INEOS GROUP HOLDINGS S.A.

Three month period ended June 30, 2018

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

	Three-Month Period Ended June 30,	
	2018	**2017**
	(€ in millions)	
Revenue	**3,994.0**	**3,835.8**
Cost of sales	(3,264.0)	(3,153.3)
Gross profit	**730.0**	**682.5**
Distribution costs	(53.4)	(53.2)
Administrative expenses	(104.7)	(101.8)
Operating profit	**571.9**	**527.5**
Share of (loss)/profit of associates and jointly controlled entities using the equity accounting method	(48.4)	27.9
Profit before net finance costs	**523.5**	**555.4**
Finance income	21.5	18.6
Finance costs	(228.8)	122.9
Profit before tax	**316.2**	**696.9**
Tax charge	(65.1)	(166.7)
Profit for the period	**251.1**	**530.2**

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,	
	2018	**2017**
	(€ in millions)	
Revenue	**7,984.6**	**7,843.8**
Cost of sales	(6,606.7)	(6,382.2)
Gross profit	**1,377.9**	**1,461.6**
Distribution costs	(105.9)	(105.0)
Administrative expenses	(191.0)	(191.2)
Operating profit	**1,081.0**	**1,165.4**
Share of (loss)/profit of associates and jointly controlled entities using the equity accounting method	(38.9)	70.8
Profit before net finance costs	**1,042.1**	**1,236.2**
Finance income	41.3	39.5
Finance costs	(209.5)	79.3
Exceptional finance costs	-	(44.1)
Profit before tax	**873.9**	**1,310.9**
Tax charge	(163.8)	(309.4)
Profit for the period	**710.1**	**1,001.5**

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,	
	2018	**2017**
	(€ in millions)	
Profit for the period	710.1	1,001.5
Other comprehensive income/(expense):		
Items that will not be recycled to profit and loss:		
Remeasurement of post employment benefit obligations net of tax	10.0	39.6
Items that may subsequently be recycled to profit and loss:		
Foreign exchange translation differences	(16.4)	60.0
Net gain/(loss) on hedge of net investment in foreign operations net of tax	191.3	(470.2)
Other comprehensive income/(expense) for the period net of tax	**184.9**	**(370.6)**
Total comprehensive income for the period	**895.0**	**630.9**

The six month period ended June 30, 2017 has been restated in order to recognise the actuarial movement on the pension liability as at June 30, 2017.

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, 2018	December 31, 2017
	(Unaudited)	
	(€ in millions)	
Non-current assets		
Property, plant and equipment	4,559.8	4,255.4
Intangible assets	728.9	731.6
Investments in equity-accounted investees	328.4	351.1
Financial assets at fair value through profit or loss	243.9	-
Other investments	-	238.5
Financial assets at fair value through other comprehensive income	28.3	-
Other financial assets	-	28.3
Other receivables	859.3	957.4
Deferred tax assets	157.4	160.2
	6,906.0	6,722.5
Current assets		
Inventories	1,278.8	1,246.5
Trade and other receivables	1,909.5	1,712.9
Cash and cash equivalents	1,923.6	1,366.3
	5,111.9	4,325.7
Total assets	**12,017.9**	**11,048.2**
Equity attributable to owners of the parent		
Share capital	0.9	0.9
Share premium	779.4	779.4
Other reserves	(1,998.3)	(2,183.2)
Retained earnings	3,803.7	3,099.7
Total equity	**2,585.7**	**1,696.8**
Non-current liabilities		
Interest-bearing loans and borrowings	6,166.6	6,094.9
Trade and other payables	114.1	120.1
Employee benefits	698.2	701.0
Provisions	29.0	28.8
Deferred tax liabilities	203.1	202.3
Other financial liabilities	2.0	2.3
	7,213.0	7,149.4
Current liabilities		
Interest-bearing loans and borrowings	60.9	63.0
Trade and other payables	1,798.7	1,877.9
Tax payable	336.8	248.4
Other financial liabilities	12.2	0.2
Provisions	10.6	12.5
	2,219.2	2,202.0
Total liabilities	**9,432.2**	**9,351.4**
Total equity and liabilities	**12,017.9**	**11,048.2**

