INEOS GROUP HOLDINGS S.A.

Three month period ended June 30, 2017

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

	Three-Month Period Ended June 30,	
	2017	**2016**
	(€ in millions)	
Revenue	**3,835.8**	**3,080.2**
Cost of sales	(3,153.3)	(2,462.7)
Gross profit	**682.5**	**617.5**
Distribution costs	(53.2)	(54.3)
Administrative expenses	(101.8)	(88.0)
Operating profit	**527.5**	**475.2**
Share of profit of associates and jointly controlled entities using the equity accounting method	27.9	0.1
Profit on disposal of fixed assets	-	4.4
Profit before net finance costs	**555.4**	**479.7**
Finance income	18.6	14.3
Finance costs	122.9	(132.9)
Exceptional finance costs	-	-
Profit before tax	**696.9**	**361.1**
Tax charge	(166.7)	(105.8)
Profit for the period	**530.2**	**255.3**

The notes on pages 8 to 17 are an integral part of these interim condensed consolidated financial statements.

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

	Six-Month Period Ended June 30,	
	2017	**2016**
	(€ in millions)	
Revenue	**7,843.8**	**6,193.4**
Cost of sales	(6,382.2)	(4,970.6)
Gross profit	**1,461.6**	**1,222.8**
Distribution costs	(105.0)	(108.2)
Administrative expenses	(191.2)	(181.6)
Operating profit	**1,165.4**	**933.0**
Share of profit/(loss) of associates and jointly controlled entities using the equity accounting method	70.8	(12.7)
Profit on disposal of fixed assets	-	4.4
Profit before net finance costs	**1,236.2**	**924.7**
Finance income	39.5	52.9
Finance costs	79.3	(114.2)
Exceptional finance costs	(44.1)	-
Profit before tax	**1,310.9**	**863.4**
Tax charge	(309.4)	(261.8)
Profit for the period	**1,001.5**	**601.6**

The notes on pages 8 to 17 are an integral part of these interim condensed consolidated financial statements.

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

	Six-Month Period Ended June 30,	
	2017	**2016**
	(€ in millions)	
Profit for the period	1,001.5	601.6
Other comprehensive income:		
Items that will not be recycled to profit and loss:		
Remeasurement of post employment benefit obligations net of tax	-	-
Items that may subsequently be recycled to profit and loss:		
Foreign exchange translation differences	60.0	23.5
Net (loss)/gain on hedge of net investment in foreign operations	(470.2)	(108.8)
Other comprehensive loss for the period net of tax	**(410.2)**	**(85.3)**
Total comprehensive income for the period	**591.3**	**516.3**

The notes on pages 8 to 17 are an integral part of these interim condensed consolidated financial statements.

INEOS GROUP HOLDINGS S.A.
CONSOLIDATED BALANCE SHEETS

	June 30, 2017 (Unaudited)	December 31, 2016
	(€ in millions)	
Non-current assets		
Property, plant and equipment	3,986.4	4,007.4
Intangible assets	721.6	763.9
Investments in equity-accounted investees	262.9	161.7
Other investments	244.9	262.2
Other financial assets	28.3	29.2
Other receivables	1,103.5	1,146.8
Deferred tax assets	203.7	205.1
	6,551.3	6,576.3
Current assets		
Inventories	1,021.1	1,068.1
Trade and other receivables	1,839.2	1,501.8
Other financial assets	8.6	8.2
Cash and cash equivalents	1,338.8	2,204.1
	4,207.7	4,782.2
Total assets	**10,759.0**	**11,358.5**
Equity attributable to owners of the parent		
Share capital	0.9	0.9
Share premium	779.4	779.4
Other reserves	(2,122.7)	(1,712.5)
Retained earnings	2,363.8	1,362.3
Total equity	**1,021.4**	**430.1**
Non-current liabilities		
Interest-bearing loans and borrowings	6,465.5	7,947.5
Trade and other payables	106.3	107.2
Employee benefits	795.9	789.5
Provisions	27.7	28.5
Deferred tax liabilities	273.4	275.6
Other financial liabilities	2.0	0.9
	7,670.8	9,149.2
Current liabilities		
Interest-bearing loans and borrowings	73.6	72.6
Trade and other payables	1,630.4	1,563.4
Tax payable	345.9	124.0
Other financial liabilities	-	-
Provisions	16.9	19.2
	2,066.8	1,779.2
Total liabilities	**9,737.6**	**10,928.4**
Total equity and liabilities	**10,759.0**	**11,358.5**

The notes on pages 8 to 17 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 2016	**0.9**	**779.4**	**(1,712.5)**	**1,362.3**	**430.1**
Profit for the period	-	-	-	1,001.5	1,001.5
Other comprehensive income:					
Foreign exchange translation differences	-	-	60.0	-	60.0
Net loss on hedge of net investment in foreign operations	-	-	(470.2)	-	(470.2)
Balance at 30 June 2017	**0.9**	**779.4**	**(2,122.7)**	**2,363.8**	**1,021.4**

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
		(€ in millions)			
Balance at 31 December 2015	**0.9**	**779.4**	**(1,714.7)**	**370.2**	**(564.2)**
Profit for the period	-	-	-	601.6	601.6
Other comprehensive income:					
Foreign exchange translation differences	-	-	23.5	-	23.5
Net loss on hedge of net investment in foreign operations	-	-	(108.8)	-	(108.8)
Balance at 30 June 2016	**0.9**	**779.4**	**(1,800.0)**	**971.8**	**(47.9)**

The notes on pages 8 to 17 are an integral part of these interim condensed consolidated financial statements.

