and financial incurrence covenants including covenants relating to, among other things, limitations on indebtedness, ability to give guarantees, creation of security interests, making acquisitions and investments, disposing of assets and paying dividends. The Term Loans have no financial maintenance covenants.

The Senior Secured Term Loans are stated net of debt issue costs of €12.4 million (December 31, 2017: €12.9 million). These costs are allocated to the profit and loss account over the term of the Term Loans in accordance with IFRS 9 – Financial Instruments.

Senior Secured Notes due 2023

In May 2015, the Group issued €770 million of Senior Secured Notes due 2023. The Senior Secured Notes due 2023 are listed on the Luxembourg Stock Exchange. The Senior Secured Notes due 2023 bear interest at 4.0% per annum, payable semi-annually in arrears on May 1 and November 1 of each year. Unless previously redeemed as noted below, the Senior Secured Notes due 2023 will be redeemed by the Group at their principal amount on May 1, 2023.

The Senior Secured Notes due 2023 will be subject to redemption at any time on or after May 1, 2018, at the option of the Issuer, in whole or in part, on not less than 30 nor more than 60 days' prior notice at the following redemption prices (expressed as percentages of the aggregate principal amount), if redeemed during the 12-month period beginning May 1 of the year indicated below:

Year	Redemption Price
2018	102.000%
2019	101.000%
2020 and thereafter	100.000%

In each case, the redemption premium will be in addition to accrued and unpaid interest, if any, to the redemption date (subject to the rights of holders of record on relevant record dates to receive interest due on an interest payment date).

The Senior Secured Notes due 2023 rank pari passu with the Senior Secured Term Loans and Senior Secured Notes due 2025 and are structurally senior to the Senior Notes due 2024. The notes are guaranteed by INEOS Group Holdings S.A., INEOS Holdings Limited and certain of their subsidiaries on a senior secured basis. The notes and the guarantees are secured by first ranking liens on the same assets (subject to certain exceptions) that secure INEOS Holdings Limited's obligations under the Senior Secured Term Loans.

The Indenture contains a number of operating and financial covenants including limitations on indebtedness, restricted payments, transactions with affiliates, liens, sale of assets and dividend payments.

8. BORROWINGS (Continued)

The Senior Secured Notes due 2023 are stated net of debt issue costs of €4.9 million (December 31, 2017: €5.2 million). These costs are allocated to the profit and loss account over the term of the Senior Secured Notes due 2023 in accordance with IFRS 9 – Financial Instruments.

Senior Secured Notes due 2025

In November 2017 the Group issued €550 million of Senior Secured Notes due 2025. The proceeds from the new Notes were used to partially repay the Senior Secured Term Loans. The Senior Secured Notes due 2025 are listed on the Luxembourg Stock Exchange. The Senior Secured Notes due 2025 bear interest at 2.125% per annum, payable semi-annually in arrears on May 15 and November 15 of each year. Unless previously redeemed as noted below, the Senior Secured Notes due 2025 will be redeemed by the Group at their principal amount on November 15, 2025.

The Senior Secured Notes due 2025 will be subject to redemption at any time on or after November 15, 2020, at the option of the Issuer, in whole or in part, on not less than 10 nor more than 60 days' prior notice at the following redemption prices (expressed as percentages of the aggregate principal amount), if redeemed during the 12-month period beginning November 15 of the year indicated below:

Year	Redemption Price
2020	101.0625%
2021	100.53125%
2022 and thereafter	100.000%

In each case, the redemption premium will be in addition to accrued and unpaid interest, if any, to the redemption date (subject to the rights of holders of record on relevant record dates to receive interest due on an interest payment date).

The Senior Secured Notes due 2025 rank pari passu with the Senior Secured Term Loans and Senior Secured Notes due 2023 and are structurally senior to the Senior Notes due 2024. The notes are guaranteed by INEOS Group Holdings S.A., INEOS Holdings Limited and certain of their subsidiaries on a senior secured basis. The notes and the guarantees are secured by first ranking liens on the same assets (subject to certain exceptions) that secure INEOS Holdings Limited's obligations under the Senior Secured Term Loans.

The Indenture contains a number of operating and financial covenants including limitations on indebtedness, restricted payments, transactions with affiliates, liens, sale of assets and dividend payments.

The Senior Secured Notes due 2025 are stated net of debt issue costs of €5.7 million (December 31, 2017: €5.8 million). These costs are allocated to the profit and loss account over the term of the Senior Secured Notes due 2025 in accordance with IFRS 9 – Financial Instruments.

Senior Notes due 2019

On March 1, 2017 the Group redeemed in full the Senior Notes due 2019 with the proceeds from the issuance of the Senior Secured Term Loans due 2024. Before redemption the Senior Notes due 2019 were listed on the Luxembourg Stock Exchange and comprised of €600 million Senior Notes due 2019 (the "Euro Notes") and $590 million Senior Notes due 2019 (the "Dollar Notes"). The Senior Notes due 2019 bore interest at 5.75% per annum for the Euro Notes and 5.875% for the Dollar Notes, payable semi-annually in arrears on 15 February and 15 August of each year.

Following the full redemption of the Senior Notes due 2019 unamortised debt issue costs of €3.8 million were charged to exceptional finance costs in March 2017 (see Note 5).

8. BORROWINGS (Continued)

Senior Notes due 2024

The Senior Notes due 2024 are listed on the Luxembourg Stock Exchange and comprise €650 million Senior Notes due 2024 (the "Euro Notes") and $500 million Senior Notes due 2024 (the "Dollar Notes"). The Senior Notes due 2024 bear interest at 5.375% per annum for the Euro Notes and 5.625% for the Dollar Notes, payable semi-annually in arrears on 1 February and 1 August of each year.

Unless previously redeemed as noted below, the Senior Notes due 2024 will be redeemed by the Group at their principal amount on 1 August 2024.