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 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	-	-	-	710.1	710.1
Other comprehensive income/(expense):					
Remeasurement of post employment benefit obligations net of tax	-	-	10.0	-	10.0
Foreign exchange translation differences	-	-	(16.4)	-	(16.4)
Net gain on hedge of net investment in foreign operations	-	-	191.3	-	191.3
Balance at 30 June 2018	**0.9**	**779.4**	**(1,998.3)**	**3,803.7**	**2,585.7**

	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/(expense):					
Foreign exchange translation differences	-	-	60.0	-	60.0
Net loss on hedge of net investment in foreign operations	-	-	(470.2)	-	(470.2)
Remeasurement of post employment benefit obligations net of tax	-	-	39.6	-	39.6
Balance at 30 June 2017	**0.9**	**779.4**	**(2,083.1)**	**2,363.8**	**1,061.0**

The six month period ended June 30, 2017 has been restated in order to recognise the actuarial movement on the pension liability as at June 30, 2017.

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,	
	2018	**2017**
	(€ in millions)	
Cash flows from operating activities		
Profit before tax	873.9	1,310.9
Adjustments for:		
Depreciation, amortisation and impairment	219.9	224.9
Net finance cost/(income)	168.2	(74.7)
Share of loss/(profit) of equity-accounted investees	38.9	(70.8)
Increase in trade and other receivables	(202.0)	(388.4)
(Increase)/decrease in inventories	(16.3)	7.2
(Decrease)/increase in trade and other payables	(38.7)	121.6
Decrease in provisions and employee benefits	-	(2.1)
Tax paid	(80.8)	(87.0)
Net cash from operating activities	**963.1**	**1,041.6**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	3.4
Proceeds from sale of investments	0.4	1.0
Interest and other finance income received	28.5	23.8
Dividends received	2.8	2.2
Loan repayments from related parties	105.4	16.8
Acquisition of businesses, net of cash acquired	(4.1)	-
Acquisition of property, plant and equipment	(465.5)	(358.5)
Acquisition of other investments	(12.9)	(37.6)
Net cash used in investing activities	**(345.4)**	**(348.9)**
Cash flows from financing activities		
Securitisation Facility	-	(0.9)
Redemption of Senior Notes	-	(1,151.9)
Refinancing of Senior Secured Term Loans	-	(79.0)
Issue costs	(0.4)	(10.0)
Interest paid	(110.4)	(188.7)
Repayment of loans	(33.1)	(38.0)
Proceeds from other loans	40.3	-
Net cash used in financing activities	**(103.6)**	**(1,468.5)**
Net increase/(decrease) in cash and cash equivalents	514.1	(775.8)
Cash and cash equivalents at 1 January	1,366.3	2,204.1
Effect of exchange rate fluctuations on cash held	43.2	(89.5)
Cash and cash equivalents at June 30	**1,923.6**	**1,338.8**

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, 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 €243.9 million as at June 30, 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 June 30, 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 June 30,		Six-Month Period Ended June 30,	
	2018	2017	2018	2017
	(€ in millions)		*(€ in millions)*	
Revenue				
O&P North America	1,014.9	866.0	1,925.8	1,841.9
O&P Europe	1,565.5	1,472.8	3,143.8	3,003.9
Chemical Intermediates	1,907.3	1,893.3	3,954.7	3,900.2
Eliminations	(493.7)	(396.3)	(1,039.7)	(902.2)
	3,994.0	3,835.8	7,984.6	7,843.8
EBITDA before exceptionals				
O&P North America	246.6	227.1	429.9	511.4
O&P Europe	201.1	209.7	392.8	430.4
Chemical Intermediates	235.1	200.8	478.2	448.5
	682.8	637.6	1,300.9	1,390.3

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,	
	2018	2017	2018	2017
	(€ in millions)		*(€ in millions)*	
EBITDA before exceptionals	682.8	637.6	1,300.9	1,390.3
Depreciation and amortisation	(110.9)	(110.1)	(219.9)	(224.9)
Operating profit	571.9	527.5	1,081.0	1,165.4

4. FINANCE COSTS

	Three-Month Period Ended June 30,		Six-Month Period Ended June 30,	
	2018	2017	2018	2017
	(€ in millions)		*(€ in millions)*	
Interest payable on senior notes	25.2	22.9	50.3	57.2
Interest payable on bank loans and overdrafts	27.4	39.6	53.1	82.8
Interest payable on securitisation	2.3	2.1	4.3	4.1
Amortisation of issue costs	1.6	1.3	3.0	2.9
Other finance charges	4.8	5.3	9.3	11.0
Net fair value loss/(gain) on derivatives	4.7	(5.8)	11.2	0.2
Finance costs before exchange movements	66.0	65.4	131.2	158.2
Exchange movements	163.1	(188.3)	78.6	(237.5)
Borrowing costs capitalised in property, plant and equipment	(0.3)	-	(0.3)	-
Total finance costs	228.8	(122.9)	209.5	(79.3)