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

	Six-Month Period Ended June 30,	
	2017	**2016**
	(€ in millions)	
Cash flows from operating activities		
Profit for the period	1,001.5	601.6
Adjustments for:		
Depreciation, amortisation and impairment	224.9	191.7
Net finance (income)/cost	(74.7)	61.3
Share of (profit)/losses of equity-accounted investees	(70.8)	12.7
Profit on disposal of fixed assets	-	(4.4)
Tax charge	309.4	261.8
Increase in trade and other receivables	(388.4)	(141.3)
Decrease in inventories	7.2	73.9
Increase in trade and other payables	121.6	20.3
(Decrease)/increase in provisions and employee benefits	(2.1)	1.3
Tax paid	(87.0)	(52.6)
Net cash from operating activities	**1,041.6**	**1,026.3**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	3.4	-
Proceeds from sale of investments	1.0	0.9
Interest and other finance income received	23.8	47.5
Dividends received	2.2	2.2
Loan repayments from related parties	16.8	-
Acquisition of businesses, net of cash acquired	-	(0.1)
Acquisition of intangible assets	-	(2.0)
Acquisition of property, plant and equipment	(358.5)	(384.7)
Acquisition of other investments	(37.6)	-
Net cash used in investing activities	**(348.9)**	**(336.2)**
Cash flows from financing activities		
Securitisation Facility	(0.9)	(29.7)
Redemption of Senior Notes	(1,151.9)	-
Refinancing of Senior Secured Term Loans	(79.0)	-
Issue costs	(10.0)	(0.3)
Interest paid	(188.7)	(186.3)
Repayment of loans	(38.0)	(39.6)
Proceeds from Other Loans	-	13.1
Capital element of finance lease payment	-	(0.1)
Net cash used in financing activities	**(1,468.5)**	**(242.9)**
Net increase in cash and cash equivalents	(775.8)	447.2
Cash and cash equivalents at 1 January	2,204.1	1,648.0
Effect of exchange rate fluctuations on cash held	(89.5)	(15.0)
Cash and cash equivalents at June 30	**1,338.8**	**2,080.2**

The notes on pages 8 to 17 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, 2017. 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, 2016.

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 June 30,		Six-Month Period Ended June 30,	
	2017	2016	2017	2016
	(€ in millions)		*(€ in millions)*	
Revenue				
O&P North America	866.0	687.3	1,841.9	1,305.3
O&P Europe	1,472.8	1,250.0	3,003.9	2,557.5
Chemical Intermediates	1,893.3	1,485.1	3,900.2	3,003.1
Eliminations	(396.3)	(342.2)	(902.2)	(672.5)
	3,835.8	3,080.2	7,843.8	6,193.4
EBITDA before exceptionals				
O&P North America	227.1	225.4	511.4	454.8
O&P Europe	209.7	190.0	430.4	365.0
Chemical Intermediates	200.8	155.1	448.5	304.9
	637.6	570.5	1,390.3	1,124.7

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 June 30,		Six-Month Period Ended June 30,	
	2017	2016	2017	2016
	(€ in millions)		*(€ in millions)*	
EBITDA before exceptionals	637.6	570.5	1,390.3	1,124.7
Depreciation and amortisation	(110.1)	(95.3)	(224.9)	(191.7)
Operating profit	527.5	475.2	1,165.4	933.0

4. FINANCE COSTS

	Three-Month Period Ended June 30,		Six-Month Period Ended June 30,	
	2017	2016	2017	2016
	(€ in millions)		*(€ in millions)*	
Interest payable on senior notes	22.9	41.3	57.2	83.2
Interest payable on bank loans and overdrafts	39.6	47.2	82.8	95.3
Interest payable on securitisation	2.1	2.2	4.1	4.4
Amortisation of issue costs	1.3	2.9	2.9	5.4
Other finance charges	5.3	2.7	11.0	10.7
Net fair value loss/(gain) on derivatives	(5.8)	(1.8)	0.2	(7.5)
Finance costs before exchange movements	65.4	94.5	158.2	191.5
Exchange movements	(188.3)	38.4	(237.5)	(77.3)
Total finance costs	(122.9)	132.9	(79.3)	114.2

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 25% for the first six months of 2017 reflects the anticipated tax rate for the Group for the full year. After adjusting for the profit from the share of associates and jointly controlled entities the effective rate in the same period in 2016 was approximately 30%, which reflected the anticipated tax rate for the full year.