The Senior Notes due 2024 are subject to redemption at the option of the Group, in whole or in part, at the following redemption prices (expressed as percentages of the principal amount), if redeemed during the 12-month period beginning 1 August of the years indicated below:

Year	Euro Notes redemption price	Dollar Notes redemption price
2019	102.688%	102.813%
2020	101.344%	101.406%
2021 and thereafter	100.000%	100.000%

In each case, the redemption premium will be in addition to accrued and unpaid interest, if any, to the redemption date (subject to the rights of holders of record on relevant record dates to receive interest due on an interest payment date).

The Senior Notes due 2024 are secured by junior pledges of all of the shares of INEOS Holdings Limited. The Senior Notes due 2024 are guaranteed by INEOS Holdings Limited and its material operating subsidiaries on an unsecured senior subordinated basis. Such guarantees only become due 179 days after an event of default on the Senior Notes due 2024 has occurred or earlier under certain circumstances.

The Indenture contains a number of operating and financial covenants including limitations on indebtedness, restricted payments, transactions with affiliates, liens, sale of assets and dividend payments.

The Senior Notes due 2024 are stated net of debt issue costs of €8.1 million (December 31, 2017: €8.4 million). These costs are allocated to the profit and loss account over the term of the Senior Notes due 2024 in accordance with IFRS 9 – Financial Instruments.

Receivables Securitisation Facility

The Company has entered into a €800 million receivables securitisation facilities agreement ("Receivables Securitisation Facility") which matures in December 2020. The total amount outstanding at March 31, 2018 before issue costs was €280.6 million (December 31, 2017: €284.2 million). The facility is secured by pledges over the trade receivables sold in to the programme. Interest is charged on the facility at a rate per annum of either EURIBOR or short term commercial paper rates plus a margin.

The Receivables Securitisation Facility is stated net of debt issue costs of €1.6 million (December 31, 2017: €1.7 million).

Koln CoGen Facility

As part of a project at the Group's Koln site to replace part of its incineration or cogeneration unit, the Group has entered into a €120 million loan facility ("Koln CoGen Facility"). The facility matures in December 2024. There are no scheduled interest or amortization payments during the first two years of the facility. The total amount outstanding at March 31, 2018 was €40.3 million.

The Koln CoGen Facility is to be repaid in equal quarterly instalments of €6 million, starting from December 2019. The facility is secured by pledges over the plant and equipment of INEOS Manufacturing Deutschland GmbH's new cogeneration assets. The outstanding Koln CoGen Facility

8. BORROWINGS (Continued)

bears a fixed interest rate of 2.85% per annum.

Noretyl Facility
As part of the Group's purchase of the remaining 50% interest in the Noretyl ethylene cracker at Rafnes, Norway from the Kerling group on July 1, 2015, the Group also assumed the obligations of a €140 million loan facility ("Noretyl Facility") that Noretyl had in place. The total amount outstanding at March 31, 2018 before issue costs was €48.1 million (December 31, 2017: €55.0 million), of which €27.5 million (December 31, 2017: €27.5 million) is due within one year.

The Noretyl Facility is to be repaid in equal quarterly instalments, in aggregate annual amounts equal to 6.25% of the original principal amount of the facility starting on March 31, 2016. The facility matures in December 2019. The facility is secured by pledges over the property, plant and equipment of Noretyl AS. The outstanding Noretyl Facility will bear interest a rate per annum equal to EURIBOR (subject to a floor of 0% per annum) plus a margin of 2.75%.

The Noretyl Facility is stated net of debt issue costs of €1.0 million (December 31, 2017: €1.1 million).

9. CONTINGENCIES

The Company is subject to various proceedings instituted by governmental authorities arising under the provisions of applicable laws or regulations relating to the discharge of materials into the environment or otherwise relating to the protection of the environment. In management's opinion, none of the proceedings is material to the financial condition or results of operation of the Company.

10. RELATED PARTIES

Related parties comprise:

- Parent entities and their subsidiaries not included within the INEOS Group Holdings S.A. group;
- Entities controlled by the shareholders of INEOS Limited, the ultimate parent company of INEOS Group Holdings S.A.;
- Key management personnel; and
- Joint ventures.

Mr JA Ratcliffe, Mr AC Currie and Mr J Reece are shareholders in INEOS Limited.

INEOS AG, a subsidiary of INEOS Limited, provides operational management services to the Group through a management services agreement. INEOS AG management fees of €21.2 million (March 31, 2017: €20.7 million) were charged to the income statement during the three month period ended March 31, 2018. As at March 31, 2018 amounts owed to INEOS AG were €22.0 million (March 31, 2017: €21.1 million). Amounts due from INEOS Holdings AG, a wholly owned subsidiary of INEOS AG, were €152.6 million (March 31, 2017: €121.6 million).

INEOS Limited owns and controls a number of operating subsidiaries that are not included in the INEOS Group Holdings S.A. group, including INOVYN Limited, Ineos Industries Limited (which from September 1, 2017 includes the Grangemouth petrochemical subsidiaries), Ineos Enterprises Limited and the Lavéra petrochemical assets and businesses together with other French and Italian assets of O&P South.

During the three month period ended March 31, 2018 the Group has made sales to these subsidiaries of €285.6 million (March 31, 2017: €248.3 million), recovered costs of €13.3 million (March 31, 2017: €31.3 million) and made purchases of €267.8 million (March 31, 2017: €288.7 million). As at March 31, 2018, €414.3 million (March 31, 2017: €384.4 million) was owed by and €177.4 million (March 31, 2017: €203.5 million) was owed to these subsidiaries (excluding the Grangemouth shareholder loan before its full repayment in 2017, the INEOS Upstream Limited loans and transactions and balances with Styrolution).