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 six 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

	June 30, 2018	December 31, 2017
	(€ in millions)	
Raw materials and consumables	477.4	439.7
Work in progress	23.3	22.8
Finished products	778.1	784.0
	1,278.8	1,246.5

8. BORROWINGS

Borrowing obligations as of June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018	December 31, 2017
	(€ in millions)	
Non-current liabilities		
Senior Secured Term Loans	3,431.3	3,404.4
Senior Secured Notes due 2023	765.3	764.8
Senior Secured Notes due 2025	544.5	544.2
Senior Notes due 2024	1,074.1	1,060.4
Securitisation Facility	286.1	282.5
Koln CoGen Facility	40.3	-
Noretyl Facility	13.4	27.0
Finance lease liabilities	1.1	1.2
Other loans	10.5	10.4
	6,166.6	6,094.9

	June 30, 2018	December 31, 2017
Current liabilities		
Current portion of borrowings under Senior Secured Term Loans	32.8	33.2
Noretyl Facility	26.9	26.9
Other loans	1.1	2.8
Current portion of finance lease liabilities	0.1	0.1
	60.9	63.0

	June 30, 2018		
	Gross loans and borrowings	Issue costs	Net loans and borrowings
		(€ in millions)	
Senior Secured Term Loans	3,476.2	(12.1)	3,464.1
Senior Secured Notes due 2023	770.0	(4.7)	765.3
Senior Secured Notes due 2025	550.0	(5.5)	544.5
Senior Notes due 2024	1,081.9	(7.8)	1,074.1
Securitisation Facility	287.6	(1.5)	286.1
Koln CoGen Facility	40.3	-	40.3
Noretyl Facility	41.2	(0.9)	40.3
Other	12.8	-	12.8
	6,260.0	(32.5)	6,227.5

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 June 30, 2018 before issue costs were €3,476.2 million (December 31, 2017: €3,450.5 million) of which €34.9 million (December 31, 2017: €34.5 million) is due within one year. The total amounts outstanding on the Euro denominated Term Loans were €2,049.7 million (December 31, 2017: €2,060.0 million) and the USD denominated Term Loans were €1,426.5 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 June 30, 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 €12.1 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 €4.7 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 €5.5 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 €7.8 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 June 30, 2018 before issue costs was €287.6 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 €1.5 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 June 30, 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 June 30, 2018 before issue costs was €41.2 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 €0.9 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 €21.6 million (June 30, 2017: €20.8 million) were charged to the income statement during the three month period ended June 30, 2018. As at June 30, 2018 amounts owed to INEOS AG were €22.0 million (June 30, 2017: €21.1 million). Amounts due from INEOS Holdings AG, a wholly owned subsidiary of INEOS AG, were €154.5 million (June 30, 2017: €123.3 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 (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 June 30, 2018 the Group has made sales to these subsidiaries of €295.4 million (June 30, 2017: €247.2 million), recovered costs of €21.5 million (June 30, 2017: €23.0 million) and made purchases of €288.7 million (June 30, 2017: €284.1 million). As at June 30, 2018, €382.4 million (June 30, 2017: €363.8 million) was owed by and €180.8 million (June 30, 2017: €197.2 million) was owed to these subsidiaries (excluding the Grangemouth shareholder loan before its full repayment in July 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. 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 and bears interest at 7% per annum. During the three month period ended June 30, 2018 loan repayments of $122.5 million (€105.4 million) were received, leaving $617.1 million (€533.0 million) outstanding under these facilities as at June 30, 2018 (June 30, 2017: $487.4 million (€426.6 million)).