7. INVENTORIES

	June 30, 2017	December 31, 2016
	(€ in millions)	
Raw materials and consumables	396.6	403.8
Work in progress	20.0	19.3
Finished products	604.5	645.0
	1,021.1	1,068.1

8. BORROWINGS

Borrowing obligations as of June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017	December 31, 2016
	(€ in millions)	
Non-current liabilities		
Senior Secured Term Loans	4,281.6	4,538.6
Senior Secured Notes due 2023	764.3	763.8
Senior Notes due 2019	-	1,158.5
Senior Notes due 2024	1,078.5	1,116.9
Securitisation Facility	288.4	299.4
Noretyl Facility	40.4	54.9
Finance lease liabilities	1.2	1.2
Other loans	11.1	14.2
	6,465.5	7,947.5

	June 30, 2017	December 31, 2016
Current liabilities		
Current portion of borrowings under Senior Secured Term Loans	41.9	41.9
Noretyl Facility	26.9	25.7
Other loans	4.7	4.8
Current portion of finance lease liabilities	0.1	0.2
	73.6	72.6

	June 30, 2017		
	Gross loans and borrowings	Issue costs	Net loans and borrowings
		(€ in millions)	
Senior Secured Term Loans	4,332.9	(9.4)	4,323.5
Senior Secured Notes due 2023	770.0	(5.7)	764.3
Senior Notes due 2024	1,087.6	(9.1)	1,078.5
Securitisation Facility	289.2	(0.8)	288.4
Noretyl Facility	68.8	(1.5)	67.3
Other	17.1	-	17.1
	6,565.6	(26.5)	6,539.1

8. BORROWINGS (Continued)

	December 31, 2016		
	Gross loans and borrowings	Issue costs	Net loans and borrowings
		(€ in millions)	
Senior Secured Term Loans	4,604.6	(24.1)	4,580.5
Senior Secured Notes due 2023	770.0	(6.2)	763.8
Senior Notes due 2019	1,162.4	(3.9)	1,158.5
Senior Notes due 2024	1,126.6	(9.7)	1,116.9
Securitisation Facility	300.4	(1.0)	299.4
Noretyl Facility	82.5	(1.9)	80.6
Other	20.4	-	20.4
	8,066.9	(46.8)	8,020.1

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity
Senior Secured Term Loans	$/€	LIBOR plus 2.50%-2.75%	2022-2024
Senior Secured Notes	€	4.0%	2023
Senior Notes	$/€	5.375%-5.625%	2024
Securitisation Facility	$/€/£	Variable	2018
Noretyl Facility	€	EURIBOR plus 2.75%	2019
Other	€/$	3.75 – 9.0%	2017-2023

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 2022 and 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).

The Senior Secured Term Loans outstanding at June 30, 2017 before issue costs were €4,332.9 million of which €43.7 million is due within one year. The total amounts outstanding on the Term Loans due 2022 were €2,979.0 million and the Term Loans due 2024 were €1,353.9 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 due 2022 mature in March 2022 and the Term Loans due 2024 mature in March 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 LIBOR (subject to a floor of 0.75% per annum) plus the Applicable Margin.

As at June 30, 2017 the Applicable Margin for the Euro denominated Term Loans was 2.50% and the US dollar denominated Term Loans was 2.75%.

The Senior Secured Term Loans rank pari passu with the 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 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 €9.4 million. These costs are allocated to the profit and loss account over the term of the Term Loans in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

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	2023 Dollar Fixed Rate Notes 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).

8. BORROWINGS (Continued)

The Senior Secured Notes due 2023 rank pari passu with the Senior Secured Term Loans 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 2023 are stated net of debt issue costs of €5.7 million (December 31, 2016: €6.2 million). These costs are allocated to the profit and loss account over the term of the Senior Secured Notes due 2023 in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

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 beared 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).

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.

8. BORROWINGS (Continued)

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 €9.1 million (December 31, 2016: €9.7 million). These costs are allocated to the profit and loss account over the term of the Senior Notes due 2024 in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

Receivables Securitisation Facility

The Company has entered into a €800 million receivables securitisation facilities agreement ("Receivables Securitisation Facility") which matures in December 2018. The total amount outstanding at June 30, 2017 before issue costs was €289.2 million (December 31, 2016: €300.4 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 €0.8 million (December 31, 2016: €1.0 million).

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 June 30, 2017 before issue costs was €68.8 million (December 31, 2016: €82.5 million), of which €27.5 million (December 31, 2016: €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 November 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 €1.5 million (December 31, 2016: €1.9 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 €20.8 million (June 30, 2016: €20.3 million) were charged to the income statement during the three month period ended June

10. RELATED PARTIES (Continued)

30, 2017. As at June 30, 2017 amounts owed to Ineos AG were €21.1 million (June 30, 2016: €20.7 million). Amounts due from Ineos Holdings AG, a wholly owned subsidiary of Ineos AG, were €123.3 million (June 30, 2016: €90.3 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, INEOS Enterprises Limited, the Grangemouth petrochemical subsidiaries and the Lavéra petrochemical assets and businesses together with other French and Italian assets of O&P South.

During the three month period ended June 30, 2017 the Group has made sales to these subsidiaries of €247.2 million (June 30, 2016: €88.0 million), recovered costs of €23.0 million (June 30, 2016: €6.1 million) and made purchases of €284.1 million (June 30, 2016: €241.9 million). As at June 30, 2017, €363.8 million (June 30, 2016: €418.8 million) was owed by and €197.2 million (June 30, 2016: €162.9 million) was owed to these subsidiaries (excluding the Grangemouth shareholder loan, the INEOS Upstream Limited loan and transactions and balances with Styrolution).