10. RELATED PARTIES (Continued)

During 2015 the Group provided a loan of $623.7 million to INEOS Upstream Limited, a related party, in connection with its acquisition of natural gas assets in the North Sea. The loan facility is unsecured and matures on October 26, 2020 and bears interest at 7% per annum. As at March 31, 2018 $467.4 million (€378.4 million) (March 31, 2017: $506.1 million (€471.5 million)) was outstanding under the facility.

On September 29, 2017, INEOS Upstream Limited, a related party, acquired further natural gas assets in the North Sea through its acquisition of the entire oil and gas business of DONG Energy A/S. In connection with the DONG Acquisition, the Group advanced a loan of $376.2 million (€315.7 million) to INEOS Upstream Limited, the proceeds of which were on-lent to certain of its subsidiaries. The loan is unsecured and matures in June 2022. As at March 31, 2018 $272.2 million (€220.4 million) was outstanding under the facility.

Following the divestment of the Grangemouth petrochemical business in 2013, the Group put in place a €200 million shareholder loan facility to fund the ongoing operations and investments required at the site. This facility had a maturity date of July 28, 2021 and was secured on a second lien basis on the assets of the Grangemouth petrochemical business. On July 25, 2017 INEOS Grangemouth plc repaid the Group €127.0 million in full repayment (including accrued interest) of the shareholder loan facility. As at March 31, 2017 €127.0 million was outstanding under the facility, which included €17.9 million of capitalised interest.

Styrolution was previously a 50-50 joint venture between Ineos Industries Limited, a related party, and BASF. On November 17, 2014 Ineos Industries Limited completed the acquisition of BASF's 50% share in Styrolution for a purchase price of €1.1 billion. As part of the funding for the acquisition the Group provided Ineos Styrolution Holding GmbH, a related party, with a Second Lien PIK Toggle Loan of €200.0 million. The loan bore interest at a rate per annum of 9.5% for cash interest payments or 10.25% for PIK interest. During 2016 Styrolution refinanced its capital structure and repaid the €200 million Second Lien PIK Toggle Loan. The Group used the proceeds from the loan together with €50 million of cash in hand to invest €250 million in Styrolution Term Loan debt which was issued during September 2016. Subsequent to a further refinancing by Styrolution in March 2017, the Term Loan bore interest at a rate per annum equal to EURIBOR (subject to a floor of 0.75% per annum) plus a margin of 2.50% and had a maturity date of September 30, 2024. During the three month period ended March 31, 2017 Styrolution paid €3.0 million of interest relating to the Term Loan debt. In October 2017, the Term Loan was fully repaid to the Group (see Note 8). During the three month period ended March 31, 2018 the Group has made sales to Styrolution of €80.3 million (March 31, 2017: €107.1 million), recovered costs of €0.9 million (March 31, 2017: €0.6 million) and made purchases of €nil million (March 31, 2017: €3.6 million). As at March 31, 2018, €24.8 million (March 31, 2017: €279.7 million, which included the Group's €248.3 million Term Loan holding) was owed by Styrolution and €1.7 million (March 31, 2017: €1.3 million) was owed to Styrolution.

INEOS Limited owns interests in a number of joint ventures that are not included in the Ineos Group Holdings S.A. group, including the French joint ventures associated with the Lavera petrochemical assets and businesses which were divested by the Group on July 1, 2014 and the refining joint ventures between PetroChina and INEOS Investments (Jersey) Limited, a related party and INEOS Investments (Jersey) Limited, a related party and a joint venture with Sasol Limited to build and operate an HDPE plant at the Battleground site in Texas, USA which became operational at the end of 2017.

The Refining joint ventures are between PetroChina and INEOS Investments (Jersey) Limited, a related party. During the three month period ended March 31, 2018 the Group has recovered costs of €0.8 million (March 31, 2017: €0.7 million) and made purchases of €56.8 million (March 31, 2017: €54.6 million). As at March 31, 2018, €1.1 million (March 31, 2017: €0.8 million) was owed by the Refining joint ventures and €27.8 million (March 31, 2017: €15.1 million) was owed to the Refining joint ventures.

During the three month period ended March 31, 2018 the Group has made sales of €0.3 million and recovered costs of €0.9 million (March 31, 2017: €nil million) from the HDPE joint venture. As at March 31, 2018, €4.2 million (March 31, 2017: €2.1 million) was owed by the HDPE joint venture.

FORWARD-LOOKING STATEMENTS

The Company includes "forward-looking statements," within the meaning of the US securities laws, based on our current expectations and projections about future events, including:

- the cyclical and highly competitive nature of our businesses;
- our significant debt service obligations, as well as our ability to generate sufficient cash flow to service our debt;
- our sales growth across our principal businesses and our strategy for controlling costs, growing margins, increasing manufacturing capacity and production levels, and making capital expenditures;
- our ability to deleverage through strategic disposals of certain assets and non-core businesses;
- raw material costs or supply arrangements;
- our technological and manufacturing assets and our ability to utilize them to further increase sales and the profitability of our businesses;
- impacts of climate change, including regulatory requirements on greenhouse gas emissions, the costs to purchase emissions allowances and the physical risks to our facilities of severe weather conditions;
- current or future health, safety and environmental requirements and the related costs of maintaining compliance with, and addressing liabilities under, those requirements;
- operational hazards, including the risk of accidents that result in injury to persons and environmental contamination;
- our ability to retain existing customers and obtain new customers;
- our ability to develop new products and technologies successfully;
- our ability to successfully integrate acquired businesses with our historical business and realize anticipated synergies and cost savings, including with respect to businesses acquired;
- currency fluctuations;
- our ability to attract and retain members of management and key employees; and
- our relationship with our shareholders.

All statements other than statements of historical facts included in this report including, without limitation, statements regarding our future financial position, risks and uncertainties related to our business 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.

The following discussion is based upon the unaudited consolidated historical financial statements of INEOS prepared in accordance with IFRS. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements.