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 has a maturity date of July 28, 2021 and is 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 June 30, 2017 €126.5 million was outstanding under the facility, which included €17.6 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 June 30, 2017 Styrolution paid €2.0 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 June 30, 2018 the Group has made sales to Styrolution of €72.4 million (June 30, 2017: €106.1 million), recovered costs of €2.3 million (June 30, 2017: €2.3 million) and made purchases of €0.1 million (June 30, 2017: €8.0 million). As at June 30, 2018, €23.0 million (June 30, 2017: €280.6 million, which included the Group's €247.7 million Term Loan holding) was owed by Styrolution and €1.1 million (June 30, 2017: €1.6 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 June 30, 2018 the Group has made sales of €0.6 million (June 30, 2017: €nil million), recovered costs of €1.7 million (June 30, 2017: €1.1 million) and made purchases of €104.5 million (June 30, 2017: €79.0 million). As at June 30, 2018, €2.0 million (June 30, 2017: €0.4 million) was owed by the Refining joint ventures and €22.1 million (June 30, 2017: €16.6 million) was owed to the Refining joint ventures.

During the three month period ended June 30, 2018 the Group has made sales of €5.2 million and recovered costs of €5.2 million (June 30, 2017: €nil million) from the HDPE joint venture. As at June 30, 2018, €5.8 million (June 30, 2017: €5.1 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 June 30,			
	2018		**2017**	
	€m	%	€m	%
Revenue	**3,994.0**	**100.0**	**3,835.8**	**100.0**
Cost of sales	(3,264.0)	(81.7)	(3,153.3)	(82.2)
Gross profit	**730.0**	**18.3**	**682.5**	**17.8**
Distribution costs	(53.4)	(1.3)	(53.2)	(1.4)
Administrative expenses	(104.7)	(2.6)	(101.8)	(2.6)
Operating profit	**571.9**	**14.3**	**527.5**	**13.8**
Share of (loss)/profit of associates and jointly controlled entities	(48.4)	(1.2)	27.9	0.7
Profit before net finance costs	**523.5**	**13.1**	**555.4**	**14.5**
Finance income	21.5	0.5	18.6	0.5
Finance costs	(228.8)	(5.7)	122.9	3.2
Profit before tax	**316.2**	**7.9**	**696.9**	**18.2**
Tax charge	(65.1)	(1.6)	(166.7)	(4.3)
Profit for the period	**251.1**	**6.3**	**530.2**	**13.9**

Three-Month Period Ended June 30, 2018, Compared to Three-Month Period Ended June 30, 2017

Revenue. Revenue increased by €158.2 million, approximately 4.1%, to €3,994.0 million in the three month period ended June 30, 2018 as compared to €3,835.8 million for the same period in 2017. The increase in revenues was driven primarily by increased sales volumes and higher prices. Overall sales volumes for the Group increased in the three month period ended June 30, 2018 as compared to the same period in 2017, primarily in the O&P North America, Oxide, Nitriles and Oligomers businesses. The increases were partially offset by lower sales volumes in O&P Europe and Phenol. In addition there was an increase in selling prices which followed the rise in crude oil prices, which increased to an average of $74/bbl for the three month period ended June 30, 2018 as compared to $50/bbl in the same period in 2017. Partially offsetting the increase in revenues was the depreciation of the US dollar by approximately 10% against the euro in the three month period ended June 30, 2018 as compared to the same period of 2017, which has decreased reported euro revenues.

Cost of sales. Cost of sales increased by €110.7 million, approximately 3.5%, to €3,264.0 million in the three month period ended June 30, 2018 as compared to €3,153.3 million for the same period in 2017. The increase in cost of sales is largely due to higher sales volumes and the rise in crude oil prices, which has meant higher feedstock prices across the Group in the three month period ended June 30, 2018, as compared to the same period in 2017.

Gross profit. Gross profit increased by €47.5 million, approximately 7.0%, to €730.0 million in the three month period ended June 30, 2018 as compared to €682.5 million for the same period in 2017. The increase in profitability was primarily driven by higher sales volumes and inventory holding gains. Increased sales volumes in the Group were driven by the O&P North America business, which experienced an increase in sales volumes in the three month period ending June 30, 2018 as compared to the same period in 2017, largely due to higher polyethylene and polypropylene sales. The Oxide and Nitriles businesses also experienced improved profitability following higher sales volumes in the quarter. In addition the increase in gross profit was also due to inventory holding gains within the O&P segments, which were approximately €57 million in the three month period ended June 30, 2018, as compared to inventory holding losses of approximately €41 million in the same period in 2017. Partially offsetting the increase in profitability were lower margins in the three month period ending June 30, 2018 as compared to the same period in 2017, largely driven by lower olefin margins in both of the O&P businesses. In addition, the depreciation of the US dollar by approximately 10% against the euro in the three month period ended June 30, 2018 as compared to the same period of 2017, has decreased reported euro profitability.