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 June 30, 2017 $487.4 million (€426.6 million) (June 30, 2016: $623.7 million (€549.3 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 matures on July 28, 2021 and is secured on a second lien basis on the assets of the Grangemouth petrochemical business. As at June 30, 2017 €126.5 million (June 30, 2016: €126.0 million) was outstanding under the facility, which includes €17.6 million (June 30, 2016: €11.1 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 beared interest at a rate per annum of 9.5% for cash interest payments or 10.25% for PIK interest and matures in November 2020. 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 bears 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 matures on September 30, 2024. During the three month period ended June 30, 2017 the Group has made sales to Styrolution of €106.1 million (June 30, 2016: €99.2 million), recovered costs of €2.3 million (June 30, 2016: €7.0 million) and made purchases of €8.0 million (June 30, 2016: €nil million). As at June 30, 2017, €280.6 million (June 30, 2016: €240.4 million) was owed by Styrolution, which included the Group's €247.7 million Term Loan holding (June 30, 2016: included €200 million under the Second Lien PIK Toggle Loan) and €1.6 million (June 30, 2016: €0.1 million) was owed to Styrolution. During the three month period ended June 30, 2017 Styrolution paid €2.0 million of interest relating to the Term Loan debt.

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 a HDPE plant at Battleground site in Texas, USA which is expected to be operational in the third quarter of 2017.

10. RELATED PARTIES (Continued)

The Refining joint ventures are between PetroChina and INEOS Investments (Jersey) Limited, a related party. During the three month period ended June 30, 2017 the Group has recovered costs of €1.1 million (June 30, 2016: €0.2 million) and made purchases of €79.0 million (June 30, 2016: €24.7 million). As at June 30, 2017, €0.4 million (June 30, 2016: €5.1 million) was owed by the Refining joint ventures and €16.6 million (June 30, 2016: €18.7 million) was owed to the Refining joint ventures.

During the three month period ended June 30, 2017 the Group has recovered costs of €nil million (June 30, 2016: €0.7 million) from the HDPE joint venture. As at June 30, 2017, €5.1 million (June 30, 2016: €1.1 million) was owed by the HDPE joint venture.

11. SUBSEQUENT EVENTS

On July 25, 2017 INEOS Grangemouth plc repaid the Group €127.0 million in full repayment (including accrued interest) of the shareholder loan facility.

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 high degree of leverage and 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 31 manufacturing sites in six countries throughout the world. As of December 31, 2016, our total chemical production capacity was approximately 21,400 kta, of which 59% was in Europe and 41% 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 June 30,			
	2017		**2016**	
	€m	%	€m	%
Revenue	**3,835.8**	**100.0**	**3,080.2**	**100.0**
Cost of sales	(3,153.3)	(82.2)	(2,462.7)	(80.0)
Gross profit	**682.5**	**17.8**	**617.5**	**20.0**
Distribution costs	(53.2)	(1.4)	(54.3)	(1.8)
Administrative expenses	(101.8)	(2.6)	(88.0)	(2.9)
Operating profit	**527.5**	**13.8**	**475.2**	**15.4**
Share of profit of associates and jointly controlled entities	27.9	0.7	0.1	-
Profit on disposal of fixed assets	-	-	4.4	0.1
Profit before net finance costs	**555.4**	**14.5**	**479.7**	**15.6**
Finance income	18.6	0.5	14.3	0.5
Finance costs	122.9	3.2	(132.9)	(4.3)
Profit before tax	**696.9**	**18.2**	**361.1**	**11.7**
Tax charge	(166.7)	(4.3)	(105.8)	(3.4)
Profit for the period	**530.2**	**13.9**	**255.3**	**8.3**

Three-Month Period Ended June 30, 2017, Compared to Three-Month Period Ended June 30, 2016

Revenue. Revenue increased by €755.6 million, approximately 24.5%, to €3,835.8 million in the three month period ended June 30, 2017 as compared to €3,080.2 million for the same period in 2016. The increase in revenues was driven primarily by an increase in selling prices which followed the rise in crude oil prices, which increased to an average of $50/bbl for the three month period ended June 30, 2017 as compared to $46/bbl in the same period in 2016. In addition there was an increase in sales volumes for the Group in the three month period ended June 30, 2017 as compared to the same period in 2016, primarily in the O&P North America, Nitriles, O&P Europe and Phenol businesses. Revenues were also favourably impacted by the appreciation of the US dollar by approximately 3% against the euro in the three month period ended June 30, 2017, as compared to the same period in 2016.

Cost of sales. Cost of sales increased by €690.6 million, approximately 28.0%, to €3,153.3 million in the three month period ended June 30, 2017 as compared to €2,462.7 million for the same period in 2016. 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 June 30, 2017, as compared to the same period in 2016.

Gross profit. Gross profit increased by €65.0 million, approximately 10.5%, to €682.5 million in the three month period ended June 30, 2017 as compared to €617.5 million for the same period in 2016. The increase in profitability was primarily driven by higher margins and higher sales volumes across the Group, partially offset by inventory holding losses. The O&P Europe and Nitriles businesses experienced significant increases in margins in the three month period ended June 30, 2017 as compared to the same period in 2016. The O&P Europe business generated additional margin from the Trading & Shipping business as well as higher olefin margins driven by very strong ethylene margins and a recovery of the butadiene market. The Nitriles business experienced strengthening demand across all sectors and tight supply conditions due to a number of industry outages, which resulted in increased profitability. Sales volumes for the Group increased by approximately 5% in the three month period ended June 30, 2017 as compared to the same period in 2016, primarily due to increased sales within the O&P North America, Nitriles, O&P Europe and Phenol businesses. The appreciation of the US dollar by approximately 3% against the euro in the three month period ended June 30, 2017 as compared to the same period in 2016, has favourably impacted the euro reported results of our US businesses. Partially offsetting this increase in gross profit were inventory holding losses within the O&P segments, which were approximately €41 million in the three month period ended June 30, 2017, as compared to inventory holding gains of approximately €46 million in the same period in 2016.