Overview

Combined Business

We are one of the world's largest chemical companies as measured by revenue. Our business has highly integrated world class chemical facilities and production technologies. We have leading global market positions for a majority of our key products, a strong and stable customer base and a highly experienced management team. We currently operate 32 manufacturing sites in six countries throughout the world. As of December 31, 2017, our total chemical production capacity was approximately 21,700 kta, of which 58% was in Europe and 42% was in North America.

Results of Operations

Consolidated

The following table sets forth, for the periods indicated, our revenue and expenses and such amounts as a percentage of revenue.

	Three-Month Period Ended March 31,			
	2018		**2017**	
	€m	%	€m	%
Revenue	**3,990.6**	**100.0**	**4,008.0**	**100.0**
Cost of sales	(3,342.7)	(83.8)	(3,228.9)	(80.6)
Gross profit	**647.9**	**16.2**	**779.1**	**19.4**
Distribution costs	(52.5)	(1.3)	(51.8)	(1.3)
Administrative expenses	(86.3)	(2.2)	(89.4)	(2.2)
Operating profit	**509.1**	**12.8**	**637.9**	**15.9**
Share of profit of associates and jointly controlled entities	9.5	0.2	42.9	1.1
Profit before net finance costs	**518.6**	**13.0**	**680.8**	**17.0**
Finance income	19.8	0.5	20.9	0.5
Finance costs	19.3	0.5	(43.6)	(1.1)
Exceptional finance costs	-	-	(44.1)	(1.1)
Profit before tax	**557.7**	**14.0**	**614.0**	**15.3**
Tax charge	(98.7)	(2.5)	(142.7)	(3.6)
Profit for the period	**459.0**	**11.5**	**471.3**	**11.7**

Three-Month Period Ended March 31, 2018, Compared to Three-Month Period Ended March 31, 2017

Revenue. Revenue decreased by €17.4 million, approximately 0.4%, to €3,990.6 million in the three month period ended March 31, 2018 as compared to €4,008.0 million for the same period in 2017. The decrease in revenues was driven primarily by the depreciation of the US dollar by approximately 15% against the euro in the three month period ended March 31, 2018 as compared to the same period of 2017, which has decreased reported euro revenues. Partially offsetting the decrease was an increase in selling prices which followed the rise in crude oil prices, which increased to an average of $67/bbl for the three month period ended March 31, 2018 as compared to $54/bbl in the same period in 2017. In addition there was a small increase in sales volumes for the Group in the three month period ended March 31, 2018 as compared to the same period in 2017, primarily in the Nitriles and O&P North America businesses.

Cost of sales. Cost of sales increased by €113.8 million, approximately 3.5%, to €3,342.7 million in the three month period ended March 31, 2018 as compared to €3,228.9 million for the same period in 2017. The increase in cost of sales is largely due to the rise in crude oil prices, which has meant higher feedstock prices across the Group, together with higher sales volumes in the three month period ended March 31, 2018, as compared to the same period in 2017.

Gross profit. Gross profit decreased by €131.2 million, approximately 16.8%, to €647.9 million in the three month period ended March 31, 2018 as compared to €779.1 million for the same period in 2017. The decrease in profitability was primarily driven by lower margins and the depreciation of the US dollar against the euro. The depreciation of the US dollar by approximately 15% against the euro in the three month period ended March 31, 2018 as compared to the same period of 2017 has decreased the reported euro profitability. The decrease in gross profit was also due to inventory holding losses within the O&P segments, which were approximately €15 million in the three month period ended March 31, 2018, as compared to inventory holding gains of approximately €49 million in the same period in 2017. Partially offsetting the decrease was increased profitability in the Nitriles business driven by market tightness and strong demand from derivatives which led to increased margins and higher sale volumes, particularly for ABS and acrylamide.

Distribution costs. Distribution costs increased by €0.7 million, approximately 1.4%, to €52.5 million in the three month period ended March 31, 2018 as compared to €51.8 million for the same period in 2017. The small increase in distribution costs in the Group reflects higher sales volumes in the three month period ended March 31, 2018 as compared to the same period in 2017.

Administrative expenses. Administrative expenses decreased by €3.1 million, approximately 3.5%, to €86.3 million in the three month period ended March 31, 2018 as compared to €89.4 million for the same period in 2017. The decrease in administrative expenses is primarily due to the depreciation of the US dollar by approximately 15% against the euro in the three month period ended March 31, 2018 as compared to the same period of 2017, which has decreased the reported euro expenses in the three month period ended March 31, 2018 as compared to the same period in 2017.

Operating profit. Operating profit decreased by €128.8 million, approximately 20.2%, to €509.1 million for the three month period ended March 31, 2018 as compared to €637.9 million for the same period in 2017.

Share of profit of associates and jointly controlled entities. Share of profit of associates and jointly controlled entities was €9.5 million for the three month period ended March 31, 2018 as compared to a €42.9 million for the same period in 2017. The share of profit from associates and jointly controlled entities primarily reflects our share of the results of the Refining joint venture with PetroChina. Margins in the European refining market have weakened in the three month period ended March 31, 2018 as compared to the same period in 2017.

Profit before net finance costs. Profit before net finance costs decreased by €162.2 million, approximately 23.8%, to €518.6 million for the three month period ended March 31, 2018 as compared to €680.8 million for the same period in 2017.

Finance income. Finance income decreased by €1.1 million, approximately 5.3%, to €19.8 million for the three month period ended March 31, 2018 as compared to €20.9 million for the same period in 2017. The income in the three month period ended March 31, 2018 primarily relates to interest income on the Group's investment in INEOS Investments Partnership, together with interest income from loans to related parties, including Ineos Upstream. Interest income from related parties in the three month period ended March 31, 2017 also included interest on loans to Ineos Grangemouth and Ineos Styrolution, which have been subsequently repaid in July 2017 and October 2017, respectively.