Distribution costs. Distribution costs increased by €0.2 million, approximately 0.4%, to €53.4 million in the three month period ended June 30, 2018 as compared to €53.2 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 June 30, 2018 as compared to the same period in 2017.

Administrative expenses. Administrative expenses increased by €2.9 million, approximately 2.8%, to €104.7 million in the three month period ended June 30, 2018 as compared to €101.8 million for the same period in 2017. The increase in administrative expenses is primarily due to an increase in research and development expenditure in the three month period ended June 30, 2018 as compared to the same period in 2017.

Operating profit. Operating profit increased by €44.4 million, approximately 8.4%, to €571.9 million for the three month period ended June 30, 2018 as compared to €527.5 million for the same period in 2017.

Share of (loss)/profit of associates and jointly controlled entities. Share of (loss)/profit of associates and jointly controlled entities was a loss of €48.4 million for the three month period ended June 30, 2018 as compared to a profit of €27.9 million for the same period in 2017. The share of (loss)/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 June 30, 2018 as compared to the same period in 2017.

Profit before net finance costs. Profit before net finance costs decreased by €31.9 million, approximately 5.7%, to €523.5 million for the three month period ended June 30, 2018 as compared to €555.4 million for the same period in 2017.

Finance income. Finance income increased by €2.9 million, approximately 15.6%, to €21.5 million for the three month period ended June 30, 2018 as compared to €18.6 million for the same period in 2017. The income in the three month period ended June 30, 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 June 30, 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 increased by €351.7 million, to be a charge of €228.8 million for the three month period ended June 30, 2018 as compared to a credit of €122.9 million for the same period in 2017. The increase in finance costs for the three month period ended June 30, 2018 reflects an increase in net foreign exchange losses associated with short term intra group funding, which was a loss of €163.1 million in the three month period ended June 30, 2018 as compared to a gain of €188.3 million in the same period in 2017. In addition the refinancing transactions completed by the Group in November 2017 has resulted in the weighted average interest rate on the Group's debt being lower during the three month period ended June 30, 2018 as compared to the same period in 2017.

Profit before tax. Profit before tax decreased by €380.7 million, approximately 54.6%, to €316.2 million for the three month period ended June 30, 2018 as compared to €696.9 million for the same period in 2017.

Tax charge. Tax charge decreased by €101.6 million, approximately 60.9%, to a charge of €65.1 million for the three month period ended June 30, 2018 as compared to a charge of €166.7 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 June 30, 2018 reflects the anticipated tax rate for the Group for the full year. The effective rate for the three month period ended June 30, 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 €279.1 million, approximately 52.6%, to a profit of €251.1 million for the three month period ended June 30, 2018 as compared to €530.2 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 June 30,		Six-Month Period Ended June 30,	
	2018	2017	2018	2017
	(€ in millions)		*(€ in millions)*	
Revenue				
O&P North America	1,014.9	866.0	1,925.8	1,841.9
O&P Europe	1,565.5	1,472.8	3,143.8	3,003.9
Chemical Intermediates	1,907.3	1,893.3	3,954.7	3,900.2
Eliminations	(493.7)	(396.3)	(1,039.7)	(902.2)
	3,994.0	3,835.8	7,984.6	7,843.8
EBITDA before exceptionals				
O&P North America	246.6	227.1	429.9	511.4
O&P Europe	201.1	209.7	392.8	430.4
Chemical Intermediates	235.1	200.8	478.2	448.5
	682.8	637.6	1,300.9	1,390.3

O&P North America

Revenue. Revenue in the O&P North America segment increased by €148.9 million, or 17.2%, to €1,014.9 million for the three month period ended June 30, 2018, as compared to €866.0 million for the same period in 2017. The increase was driven primarily by higher sales volumes in the three month period ending June 30, 2018 as compared to the same period in 2017, largely due to higher polyethylene and polypropylene sales, together with some additional sales of natural gas liquids. The increased polyethylene volumes were primarily due to additional product from the new Gemini HDPE joint venture, which became operational at the end of 2017. Volumes of polypropylene sales were lower in the second quarter of 2017 due to a number of plant outages in the period. Partially offsetting the increase was the adverse impact of the depreciation of the US dollar by approximately 10% against the euro in the three month period ended June 30, 2018 as compared to the same period of 2017, which has decreased reported euro revenues.