Distribution costs. Distribution costs decreased by €1.1 million, approximately 2.0%, to €53.2 million in the three month period ended June 30, 2017 as compared to €54.3 million for the same period in 2016. The small decrease in distribution costs in the Group reflects lower exports in the three month period ended June 30, 2017 as compared to the same period in 2016.

Administrative expenses. Administrative expenses increased by €13.8 million, approximately 15.7%, to €101.8 million in the three month period ended June 30, 2017 as compared to €88.0 million for the same period in 2016. The increase in administrative expenses is primarily due to the additional administrative costs associated with the WL Plastics business which was acquired by the Group in November 2016, together with a reduction in other operating income in the the three month period ended June 30, 2017 as compared to the same period in 2016.

Operating profit. Operating profit increased by €52.3 million, approximately 11.0%, to €527.5 million for the three month period ended June 30, 2017 as compared to €475.2 million for the same period in 2016.

Share of profit of associates and jointly controlled entities. Share of profit of associates and jointly controlled entities was €27.9 million for the three month period ended June 30, 2017 as compared to a €0.1 million for the same period in 2016. 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 strengthened in the three month period ended June 30, 2017 as compared to the same period in 2016.

Profit on disposal of fixed assets. Profit on disposal of fixed assets was €4.4 million for the three month period ended June 30, 2016 and related to the disposal of product tanks at the Group's vinyls acetate monomer facility in Saltend, Hull, United Kingdom which was closed in 2013.

Profit before net finance costs. Profit before net finance costs increased by €75.7 million, approximately 15.8%, to €555.4 million for the three month period ended June 30, 2017 as compared to €479.7 million for the same period in 2016.

Finance income. Finance income increased by €4.3 million to €18.6 million for the three month period ended June 30, 2017 as compared to €14.3 million for the same period in 2016. The income in the three month period ended June 30, 2017 primarily relates to interest income on the Group's investment in INEOS Investments Partnership, together with interest income from loans to related parties (including Styrolution, Ineos Upstream and Grangemouth).

Finance costs. Finance costs decreased by €255.8 million, to a credit of €122.9 million for the three month period ended June 30, 2017 as compared to a charge of €132.9 million for the same period in 2016. The decrease in finance costs for the three month period ended June 30, 2017 reflects an increase in net foreign exchange gains associated with short term intra group funding, which was a gain of €188.3 million in the three month period ended June 30, 2017 as compared to a loss of €38.4 million in the same period in 2016. In addition the refinancing transactions completed in August 2016 and February 2017 by the Group have resulted in the weighted average interest rate on the Group's debt being lower during the three month period ended June 30, 2017 as compared to the same period in 2016.

Profit before tax. Profit before tax increased by €335.8 million, approximately 93.0%, to €696.9 million for the three month period ended June 30, 2017 as compared to €361.1 million for the same period in 2016.

Tax charge. Tax charge increased by €60.9 million, approximately 57.6%, to a charge of €166.7 million for the three month period ended June 30, 2017 as compared to a charge of €105.8 million for the same period in 2016. The increase in the tax charge is a result of the improved performance of the Group, partially offset by a lower anticipated effective tax rate during the three period ended June 30, 2017 as compared to the same period in 2016. After adjusting for the results from the share of associates and jointly controlled entities, the effective tax rate of approximately 25% for the three month period ended June 30, 2017 reflects the anticipated tax rate for the Group for the full year. The effective rate for the three month period ended June 30, 2016 was approximately 30% 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 2016.

Profit for the period. Profit for the period increased by €274.9 million, approximately 107.7%, to a profit of €530.2 million for the three month period ended June 30, 2017 as compared to €255.3 million for the same period in 2016.

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 June 30,		Six-Month Period Ended June 30,	
	2017	2016	2017	2016
	(€ in millions)		*(€ in millions)*	
Revenue				
O&P North America	866.0	687.3	1,841.9	1,305.3
O&P Europe	1,472.8	1,250.0	3,003.9	2,557.5
Chemical Intermediates	1,893.3	1,485.1	3,900.2	3,003.1
Eliminations	(396.3)	(342.2)	(902.2)	(672.5)
	3,835.8	3,080.2	7,843.8	6,193.4
EBITDA before exceptionals				
O&P North America	227.1	225.4	511.4	454.8
O&P Europe	209.7	190.0	430.4	365.0
Chemical Intermediates	200.8	155.1	448.5	304.9
	637.6	570.5	1,390.3	1,124.7

O&P North America

Revenue. Revenue in the O&P North America segment increased by €178.7 million, or 26.0%, to €866.0 million for the three month period ended June 30, 2017, as compared to €687.3 million for the same period in 2016. The increase was driven primarily by higher volumes, offset by slightly lower selling prices. Sales volumes increased by approximately 11% in the three month period ending June 30, 2017 as compared to the same period in 2016, driven by higher sales volumes of ethylene and polyethylene due to higher production levels, partially offset by lower sales volumes of polypropylene. Volumes were lower in the second quarter of 2016 due to a scheduled major cracker turnaround in the period. The appreciation of the US dollar by approximately 3% against the euro in the three month period ended June 30, 2017 as compared to the same period of 2016 has also increased reported euro revenues. The weighted average sales price for the whole business was slightly lower for the three month period ended June 30, 2017 as compared to the same period in 2016, which partially offset the increase in revenues.