Finance costs. Finance costs decreased by €62.9 million, to be a credit of €19.3 million for the three month period ended March 31, 2018 as compared to a charge of €43.6 million for the same period in 2017. The decrease in finance costs for the three month period ended March 31, 2018 reflects an increase in net foreign exchange gains associated with short term intra group funding, which was a gain of €84.5 million in the three month period ended March 31, 2018 as compared to a gain of €49.2 million in the same period in 2017. In addition the refinancing transactions completed by the Group in February 2017 and November 2017 have resulted in the weighted average interest rate on the Group's debt being lower during the three month period ended March 31, 2018 as compared to the same period in 2017.

Exceptional finance costs. Exceptional finance costs of €44.1 million were charged in the three month period ended March 31, 2017 following the refinancing of the Senior Secured Term Loans and the redemption of the Senior Notes due 2019 in February 2017. As a result of the refinancing and early redemption of the Senior Notes due 2019 an exceptional finance cost of €44.1 million was recognised, which included an early prepayment premium of €16.7 million and the write-off of deferred issue costs associated with the redeemed Notes of €3.8 million and the Secured Term Loans of €23.6 million.

Profit before tax. Profit before tax decreased by €56.3 million, approximately 9.2%, to €557.7 million for the three month period ended March 31, 2018 as compared to €614.0 million for the same period in 2017.

Tax charge. Tax charge decreased by €44.0 million, approximately 30.8%, to a charge of €98.7 million for the three month period ended March 31, 2018 as compared to a charge of €142.7 million for the same period in 2017. After adjusting for the results from the share of associates and jointly controlled entities, the effective tax rate of approximately 18% for the three month period ended March 31, 2018 reflects the anticipated tax rate for the Group for the full year. The effective rate for the three month period ended March 31, 2017 was approximately 25% after adjusting for the profits from the share of associates and jointly controlled entities, which reflected the anticipated tax rate for the full year for 2017. The lower anticipated effective tax rate for 2018 is primarily due to US tax reforms, which have reduced the overall US tax rate (federal and state) from 38% to 22% with effect from January 1, 2018.

Profit for the period. Profit for the period decreased by €12.3 million, approximately 2.6%, to a profit of €459.0 million for the three month period ended March 31, 2018 as compared to €471.3 million for the same period in 2017.

Business segments

The Group reports under three business segments: O&P North America, O&P Europe and Chemical Intermediates.

The following table provides an overview of the historical revenue and EBITDA before exceptionals of each of the business segments for the periods indicated:

	Three-Month Period Ended March 31,	
	2018	2017
	(€ in millions)	
Revenue		
O&P North America	910.9	975.9
O&P Europe	1,578.3	1,531.1
Chemical Intermediates	2,047.4	2,006.9
Eliminations	(546.0)	(505.9)
	3,990.6	4,008.0
EBITDA before exceptionals		
O&P North America	183.3	284.3
O&P Europe	191.7	220.7
Chemical Intermediates	243.1	247.7
	618.1	752.7

O&P North America

Revenue. Revenue in the O&P North America segment decreased by €65.0 million, or 6.7%, to €910.9 million for the three month period ended March 31, 2018, as compared to €975.9 million for the same period in 2017. The decrease was driven primarily by the depreciation of the US dollar by approximately 15% against the euro in the three month period ended March 31, 2018 as compared to the same period of 2017, which has decreased reported euro revenues. The underlying US dollar revenues have increased in the three month period ended March 31, 2018 as compared to the same period of 2017. The increase in US dollar revenues in the three month period ended March 31, 2018 as compared to the same period of 2017 was driven by higher sales volumes, partially offset by lower selling prices. Sales volumes increased in the three month period ending March 31, 2018 as compared to the same period in 2017, largely due to higher olefin sales, partially offset by lower sales volumes for polypropylene and polyethylene. Partially offsetting the increase in revenues was a lower weighted average sales price for the whole business, which was approximately 7% lower for the three month period ended March 31, 2018, as compared to the same period in 2017, as higher polypropylene and polyethylene prices were more than offset by lower olefin prices.

EBITDA before exceptionals. EBITDA before exceptionals in the O&P North America segment decreased by €101.0 million, or 35.5%, to €183.3 million for the three month period ended March 31, 2018 as compared to €284.3 million in the same period in 2017. The business has continued to benefit from its flexibility to be able to utilise cheaper gas feedstock to maintain healthy margins. During the three month period ended March 31, 2018 the US cracker business environment was solid, with healthy margins and high operating rates throughout the quarter. The results for the three month period ended March 31, 2018 were lower than the record performance during the same period in 2017 due to a combination of higher inventory holding losses, lower olefin margins and the depreciation of the US dollar against the euro. Inventory holding losses were approximately €12 million in the three month period ended March 31, 2018, as compared to inventory holding gains of approximately €25 million in the same period in 2017. Margins were lower in the three month period ending March 31, 2018 as compared to the same period in 2017 as the weighted average margins decreased across most product lines, driven by lower olefin margins, partially offset by higher polypropylene and polyethylene margins. In addition the depreciation of the US dollar by approximately 15% against the euro in the three month period ended March 31, 2018 as compared to the same period of 2017 has also decreased the reported euro profitability.

