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**INEOS GROUP HOLDINGS S.A.**

**Three month period ended March 31, 2016**

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

	<b>Three-Month Period Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
	<i>(€ in millions)</i>	
<b>Revenue</b> .....	<b>3,113.2</b>	<b>3,451.6</b>
Cost of sales.....	(2,507.9)	(2,901.4)
<b>Gross profit</b> .....	<b>605.3</b>	<b>550.2</b>
Distribution costs.....	(53.9)	(53.2)
Administrative expenses.....	(93.6)	(85.6)
<b>Operating profit</b> .....	<b>457.8</b>	<b>411.4</b>
Share of (loss)/profit of associates and jointly controlled entities using the equity accounting method .....	(12.8)	45.3
<b>Profit before net finance costs</b> .....	<b>445.0</b>	<b>456.7</b>
Finance income .....	38.6	15.9
Finance costs .....	18.7	(336.5)
Exceptional finance costs .....	-	(85.4)
<b>Profit before tax</b> .....	<b>502.3</b>	<b>50.7</b>
Tax charge .....	(156.0)	(2.1)
<b>Profit for the period</b> .....	<b>346.3</b>	<b>48.6</b>

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

	<b>Three-Month Period Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
	<i>(€ in millions)</i>	
<b>Profit for the period</b> .....	346.3	48.6
<b>Other comprehensive income:</b>		
<b>Items that will not be recycled to profit and loss:</b>		
Remeasurement of post employment benefit obligations net of tax .....	-	-
<b>Items that may subsequently be recycled to profit and loss:</b>		
Foreign exchange translation differences .....	52.0	(302.3)
Net (loss)/gain on hedge of net investment in foreign operations .....	(177.0)	254.6
<b>Other comprehensive loss for the period net of tax</b> .....	<b>(125.0)</b>	<b>(47.7)</b>
<b>Total comprehensive income for the period</b> .....	<b>221.3</b>	<b>0.9</b>

**INEOS GROUP HOLDINGS S.A.**  
**CONSOLIDATED BALANCE SHEETS**

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
	<b>(Unaudited)</b>	
	<i>(€ in millions)</i>	
<b>Non-current assets</b>		
Property, plant and equipment.....	3,515.4	3,508.8
Intangible assets.....	688.4	706.4
Investments in equity-accounted investees.....	87.3	101.4
Other investments.....	235.8	243.2
Other financial assets.....	29.1	29.2
Other receivables.....	1,235.1	1,114.0
Deferred tax assets.....	207.4	200.9
	<u>5,998.5</u>	<u>5,903.9</u>
<b>Current assets</b>		
Inventories.....	912.1	956.6
Trade and other receivables.....	1,638.2	1,772.4
Other financial assets.....	12.6	1.1
Cash and cash equivalents.....	1,825.8	1,648.0
	<u>4,388.7</u>	<u>4,378.1</u>
<b>Total assets.....</b>	<b><u>10,387.2</u></b>	<b><u>10,282.0</u></b>
<b>Equity attributable to owners of the parent</b>		
Share capital.....	0.9	0.9
Share premium.....	779.4	779.4
Other reserves.....	(1,839.7)	(1,714.7)
Retained earnings.....	716.5	370.2
<b>Total shareholders' deficit.....</b>	<b><u>(342.9)</u></b>	<b><u>(564.2)</u></b>
<b>Total equity.....</b>	<b><u>(342.9)</u></b>	<b><u>(564.2)</u></b>
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings.....	7,827.3	8,008.5
Trade and other payables.....	88.9	91.7
Employee benefits.....	693.3	689.1
Provisions.....	25.2	25.6
Deferred tax liabilities.....	198.2	198.1
Other financial liabilities.....	6.8	12.6
	<u>8,839.7</u>	<u>9,025.6</u>
<b>Current liabilities</b>		
Interest-bearing loans and borrowings.....	282.2	291.8
Trade and other payables.....	1,381.4	1,445.1
Tax payable.....	218.9	75.8
Other financial liabilities.....	1.8	1.8
Provisions.....	6.1	6.1
	<u>1,890.4</u>	<u>1,820.6</u>
<b>Total liabilities.....</b>	<b><u>10,730.1</u></b>	<b><u>10,846.2</u></b>
<b>Total equity and liabilities.....</b>	<b><u>10,387.2</u></b>	<b><u>10,282.0</u></b>

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

	<u>Share capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
	<i>(€ in millions)</i>				
<b>Balance at 31 December</b>					
<b>2015</b> .....	<b>0.9</b>	<b>779.4</b>	<b>(1,714.7)</b>	<b>370.2</b>	<b>(564.2)</b>
Profit for the period .....	-	-	-	346.3	346.3
<b>Other comprehensive income:</b>					
Foreign exchange translation differences .....	-	-	52.0	-	52.0
Net loss on hedge of net investment in foreign operations .....	-	-	(177.0)	-	(177.0)
<b>Balance at 31 March 2016</b> .....	<b>0.9</b>	<b>779.4</b>	<b>(1,839.7)</b>	<b>716.5</b>	<b>(342.9)</b>