EBITDA before exceptionals. EBITDA before exceptionals in the O&P North America segment increased by €19.5 million, or 8.6%, to €246.6 million for the three month period ended June 30, 2018 as compared to €227.1 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 June 30, 2018 the US cracker business environment was solid with good operating rates throughout the quarter. The results for the three month period ended June 30, 2018 were higher than the performance during the same period in 2017 due to a combination of higher inventory holding gains and additional sales volumes, partially offset by lower margins and the adverse impact of the depreciation of the US dollar against the euro. Inventory holding gains were approximately €18 million in the three month period ended June 30, 2018, as compared to inventory holding losses of approximately €18 million in the same period in 2017. Total sales volumes increased in the three month period ending June 30, 2018 as compared to the same period in 2017, largely due to higher polyethylene and polypropylene sales. Partially offsetting these increases were lower margins in the three month period ending June 30, 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 10% against the euro in the three month period ended June 30, 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 €92.7 million, or 6.3%, to €1,565.5 million for the three month period ended June 30, 2018 as compared to €1,472.8 million for the same period in 2017. The increase in revenues was driven by increased selling prices during the three month period ended June 30, 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 second quarter of 2018 as compared to the same period in 2017, as crude oil prices rose to an average of $74/bbl for the three month period ended June 30, 2018 as compared to an average of $50/bbl for the three month period ended June 30, 2017, which in turn led to a rise in prices across most products. Propylene prices increased by approximately 12% due to a tighter market with a number of refinery and industry cracker outages. Polymer prices were slightly above the same period in 2017, except for LLDPE which showed a decrease of approximately 2%. Partially offsetting these increases was a lower butadiene price, which was down significantly in the three month period ended June 30, 2018 as compared to the same period in 2017, as global markets were extremely tight in the second quarter of 2017 which inflated prices during this period. Selling prices for aromatics were also down in the three month period ended June 30, 2018 as compared to the same period in 2017, due to heavy downstream turnarounds in the second quarter of 2018 as well as increased imports during the quarter. In addition, overall sales volumes were down approximately 5% as higher polymer sales were offset by lower olefin sales, primarily due to unplanned outages in Koln, Germany.

EBITDA before exceptionals. EBITDA before exceptionals in the O&P Europe segment decreased by €8.6 million or 4.1% to €201.1 million for the three month period ended June 30, 2018, as compared to €209.7 million in the same period in 2017. The results for the three month period ended June 30, 2018 have decreased compared to the same period in 2017, primarily due to lower margins, partially offset by higher inventory holding gains. Margins were lower in the three month period ended June 30, 2018 as compared to the same period in 2017 as increased cracker margins at Rafnes due to advantageous US ethane market conditions were offset by decreased cracker margins at Koln due to the market environment. Butadiene margins were also lower in the second quarter of 2018 as compared to the record levels achieved in 2017, whilst aromatics margins were also down due to downstream turnarounds impacting demand. 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 June 30, 2018 as compared to the same period in 2017. The ower margins were partially offset by the benefit of additional margins from the Trading & Shipping business in the three month period ended June 30, 2018 as compared to the same period in 2017. Overall sales volumes were also down in the three month period ended June 30, 2018 as compared to the same period in 2017 which adversely impacted results. Partially offsetting these decreases were inventory holding gains of approximately €39 million in the three month period ended June 30, 2018 as compared to losses of approximately €23 million in the three month period ended June 30, 2017.