O&P Europe

Revenue. Revenue in the O&P Europe segment increased by €47.2 million, or 3.1%, to €1,578.3 million for the three month period ended March 31, 2018 as compared to €1,531.1 million for the same period in 2017. The increase in revenues was driven by increased selling prices during the three month period ended March 31, 2018 as compared to the same period in 2017. The increase in revenues was driven by the general price environment, which was higher in the first quarter of 2018 as compared to the same period in 2017, as crude oil prices rose to an average of $67/bbl for the three month period ended March 31, 2018 as compared to an average of $54/bbl for the three month period ended March 31, 2017, which in turn led to a rise in prices across most products. Propylene prices showed the largest increase, up approximately 13% due to tighter markets. Polypropylene prices increased by approximately 7%, whilst HDPE prices were up by approximately 3%. Partially offsetting these increases was a lower butadiene price, which was down significantly in the three month period ended March 31, 2018 as compared to the same period in 2017, as global markets were extremely tight in the first quarter of 2017 which inflated prices to record levels. Selling prices for aromatics were also down by approximately 15% in the three month period ended March 31, 2018 as compared to the same period in 2017, due to heavy downstream turnarounds in the first quarter of 2018 as well as prices in the first quarter of 2017 being inflated due to very tight US and European markets following a number of unplanned production outages.

EBITDA before exceptionals. EBITDA before exceptionals in the O&P Europe segment decreased by €29.0 million or 13.1% to €191.7 million for the three month period ended March 31, 2018, as compared to €220.7 million in the same period in 2017. The results for the three month period ended March 31, 2018 have decreased compared to the same period in 2017, primarily due to inventory holding losses and lower margins. The business had inventory holding losses of approximately €3 million in the three month period ended March 31, 2018 as compared to gains of approximately €24 million in the three month period ended March 31, 2017. In addition margins were lower in the three month period ended March 31, 2018 as compared to the same period in 2017 as increased cracker margins were offset by decreased butadiene and aromatics margins when compared to the record levels achieved in 2017. Polymer margins were also lower as a result of higher rebates and increased competitive pressure on LLDPE and HDPE margins in the three month period ended March 31, 2018 as compared to the same period in 2017. Partially offsetting the lower olefin and polymer margins was the benefit of additional margins from the Trading & Shipping business in the three month period ended March 31, 2018 as compared to the same period in 2017.

Chemical Intermediates

Revenue. Revenue in the Chemical Intermediates segment increased by €40.5 million, or 2.0%, to €2,047.4 million for the three month period ended March 31, 2018 as compared to €2,006.9 million for the same period in 2017. The Oxide business revenues increased in the three month period ended March 31, 2018 as compared to the same period in 2017 driven by higher prices. Overall prices increased in the three month period ended March 31, 2018 as compared to the same period in 2017, as pricing closely followed the rise in underlying raw material costs of ethylene and propylene which followed the increase in crude and naphtha prices. Some glycol products experienced a significant rise in prices in the first quarter of 2018 as compared to the same period in 2017 due to very tight markets and a particularly cold winter in Europe. The Oligomers business revenues were lower in the three month period ended March 31, 2018 as compared to the same period in 2017, mainly as a result of lower prices. The overall demand trend was solid, most notably in the PAO segment, although there was some length in hexane due to downstream customer outages. The lower prices reflected some variations in product mix and more competitive pricing situations in the three month period ended March 31, 2018 as compared to the same period in 2017. Nitriles revenues increased in the three month period ended March 31, 2018 as compared to the same period in 2017, driven by both higher selling prices and increased volumes. The average acrylonitrile sales price rose approximately 15% in the three month period ended March 31, 2018 as compared to the same period in 2017, reflecting tighter market conditions with average acrylonitrile sales prices in Asia rising by approximately 45%. Sales volumes of acrylonitrile increased approximately 12% in the three month period ended March 31, 2018 as compared to the same period in 2017, due to robust demand in all regions with particularly strong demand from derivatives, especially ABS and acrylamide with customers requesting contract maximum sales volumes. Revenues of the Phenol business decreased in the three month period ended March 31, 2018 as compared to the same period in 2017, primarily driven by lower prices, partially offset by increased phenol sales volumes. The decrease in prices of finished goods moved in line with the underlying raw material prices which have fallen in the three month period ended March 31, 2018 as compared to the same period in 2017. Benzene prices decreased in Europe and increased in the US; however overall phenol prices decreased by approximately 12% in the three month period ended March 31, 2018 as compared to the same period in 2017. In addition the average acetone price decreased by approximately 1% in the three month period ended March 31, 2018 as compared to the same period in 2017, despite higher propylene prices in both Europe and the US which reflected the longer market situation in the first quarter of 2018. Parially offsetting the decrease were additional sales volumes in the three month period ended March 31, 2018 as compared to the same period in 2017, driven by higher phenol sales as a result of slightly higher demand in the domestic and export markets, partially offset by lower acetone sales volumes due to weakening global demand compared to the first quarter of 2017.

EBITDA before exceptionals. EBITDA before exceptionals in the Chemical Intermediates segment decreased by €4.6 million, or 1.9%, to €243.1 million for the three month period ended March 31, 2018 as compared to €247.7 million for the same period in 2017. The Oxide business results in the three month period ended March 31, 2018 increased as compared with the same period in 2017, mainly driven by higher margins. The increase in margins in the three month period ended March 31, 2018 as compared to the same period in 2017 was due to a combination of improved raw material procurement as the ethylene tank in Antwerp helped to achieve higher discounts for ethylene; a steep increase in propylene glycol pricing due to a particularly cold winter in Europe and an extremely short market, together with overall pricing being helped by buoyant European markets and strong demand from China. The Oligomers business profitability in the three month period ended March 31, 2018 was in line with the same period in 2017, primarily due to the adverse impact of foreign exchange rates which was offset by higher margins. The depreciation of the US and Canadian dollar against the euro has adversely impacted the euro reported results of the Oligomers business. LAO margins continued to be strong in co-monomer applications and benefitted from octene shortages, with some non-contract customers willing to pay higher than top of cycle margins. Margin advantages from production at the Joffre site were reduced through most of 2017 into the first quarter of 2018 due to low USGC ethylene prices which underlie LAO North America realizations. LAO European margins continued to improve, benefitting from significant ethylene price discounts from third party suppliers, solid sales in most products and higher underlying raw material prices with contract customers. PAO margins were lower in the three month period ended March 31, 2018 as compared to same period in 2017 due to lower realizations in both North America and Asia. Demand for core products remained good with higher margin Hi-Viscosity sales being solid. SO margins were higher in the three month period ended March 31, 2018 as compared to same period in 2017, particularly in the major sales region of Europe as margins for DIB applications were stronger due to a number of competitor turnarounds. The Nitriles business experienced an increase in profitability in the three month period ended March 31, 2018 as compared to the same period in 2017, primarily due to higher margins and higher sales volumes. The increase in margins in the three month period ended March 31, 2018 as compared to the same period in 2017 was driven by market tightness and strong demand from derivatives which led to increased margins and higher sale volumes, particularly for ABS and acrylamide. The Phenol business profitability decreased in the three month period ended March 31, 2018 as compared to the same period in 2017 due to lower margins, partially offset by higher phenol sales volumes. Demand for the Phenol business remained balanced with solid margins, although the adverse impact from lower benzene prices on phenol margins and lower acetone returns resulted in overall margins being lower in the three month period ended March 31, 2018 as compared to the same period in 2017. Partially offsetting this decrease were higher volumes driven by increased phenol sales in the three month period ended March 31, 2018 as compared to the same period in 2017.