EBITDA before exceptionals. EBITDA before exceptionals in the O&P North America segment increased by €1.7 million, or 0.8%, to €227.1 million for the three month period ended June 30, 2017 as compared to €225.4 million in the same period in 2016. 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 June 30, 2017 the US cracker business environment was solid, with healthy margins and high operating rates, whilst polymer demand was strong, particularly in certain product sectors such as pipe and injection moulding grades. The results for the three month period ended June 30, 2017 were slightly higher than the same period in 2016, due to a combination of higher sales volumes and favourable foreign exchange rates, partially offset by inventory holding losses. Increased sales volumes of approximately 11% in the three month period ended June 30, 2017 as compared 2016 was a result of higher production levels in the quarter as compared to the same period in 2016, which had a scheduled major cracker turnaround at Chocolate Bayou. Margins were flat overall with increased olefins margins offsetting decreased polymer margins compared to the second quarter of 2016. In addition the appreciation of the US dollar by approximately 3% against the euro in the three month period ended June 30, 2017 as compared to the same period of 2016 has increased the reported euro profitability. Partially offsetting these increases were inventory holding losses of approximately €18 million in the three month period ended June 30, 2017, as compared to inventory holding gains of approximately €17 million in the same period in 2016.

O&P Europe

Revenue. Revenue in the O&P Europe segment increased by €222.8 million, or 17.8%, to €1,472.8 million for the three month period ended June 30, 2017 as compared to €1,250.0 million for the same period in 2016. The increase in revenues was mainly driven by higher selling prices and to a lesser extent higher sales volumes during the three month period ended June 30, 2017 as compared to the same period in 2016. The increase in revenues for the business was driven by the general price environment which was higher in the second quarter of 2017 as compared to the same quarter in 2016 as crude oil prices rose to an average of $50/bbl for the three month period ended June 30, 2017 as compared to an average of $46/bbl for the three month period ended June 30, 2016, which led to a rise in prices across all products. Butadiene prices showed the largest increase, up approximately 137%, due to improved demand in Asia and a strong market in Europe. Polymer prices rose approximately 4% as compared to the same quarter in 2016, reflecting a smaller change from the exceptional markets experienced last year. The increase in revenues was also due to higher sales volumes of finished goods during the second quarter of 2017 as compared to the same period in 2016, which included a scheduled turnaround on one of the Koln cracker units.

EBITDA before exceptionals. EBITDA before exceptionals in the O&P Europe segment increased by €19.7 million or 10.4% to €209.7 million for the three month period ended June 30, 2017, as compared to €190.0 million in the same period in 2016. The results for the three month period ended June 30, 2017 have increased compared to the same period in 2016, primarily due to higher margins and increased sales volumes, partially offset by inventory holdings losses and higher fixed costs. Margins increased in the three month period ended June 30, 2017 as compared to the same period in 2016 due to additional margin being generated from the Trading & Shipping business as well as higher olefin margins driven by very strong ethylene margins, the recovery of the butadiene market and the benefit of a fall in feedstock prices after the monthly contract prices had been set. Polymer margins remained good, albeit down from the exceptional levels experienced in 2016. In addition increased sales volumes in the three month period ended June 30, 2017, as compared to the same period in 2016 also led to an increase in profitability. Partially offsetting these increases were inventory holding losses of approximately €23 million in the three month period ended June 30, 2017 as compared to gains of approximately €29 million in the three month period ended June 30, 2016. In addition the business experienced higher fixed costs in the second quarter of 2017 as compared to the same quarter in 2016, primarily due to the additional costs of having eight Dragon ships in the second quarter of 2017 as compared to only four in the same period in 2016, along with the associated US infrastructure costs in respect of shipping ethane from the US to Europe.

