

## **INEOS Enterprises – COVID19 Update**

### **Safety**

Safety remains our number one priority. At the start of the COVID-19 pandemic, we introduced strict social distancing and hygiene measures to minimise risks to our employees. All employees who can work from home are doing so. These measures have proved very effective and only a very small proportion of our workforce have to date contracted the virus.

Governments around Europe have widely recognised the important part INEOS Enterprises can play in helping to resolve the pandemic. Both iso-propyl alcohol (IPA) and ethanol are the primary active ingredients in effective hand sanitising to kill the Coronavirus. INEOS Enterprises has also been directly involved in supporting the effort to fight the virus by rapidly starting up initially three hand sanitising production units in the UK, Germany and France, with three more to follow, one further in Northern France and two in the US.

In addition, our pigments business provides vital ingredients to the polymers masterbatch industry for medical tubing, closures and laboratory equipment. Our composites business supplies epoxy vinyl resins and unsaturated polyester resins for medical transportation boxes, clean room environments and medical ventilation equipment. Through our chemical intermediate's businesses, we supply a range of products including medical polyvinyl chloride compounds which are used in respiratory aids and oxygen tubing. Sulphuric acid and sulphur dioxide which are deemed critical products for water treatment, maleic anhydride used in medical composite production, purified isophthalic acid a key ingredient in medical masks. All these applications are vital in combatting the spread of COVID19.

### **Operations**

Of the 29 plants that we operate across the globe, all plants have been fully available throughout March and into April, with enough resource to maintain safe operations. Absenteeism rates have increased slightly, but the increase is mostly due to precautionary self-isolation. We have had no confirmed cases of COVID-19 at any of our operating sites to date. The measures taken by INEOS and the recognition that we operate critical sites has ensured that COVID-19 has not impacted our operational capability. Businesses have also developed contingency plans to ensure key employees remain safe and isolated so we can continue to operate safely over the coming months. Our Solvents plants have also involved the support of the local government agencies, reflecting the critical nature of these plants in fighting the wider pandemic's effects.

### **Markets**

Pigments markets have remained robust in March and continue to do so into early April. Whilst there has been some reduction in demand in Europe this has been offset by higher demand in North and Latin America. However, we do expect demand to reduce slightly into May and possibly June, pending the scale and duration of the shutdowns in North America. Currently we do not believe this will result in any plant ceasing to operate and we will adapt our production rates to manage any drop-off in demand.

Composites markets in Asia have improved as that region appears to be over the worst of the restrictions impacting demand. European markets have seen a significant fall in volume of around 40% but this has now stabilised with similar reductions in the Americas as non-essential customer production facilities are closed under the lock-down in many states. Operations and resources are being reduced to align output with demand.

Solvents markets are extremely bullish. IPA and ethanol are in extremely short supply on the back of unprecedented demand for sanitising products and this is expected to continue for the immediate future. Methyl ethyl ketone (MEK) market is balanced due to a number of supply constraints but underlying demand remains stable. Following the recent and very significant fall in oil prices, the European ethylene and propylene contract prices for April settled down €200/tn and €175/tn respectively. This fall is welcome news for our businesses as it reduces our raw material cost position and increases margins.

Chemical Intermediates has seen strong demand in markets associated with medical applications such as some PVC compounds and sulphur-based products into water treatment applications. Energy prices in the US also remain at historic lows which also supports our USA asset base.

More generally on feedstocks we continue to keep our plants operating and have had no significant interruptions on any of our key raw materials. Our procurement leaders continue to keep constant dialogue with suppliers to ensure we can maintain operations, and there are no signs as yet of supply chains becoming blocked.

### **Turnarounds, Capex and Fixed Costs**

The board has reviewed all significant projects in the capital programme for 2020 and has taken decisions that will either reduce or delay cash spend in many cases.

There are four turnaround (TAR) events planned in 2020. Driven primarily by a restriction in resource availability and other plant operating restrictions, the TAR at Joliet will proceed as planned but the scope has been restricted to statutory inspections, with non-essential work deferred, probably into 2021. For similar reasons, our Bilbao TAR is currently deferred to September 2020, whereas two Solvents TAR's planned for Q4 2020 will be deferred into 2021.

The ability to undertake and execute capex was restricted in March due to availability of contractor resources. This situation is expected to continue whilst social distancing and travel restrictions are in place. New growth projects have been deferred until there is more clarity on the future demand impact that the global pandemic has for our products. In 2020, we expect Capex will be lower than €60m.

In order to preserve cash and in light of both practical resource constraints and necessity, fixed cost expenditure is being more tightly controlled, with delegation of authority being raised to board level. Non-essential recruitment has been halted.

### **Liquidity**

Liquidity remains strong, with cash at the end of March of approx €260m. The €300m Securitisation facility is currently undrawn. The fall in raw material costs will reduce the amount of resources invested in working capital. INEOS Enterprises expects to remain cash positive under current and all

foreseeable market conditions and the actions taken so far will enhance that position. If and when introduced, we will take advantage of any VAT deferral opportunities. Customer receipts since the start of the pandemic have not been impacted.

Moody's and Standard & Poor's have recently issued rating action, with S&P reconfirming the core rating as BB and Moody's downgrading to B1 on the back of concerns that leverage would increase should earnings be lower as a result of the COVID-19 crisis.

### **Future Updates**

We plan to issue a preliminary Quarter 1 2020 Trading Statement in early May, and will follow this up with a Trading Statement call where there will be an opportunity to receive answers to any questions. The Full Quarter 1, 2020 results will be released on 16<sup>th</sup> June 2020.