Liquidity and Capital Resources

Capital Resources

Our historical liquidity requirements have arisen primarily from the need for us to meet our debt service requirements, to fund capital expenditures for the general maintenance and expansion of our production facilities and for new facilities, and to fund growth in our working capital.

Our primary sources of liquidity are cash flows from operations of subsidiaries, cash on our balance sheet and borrowings under the Securitization Program. Our ability to generate cash from our operations depends on future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive market, legislative, regulatory and other factors, many of which are beyond our control.

We believe that our operating cash flows, together with the cash resources and future borrowings under the Securitization Program, will be sufficient to fund our working capital requirements, anticipated capital expenditures and debt service requirements as they become due, although this may not be the case.

Financing Arrangements

The Group's capital structure includes a mixture of secured term loans and secured notes, together with unsecured notes. These various debt instruments are denominated in both Euros and US Dollars where appropriate, to approximately match the main currencies of the cash flows generated by the Group's operations.

The Group has a €800 million Receivables Securitization Program in place, which matures in December 2020.

The Group has a €300.0 million Letter of Credit facility. Under the terms of the facility the Group undertakes to provide cash collateral to cover any letters of credit, guarantees, bonds or indemnities issued under the facility.

Following the Group's purchase of the remaining 50% interest in the Noretyl ethylene cracker at Rafnes, Norway from the Kerling group in July 2015, the Group assumed the obligations of a €140 million loan facility of Noretyl AS. The facility matures in December 2019.

As part of a project at the Group's Koln site to replace part of its incineration or cogeneration unit, the Group has entered into a €120 million loan facility. The facility matures in December 2024.

As of March 31, 2018, the Group had a total of €3,395.5 million Senior Secured Term Loans, €770.0 million Senior Secured Notes due 2023, €1,054.8 million Senior Notes due 2024 and €550.0 million Senior Secured Notes due 2025 outstanding.

Capital Expenditures

As part of our strategy to focus capital investments on improving returns, we have instituted measures to ensure the most efficient uses of capital investment. We intend to manage capital expenditures to maintain our well-invested asset base.

Capital expenditure incurred during the three months ended March 31, 2018 was €212.0 million (€161.2 million in the three months ended March 31, 2017) analysed by business segment as follows:

	Three-month period ended March 31,	
	2018	**2017**
	(€ in millions)	
O&P North America	49.0	43.3
O&P Europe	59.3	43.9
Chemical Intermediates	103.7	74.0
	212.0	161.2

The main capital expenditures in the three month period ended March 31, 2018 related to expenditure within the O&P North America segment on a furnace replacement project, debottleneck on one of the crackers and a number of smaller turnarounds and projects. The main capital expenditures in the O&P Europe segment were at the Koln site on a cogeneration project, new office buildings and turnarounds on a cracker and LLDPE unit. The main expenditure in the Chemical Intermediates segment was additional growth expenditure by the Oligomers business on the LAO platform at Chocolate Bayou, USA. There was also expenditure within the Oxide business at the Antwerp, Belgium site in respect of EO storage projects. The remaining capital expenditure related primarily to sustenance expenditure.

The main capital expenditures in the three month period ended March 31, 2017 related to expenditure within the O&P North America segment on a cogeneration project at the Chocolate Bayou site, together with expenditure on a polyethylene new line expansion, and a mini turnaround and debottleneck on one of the crackers and other linked projects. The main capital expenditures in the O&P Europe segment were at the Koln site on a cogeneration project, office buildings and a cracker lifecycle project. The main expenditure in the Chemical Intermediates segment was additional growth expenditure by the Oligomers business on the PAO HiVis plant at Laporte, USA and on the LAO platform at Chocolate Bayou, USA. There was also expenditure within the Oxide business at the Antwerp, Belgium site in respect of third party co-sited shared services and EO storage projects. The remaining capital expenditure related primarily to sustenance expenditure.

Working Capital

We anticipate that our working capital requirements will vary due to changes in raw material costs, which affect inventory and account receivables levels, and sales volumes. Working capital levels typically develop in line with raw material prices, although timing factors can affect flows of capital. We expect to fund our working capital requirements with cash generated from operations and drawings under our Receivables Securitization Facility.