Chemical Intermediates

Revenue. Revenue in the Chemical Intermediates segment increased by €14.0 million, or 0.7%, to €1,907.3 million for the three month period ended June 30, 2018 as compared to €1,893.3 million for the same period in 2017. The Oxide business revenues increased in the three month period ended June 30, 2018 as compared to the same period in 2017 driven by higher sales volumes and increased prices. Sales volumes increased approximately 14% in the three month period ended June 30, 2018 as compared to the same period in 2017, primarily due to very strong demand in Europe and good export demand as well as volumes in the second quarter of 2017 being adversely impacted by turnarounds at the Antwerp and Koln sites. Overall prices increased in the three month period ended June 30, 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 second quarter of 2018 as compared to the same period in 2017 as, despite the end of the winter period, markets remained very tight. The Oligomers business revenues were higher in the three month period ended June 30, 2018 as compared to the same period in 2017, mainly as a result of higher volumes. The overall demand trend in the quarter was solid, with tight markets for both hexene and octene following operational issues at a competitor. Sales volumes for LAO and PAO were higher in the three month period ended June 30, 2018 as compared to the same period in 2017 with LAO sales continuing to be strong in core co-monomer applications and PAO core products boosted by stronger demand in the automotive market, together with operational issues at a competitor. Hi-Viscosity sales were also healthy in the quarter, reflecting underlying market growth and increased acceptance of the Group's product from its new LaPorte plant. Partially offsetting these increases were slightly lower SO sales in the three month period ended June 30, 2018 as compared to the same period in 2017, following some customer resistance to price increases as a result of higher raw material costs. Nitriles revenues increased in the three month period ended June 30, 2018 as compared to the same period in 2017, driven by both higher sales volumes and increased selling prices. The average acrylonitrile sales price rose approximately 6% in the three month period ended June 30, 2018 as compared to the same period in 2017, driven by strong pricing as a result of market tightness, especially into Asia and higher selling prices for cost plus pricing customers as a result of higher propylene prices which increased by approximately 11% in the three month period ended June 30, 2018 as compared to the same period in 2017. Sales volumes of acrylonitrile increased approximately 8% in the three month period ended June 30, 2018 as compared to the same period in 2017, driven by higher US export volumes due to stronger demand in all sectors and the adverse impact on volumes of a turnaround at the Green Lake site in the second quarter of 2017. The increase in sales volumes was partially offset by the force majeures at the Koln and Seal Sands sites, which adversely impacted sales volumes with customers on allocation. Revenues of the Phenol business decreased in the three month period ended June 30, 2018 as compared to the same period in 2017, primarily driven by lower sales volumes partially offset by increased phenol prices. Total sales volumes were lower in the three month period ended June 30, 2018 as compared to the same period in 2017 across all product lines. The lower phenol sales were driven by lower demand in both the domestic and export markets. The decrease was partially offset by higher phenol prices which moved in line with the underlying raw material prices and increased by approximately 1% in the three month period ended June 30, 2018 as compared to the same period in 2017.

EBITDA before exceptionals. EBITDA before exceptionals in the Chemical Intermediates segment increased by €34.3 million, or 17.1%, to €235.1 million for the three month period ended June 30, 2018 as compared to €200.8 million for the same period in 2017. The Oxide business results in the three month period ended June 30, 2018 increased as compared with the same period in 2017, mainly driven by higher sales volumes and higher margins. The increase in sale volumes of approximately 14% in the three month period ended June 30, 2018 as compared to the same period in 2017 was largely due to very strong demand in Europe and good export demand. In addition sales volumes in the second quarter of 2017 were adversely impacted by turnarounds at the Antwerp and Koln sites. The increase in margins in the three month period ended June 30, 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 an extremely short market, together with overall pricing being helped by buoyant European markets and continuous strong demand from China. The Oligomers business profitability in the three month period ended June 30, 2018 was slightly lower than the same period in 2017, primarily due to higher fixed costs and the adverse impact of foreign exchange rates which was only partially offset by higher volumes. The depreciation of the US and Canadian dollar against the euro has adversely impacted the euro reported results of the Oligomers business. Fixed costs increased during the three month period ended June 30, 2018 as compared to the same period in 2017 due to increased support costs associated with the new LAO plant. Partially offsetting these decreases were higher sales volumes which increased by approximately 8% in the three month period ended June 30, 2018 as compared to the same period in 2017, primarily driven by higher LAO and PAO volumes which were up approximately 8% and 14% respectively. Margins in the three month period ended June 30, 2018 were in line with the same period in 2017 as higher LAO and SO margins were mostly offset by lower PAO margins. The Nitriles business experienced an increase in profitability in the three month period ended June 30, 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 June 30, 2018 as compared to the same period in 2017 was driven by strong pricing as a result of market tightness and strong demand which led to increased margins and higher sale volumes, particularly for ABS and acrylamide where customers have been asking for contractual maximum levels in all regions. The Phenol business profitability increased in the three month period ended June 30, 2018 as compared to the same period in 2017 due to higher margins, partially offset by lower sales volumes. Demand for the Phenol business was balanced overall, with good demand for phenol countered by some length in acetone in the three month period ended June 30, 2018. Margins were slightly higher in the three month period ended June 30, 2018 as compared to the same period in 2017 primarily due to higher margins in the US reflecting the positive impact of higher US benzene prices on phenol margins. Partially offsetting this increase were lower sales volumes in the three month period ended June 30, 2018 as compared to the same period in 2017, largely driven by decreased phenol sales.