Chemical Intermediates

Revenue. Revenue in the Chemical Intermediates segment increased by €408.2 million, or 27.5%, to €1,893.3 million for the three month period ended June 30, 2017 as compared to €1,485.1 million for the same period in 2016. The Oxide business revenues increased in the three month period ended June 30, 2017 as compared to the same period in 2016, driven by higher prices, mostly offset by lower volumes. Overall prices increased in the three month period ended June 30, 2017 as compared to the same period in 2016, as pricing closely followed the rise in underlying raw material costs of ethylene and propylene which followed the increase in naphtha prices. Glycol products experienced a more significant rise in prices due to very high prices in the Asian market, whilst the solvents business experienced higher prices due to the impact of some competitor outages in the period. Offsetting most of this increase in revenues was a decrease in overall sales volumes of approximately 16% in the three month period ended June 30, 2017 as compared to the same period in 2016, mainly due to the impact of two scheduled EO/EG turnarounds in the second quarter of 2017 at the Antwerp, Belgium and Koln, Germany sites as compared to only one turnaround in the second quarter of 2016 at the Antwerp, Belgium site. The impact of the turnarounds was mainly on the larger volume business of glycols and had less of an impact on the derivatives businesses which have more contractually committed volumes. The Oligomers business revenues were higher in the three month period ended June 30, 2017 as compared to the same period in 2016, mainly as a result of higher prices and to a lesser extent higher volumes. The higher sales prices followed the increase in the underlying raw material prices since feedstock related contract prices make up the majority of the Oligomers pricing arrangements. The overall demand trend was strong in most products and sectors, most notably in the polymer co-monomer segment, supporting the strong polymer markets with overall sales volumes up in the three month period ended June 30, 2017 as compared to the same period in 2016 as higher SO sales volumes offset lower sales in LAO and PAO. Nitriles revenues increased in the three month period ended June 30, 2017 as compared to the same period in 2016 driven by both higher selling prices and increased volumes. The average acrylonitrile sales prices rose approximately 47% in the three month period ended June 30, 2017 as compared to the same period in 2016, reflecting the rise in the feedstock costs of propylene, tight supply conditions and the impact of some new sales contracts in the second quarter of 2017 as compared to the same quarter in 2016. Sales volumes of acrylonitrile increased approximately 8% in the three month period ended June 30, 2017 as compared to the same period in 2016, due to increased demand and some element of customer restocking following a period of planned and unplanned industry outages. Revenues of the Phenol business increased in the three month period ended June 30, 2017 as compared to the same period in 2016, primarily driven by higher prices and increased sales volumes. The increase in prices of finished goods moved in line with the underlying raw material prices which have risen in the three month period ended June 30, 2017 as compared to the same period in 2016. Benzene prices increased in the US and Europe, which in total led to higher phenol prices of approximately 19% in the three month period ended June 30, 2017 as compared to the same period in 2016. In addition the average acetone price increased by approximately 47% in the three month period ended June 30, 2017 as compared to the same period in 2016, following higher propylene prices in both Europe and the US. Sales volumes were also higher, driven by increased phenol and acetone sales in the three month period ended June 30, 2017 as compared to the same period in 2016 as volumes in the second quarter of 2016 were adversely impacted by a scheduled turnaround at the Antwerp, Belgium site during the period.

EBITDA before exceptionals. EBITDA before exceptionals in the Chemical Intermediates segment increased by €45.7 million, or 29.5%, to €200.8 million for the three month period ended June 30, 2017 as compared to €155.1 million for the same period in 2016. The Oxide business results in the three month period ended June 30, 2017 increased as compared with the same period in 2016, mainly driven by higher margins. The significant increase in margins in the three month period ended June 30, 2017 as compared to the same period in 2016 was due to improved raw material procurement as the ethylene tank in Antwerp helped to achieve higher discounts for ethylene; a steep increase in glycol pricing due to improved demand in Asia, and buoyant European markets, especially for solvents helped by operational issues of competitors which shortened the market. The Oligomers business profitability was lower in the three month period ended June 30, 2017 as compared to the same period in 2016 primarily due to lower margins and higher fixed costs. Overall LAO margins continued to be strong in co-monomer, global oilfield and mid-cut applications, although North America LAO margins were diminished as the cost advantages from production at the Joffre site were reduced as USGC ethylene prices which underlie LAO prices declined more rapidly than Joffre production costs. LAO European margins improved, benefitting from significant ethylene price discounts from third party suppliers. Lower LAO Asia margins reflected ongoing pricing competition. PAO margins were lower in the second quarter of 2017 as compared to the top of cycle margins experienced in the same period in 2016. Core demand continued to be strong in all regions with price increases implemented in both Europe and Asia. High margin HiViscosity sales continued to be solid, setting a new monthly record during the second quarter of 2017. SO margins were also below the record margins seen in the second quarter of 2016, although sales remained good in core products and in higher margin specialty products. The Nitriles business experienced a significant increase in profitability in the three month period ended June 30, 2017 as compared to the same period in 2016, primarily due to higher margins. Overall margins were significantly increased during the three month period ended June 30, 2017 as compared to the same period in 2016, as the business experienced strong underlying demand; tight supply conditions due to a number of industry outages and the positive impact of some new sales contracts in 2017. The Phenol business profitability increased in the three month period ended June 30, 2017 as compared to the same period in 2016 due to an increase in sales volumes as phenol markets remained balanced, with some weakness in Europe due to customer turnarounds.

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 2018.

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 November 2019.

As of June 30, 2017, the Group had a total of €4,332.9 million Senior Secured Term Loans, €770.0 million Senior Secured Notes due 2023, and €1,087.6 million Senior Notes due 2024 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 six months ended June 30, 2017 was €358.5 million (€384.7 million in the six months ended June 30, 2016) analysed by business segment as follows:

	Six-month period ended June 30,	
	2017	2016
	(€ in millions)	
O&P North America	119.1	193.3
O&P Europe	83.6	64.9
Chemical Intermediates	155.8	126.5
	358.5	384.7

The main capital expenditures in the six month period ended June 30, 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, a mini turnaround and debottleneck on one of the crackers and other linked projects as well as the acquisition of the Marina View headquarters building in Texas, USA. The main capital expenditures in the O&P Europe segment were at the Koln site on a cogeneration project, office buildings and a cracker turnaround and 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 and within the Nitriles business on a turnaround at the Green Lake, USA site. The remaining capital expenditure related primarily to sustenance expenditure.