Cash Flows

During the three month period ended March 31, 2018 and 2017, our cash flow was as follows:

	Three-month period ended March 31,	
	2018	**2017**
	(€ millions)	
Cash flow from operating activities	396.2	401.3
Cash flow from investing activities...	(209.5)	(163.9)
Cash flow from financing activities	(34.3)	(1,391.6)

Cash flows from operating activities

Net cash flow from operating activities was an inflow of €396.2 million for the three month period ended March 31, 2018 (inflow of €401.3 million in the three month period ended March 31, 2017). The inflow was due to the profit generated from operations partially offset by working capital outflows of €207.1 million in the three month period ended March 31, 2018 (outflow of €320.9 million in the three month period ended March 31, 2017). The working capital outflows in three month period ended March 31, 2018 primarily reflect the higher working capital levels of the Group as a result of higher raw material costs and higher sales volumes in the period.

Taxation payments of €15.0 million were made in the three month period ended March 31, 2018 (payments of €28.1 million in the three month period ended March 31, 2017). The payments in the three month period ended March 31, 2018 primarily reflect payments made to the tax authorities in the UK and to a lesser extent Germany, Canada and Norway. In addition there was a tax refund from the US tax authorities in relation to overpayments made in prior years. The payments in the three month period ended March 31, 2017 primarily reflect payments made to the tax authorities in Germany, and to a lesser extent Canada.

Cash flows from investing activities

During 2014 a related party group acquired the remaining 50% of the Styrolution joint venture which was previously a joint venture between Ineos Industries Holdings Limited, a related party, and BASF. As part of the funding for the acquisition the Group provided Ineos Styrolution Holding GmbH, a related party, with a Second Lien PIK Toggle Loan of €200.0 million. The loan bore interest at a rate per annum of 9.5% for cash interest payments or 10.25% for PIK interest. During 2016 Styrolution refinanced its capital structure and repaid the €200 million Second Lien PIK Toggle Loan. The Group used the proceeds from the loan together with €50 million of cash in hand to invest €250 million in Styrolution Term Loan debt which was issued during September 2016. Subsequent to a further refinancing by Styrolution in March 2017, the Term Loan bore interest at a rate per annum equal to EURIBOR (subject to a floor of 0.75% per annum) plus a margin of 2.50% and had a maturity date of September 30, 2024. During the three month period ended March 31, 2017 Styrolution paid €3.0 million of interest relating to the Term Loan debt. In October 2017, the Term Loan was fully repaid to the Group.

In July 2014 the Group set up a joint venture with Sasol to build and operate an HDPE plant at the Battleground site in Texas, USA which became operational at the end of 2017. The Group invested €13.3 million during the three month period ended March 31, 2017.

During the three month period ended March 31, 2017 the Group received cash proceeds of €3.4 million relating to the planned disposal of the acquired WL Plastics plant in Calgary, Canada.

There were no other significant cash flows from investing activities in the three month period ended March 31, 2018 and 2017 other than the acquisition of property, plant and equipment (refer to the "Capital Expenditure" section).

Cash flows from financing activities

Interest payments of €58.2 million were made in the three month period ended March 31, 2018 (€130.7 million in the three month period ended March 31, 2017). The interest payments during the first three months of 2018 relate primarily to monthly cash payments in respect of the Senior Secured Term Loans and semi-annual interest payments on the Senior Notes due 2024. The interest payments during the first three months of 2017 relate primarily to monthly cash payments in respect of the Senior Secured Term Loans, semi-annual interest payments on the Senior Notes due 2024 and a final interest payment and early prepayment premium of €16.7 million on the Senior Notes due 2019 which were redeemed in February 2017.

As part of the Koln project to replace part of its incineration or cogeneration unit, the Group has entered into a €120 million loan facility. In March 2018 the Group made its first drawdown under the facility of €40.3 million.

The Group made a drawdown of €0.1 million on the Securitization Program during the three month period ended March 31, 2018 (repayment of €0.9 million in the three month period ended March 31, 2017).

The Group made scheduled repayments of €8.6 million on the Senior Secured Term Loans during the three month period ended March 31, 2018 (scheduled repayments of €11.1 million in the three month period ended March 31, 2017). The Group also made scheduled repayments of €6.9 million on the Noretyl Facility during the three month period ended March 31, 2018 (scheduled repayments of €6.9 million in the three month period ended March 31, 2017).

The Group made scheduled repayments of €0.9 million on a bilateral bank loan agreement to fund some specific capital expenditure at the Koln, Germany site, during the three month period ended March 31, 2018 (scheduled repayments of €0.9 million in the three month period ended March 31, 2017).

In June 2016, the Group entered into a separate bank loan agreement to fund specific capital expenditure on a freight rail car fleet covering North America for the Oligomers business. The Group has subsequently made scheduled repayments of €0.1 million on the loan agreement during the three month period ended March 31, 2018 (scheduled repayments of €0.2 million in the three month period ended March 31, 2017).

In February 2017 the Group completed a refinancing of the Senior Secured Term Loans. The Term loans due 2018 were repaid in full from cash balances, the Term Loans due 2020 were extended to March 2022 and a new tranche of €1.4 billion Term Loans due 2024 were issued. The Term Loans due 2018 of €1,228.4 million, Term Loans due 2020 of €1,917.1 million and Term Loans due 2022 of €1,408.9 million were replaced by new Term Loans due 2022 of €3,081.3 million and new Term Loans due 2024 of €1,394.1 million, resulting in a net outflow of €79.0 million in the first quarter of 2017. As part of the refinancing the Group also redeemed in full the Senior Notes due 2019 of €1,151.9 million with part of the proceeds from the issuance of the Term Loans due 2024. The Group paid associated debt issue costs of €10.0 million in relation to refinancing of the Senior Secured Term Loans during the three month period ended March 31, 2017.

Net debt

Total net debt as at March 31, 2018 was €4,668.1 million (December 31, 2017: €4,826.7 million). The Group held net cash balances of €1,484.2 million as at March 31, 2018 (December 31, 2017: €1,366.3 million) which included restricted cash of €208.7 million used as collateral against bank guarantees and letters of credit. The Group had availability under undrawn working capital facilities of €424.5 million as at March 31, 2018.