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 June 30, 2018, the Group had a total of €3,476.2 million Senior Secured Term Loans, €770.0 million Senior Secured Notes due 2023, €1,081.9 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 six months ended June 30, 2018 was €465.5 million (€358.5 million in the six months ended June 30, 2017) analysed by business segment as follows:

	Six-month period ended June 30,	
	2018	**2017**
	(€ in millions)	
O&P North America	110.3	119.1
O&P Europe	106.2	83.6
Chemical Intermediates	249.0	155.8
	465.5	358.5

The main capital expenditures in the six month period ended June 30, 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 and new office buildings, together with turnarounds at the Koln and Lillo sites. 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 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.

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, 2018 and 2017, our cash flow was as follows:

	Six-month period ended June 30,	
	2018	**2017**
	(€ millions)	
Cash flow from operating activities	963.1	1,041.6
Cash flow from investing activities..	(345.4)	(348.9)
Cash flow from financing activities	(103.6)	(1,468.5)

Cash flows from operating activities

Net cash flow from operating activities was an inflow of €963.1 million for the six month period ended June 30, 2018 (inflow of €1,041.6 million in the six month period ended June 30, 2017). The inflow was due to the profit generated from operations partially offset by working capital outflows of €257.0 million in the six month period ended June 30, 2018 (outflow of €259.6 million in the six month period ended June 30, 2017). The working capital outflows in six month period ended June 30, 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 €80.8 million were made in the six month period ended June 30, 2018 (payments of €87.0 million in the six month period ended June 30, 2017). The payments in the six month period ended June 30, 2018 primarily reflect payments made to the tax authorities in the US and to a lesser extent the UK, Germany, Canada and Belgium. In addition there was a tax refund from the US tax authorities in relation to overpayments made in prior years. 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.

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 six month period ended June 30, 2017 Styrolution paid €5.0 million of interest relating to the Term Loan debt. In October 2017, the Term Loan was fully repaid to the Group.

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, matures on October 26, 2020 and bears interest at 7% per annum. 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 and bears interest at 7% per annum. During the six month period ended June 30, 2018 INEOS Upstream paid interest of €22.4 million (six month period ended June 30, 2017: €16.0 million) and made a loan repayment of €105.4 million (six month period ended June 30, 2017: €16.8 million) in connection with these facilities.

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. During the six month period ended June 30, 2018 the Group made additional investments of €12.9 million (six month period ended June 30, 2017: €37.6 million) in the joint venture.

In 2016 the Group acquired 100% of the shares of WLP Holding Corporation, one of the largest high density polyethylene (HDPE) pipe manufacturers in North America. During the six month period ended June 30, 2018 the Group paid a further €4.1 million of contingent consideration which will be paid out over a three year period from acquisition, subject to the acquired business achieving certain targets.

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 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, 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 €110.4 million were made in the six month period ended June 30, 2018 (€188.7 million in the six month period ended June 30, 2017). The interest payments during the first six 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 Secured Notes due 2023, Senior Notes due 2024 and Senior Secured Notes due 2025. 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.

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 repayment of €0.9 million on the Securitization Program during the six month period ended June 30, 2017.

The Group made scheduled repayments of €17.2 million on the Senior Secured Term Loans during the six month period ended June 30, 2018 (scheduled repayments of €22.1 million in the six month period ended June 30, 2017). The Group also made scheduled repayments of €13.8 million on the Noretyl Facility during the six month period ended June 30, 2018 (scheduled repayments of €13.8 million in the six month period ended June 30, 2017).

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, 2018 (scheduled repayments of €1.8 million in the six month period ended June 30, 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 €0.3 million on the loan agreement during the six month period ended June 30, 2018 (scheduled repayments of €0.3 million in 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, 2018 was €4,336.4 million (December 31, 2017: €4,826.7 million). The Group held net cash balances of €1,923.6 million as at June 30, 2018 (December 31, 2017: €1,366.3 million) which included restricted cash of €220.3 million used as collateral against bank guarantees and letters of credit. The Group had availability under undrawn working capital facilities of €436.3 million as at June 30, 2018.