The main capital expenditures in the six month period ended June 30, 2016 related to expenditure within the O&P North America segment on a cogeneration project at the Chocolate Bayou site, together with expenditure for a scheduled major cracker turnaround at the same site. There were also a number of smaller projects within the O&P North America and O&P Europe segments. There was additional expenditure by the Oligomers business on a DIB debottlenecking project at the site in Koln, Germany and expenditure on the PAO HiVis plant at LaPorte, USA together with a turnaround on the LAO plant at Joffre, Canada. There were also turnarounds at the Nitriles sites in Lima, USA and Seal Sands, United Kingdom and at the Phenol site in Antwerp, Belgium. 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 six month period ended June 30, 2017 and 2016, our cash flow was as follows:

	Six-month period ended June 30,	
	2017	**2016**
	(€ millions)	
Cash flow from operating activities	1,041.6	1,026.3
Cash flow from investing activities	(348.9)	(336.2)
Cash flow from financing activities	(1,468.5)	(242.9)

Cash flows from operating activities

Net cash flow from operating activities was an inflow of €1,041.6 million for the six month period ended June 30, 2017 (inflow of €1,026.3 million in the six month period ended June 30, 2016). The inflow was due to the profit generated from operations partially offset by working capital outflows of €259.6 million in the six month period ended June 30, 2017 (outflow of €47.1 million in the six month period ended June 30, 2016). The increase in working capital outflows primarily reflects the higher working capital levels of the Group as a result of higher raw material costs in the six month period ended June 30, 2017 as compared to the same period in the prior year, together with higher sales volumes.

Taxation payments of €87.0 million were made in the six month period ended June 30, 2017 (payments of €52.6 million in the six month period ended June 30, 2016). The payments in the six month period ended June 30, 2017 primarily reflect payments made to the tax authorities in the US and to a lesser extent Germany, Canada and the UK. The payments in the six month period ended June 30, 2016 primarily reflect payments made to the tax authorities in Canada, and to a lesser extent Germany and the US.

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 ('Styrolution'), a related party, with a Second Lien PIK Toggle Loan of €200.0 million. The loan beared interest at a rate per annum of 9.5% for cash interest payments or 10.25% for PIK interest and had a scheduled maturity date of November 2020. Before its early repayment the Group paid interest of €9.5 million during the six month period ended June 30, 2016 relating to the Second Lien PIK Toggle Loan.

During September 2016 Styrolution refinanced its capital structure and repaid the €200.0 million Second Lien PIK Toggle Loan. The Group used the proceeds from the loan together with €50.0 million of cash in hand to invest €250.0 million in the Styrolution Term Loan facility which was issued during September 2016. The facility was further repriced and the maturity extended in March 2017. The Term Loan is secured on the assets of Styrolution, bears 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 matures on September 30, 2024. During the six month period ended June 30, 2017 Styrolution paid €5.0 million of interest to the Group in relation to the Term Loan facility.

During the three month period ended December 31, 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, matures on October 26, 2020 and bears interest at 7% per annum. During the six month period ended June 30, 2017 INEOS Upstream paid interest of €16.0 million (six month period ended June 30, 2016: €22.8 million) and made a loan repayment of €16.8 million.

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. The plant is expected to be fully operational in the third quarter of 2017. The Group invested a further €37.6 million into the joint venture during the six month period ended June 30, 2017.

During the six month period ended June 30, 2017 the Group received cash proceeds of €3.4 million relating to the planned disposal of the recently acquired WL Plastics plant in Calgary, Canada.

There were no other significant cash flows from investing activities in the six month period ended June 30, 2017 and 2016 other than the acquisition of property, plant and equipment (refer to the "Capital Expenditure" section).

Cash flows from financing activities

Interest payments of €188.7 million were made in the six month period ended June 30, 2017 (€186.3 million in the six month period ended June 30, 2016). The interest payments during the first six months of 2017 relate primarily to monthly cash payments in respect of the Senior Secured Term Loans, semi-annual interest payments on the Senior Secured Notes due 2023 and 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. The interest payments during the first six months of 2016 relate primarily to monthly cash payments in respect of the Senior Secured Term Loans, semi-annual interest payments on the Senior Notes due 2018, the Senior Notes due 2019 and the Senior Secured Notes due 2023.

The Group made a repayment of €0.9 million on the Securitization Program during the six month period ended June 30, 2017 (repayment of €29.7 million in the six month period ended June 30, 2016). Debt issue costs of €0.3 million in relation to the Securitization Program amendment agreement in December 2015 were paid during the six month period ended June 30, 2016.

The Group made scheduled repayments of €22.1 million on the Senior Secured Term Loans during the six month period ended June 30, 2017 (scheduled repayments of €24.0 million in the six month period ended June 30, 2016). The Group also made scheduled repayments of €13.8 million on the Noretyl Facility during the six month period ended June 30, 2017 (scheduled repayments of €13.8 million in the six month period ended June 30, 2016).

The Group made scheduled repayments of €1.8 million on a bilateral bank loan agreement to fund some specific capital expenditure at the Koln, Germany site, during the six month period ended June 30, 2017 (scheduled repayments of €1.8 million in the six month period ended June 30, 2016).

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, resulting in an inflow of €13.1 million in the six month period ended June 30, 2016. The Group has subsequently made scheduled repayments of €0.3 million on the bank loan agreement during the six month period ended June 30, 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 six month period ended June 30, 2017.

Net debt

Total net debt as at June 30, 2017 was €5,226.8 million (December 31, 2016: €5,862.8 million). The Group held net cash balances of €1,338.8 million as at June 30, 2017 (December 31, 2016: €2,204.1 million) which included restricted cash of €117.2 million used as collateral against bank guarantees and letters of credit. The Group had availability under undrawn working capital facilities of €384.4 million as at June 30, 2017.