	<u>Share capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
	<i>(€ in millions)</i>				
<b>Balance at 31 December 2014</b> .....	<b>0.9</b>	<b>779.4</b>	<b>(1,662.0)</b>	<b>(381.6)</b>	<b>(1,263.3)</b>
Profit for the period .....	-	-	-	48.6	48.6
<b>Other comprehensive income:</b>					
Foreign exchange translation differences .....	-	-	(302.3)	-	(302.3)
Net gain on hedge of net investment in foreign operations .....	-	-	254.6	-	254.6
<b>Balance at 31 March 2015</b> .....	<b>0.9</b>	<b>779.4</b>	<b>(1,709.7)</b>	<b>(333.0)</b>	<b>(1,262.4)</b>

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

	<b>Three-Month Period</b>	
	<b>Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
	<i>(€ in millions)</i>	
<b>Cash flows from operating activities</b>		
Profit for the period .....	346.3	48.6
Adjustments for:		
Depreciation, amortisation and impairment.....	96.4	91.3
Net finance (income)/cost.....	(57.3)	406.0
Share of losses/(profit) of equity-accounted investees .....	12.8	(45.3)
Tax charge .....	156.0	2.1
(Increase)/decrease in trade and other receivables.....	(49.4)	74.1
(Increase)/decrease in inventories.....	28.4	65.8
(Decrease)/increase in trade and other payables .....	(5.7)	(201.8)
Increase/(decrease) in provisions and employee benefits .....	3.5	4.6
Tax paid.....	(20.0)	(20.7)
<b>Net cash from operating activities.....</b>	<b>511.0</b>	<b>424.7</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments .....	0.9	-
Interest and other finance income received .....	30.5	0.6
Dividends received .....	-	-
Disposal of businesses, net of cash disposed of.....	-	34.2
Acquisition of businesses, net of cash acquired .....	(0.1)	-
Acquisition of intangible assets .....	(0.1)	-
Acquisition of property, plant and equipment .....	(169.7)	(78.1)
Acquisition of other investments .....	-	(0.5)
<b>Net cash used in investing activities .....</b>	<b>(138.5)</b>	<b>(43.8)</b>
<b>Cash flows from financing activities</b>		
Securitisation Facility .....	(11.8)	(30.9)
Proceeds from new Senior Secured Term Loans .....	-	1,407.3
Redemption of Senior Secured Notes.....	-	(1,391.7)
Issue costs.....	(0.3)	(17.0)
Interest paid .....	(120.6)	(221.6)
Repayment of loans .....	(19.9)	(9.3)
Capital element of finance lease payment .....	(0.1)	(0.1)
<b>Net cash used in financing activities.....</b>	<b>(152.7)</b>	<b>(263.3)</b>
Net increase in cash and cash equivalents .....	219.8	117.6
Cash and cash equivalents at 1 January .....	1,648.0	1,434.6
Effect of exchange rate fluctuations on cash held .....	(42.0)	108.7
<b>Cash and cash equivalents at March 31 .....</b>	<b>1,825.8</b>	<b>1,660.9</b>

**INEOS GROUP HOLDINGS S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

**1. BASIS OF PREPARATION**

The consolidated financial statements include all subsidiaries of 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 consolidated financial statements of the Group are unaudited.

On March 27, 2015, the Group entered into an incremental term loan facility under the Senior Secured Term Loan Agreement to borrow an additional €50 million and \$625 million (see note 8). The proceeds of the additional Term Loans were paid to the Trustee for the Senior Secured Notes due 2019 on March 31, 2015. The Senior Secured Notes due 2019 were then redeemed in two tranches on April 1, 2015 and April 7, 2015. As the funds had been irrevocably paid to the Trustee on March 31, 2015, the Group has treated this as in substance defeasance of the Senior Secured Notes due 2019 as of that date.

**2. PRINCIPAL ACCOUNTING POLICIES**

The financial information has been prepared and approved by the directors in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union in response to the IAS regulation (EC 1606/2002) effective as of December 31, 2015. 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, 2015.

**INEOS GROUP HOLDINGS S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

**3. SEGMENTAL INFORMATION**

*Class of business*

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

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

	Three-Month Period Ended March 31,	
	2016	2015
	(€ in millions)	
<i>Revenue</i>		
O&P North America	618.0	785.7
O&P Europe	1,307.5	1,317.5
Chemical Intermediates	1,518.0	1,749.9
Eliminations	(330.3)	(401.5)
	<u>3,113.2</u>	<u>3,451.6</u>
<i>EBITDA before exceptionals</i>		
O&P North America	229.4	269.0
O&P Europe	175.0	70.9
Chemical Intermediates	149.8	162.8
	<u>554.2</u>	<u>502.7</u>

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

	Three-Month Period Ended March 31,	
	2016	2015
	(€ in millions)	
EBITDA before exceptionals	554.2	502.7
Depreciation and amortisation	(96.4)	(91.3)
Operating profit	<u>457.8</u>	<u>411.4</u>



**INEOS GROUP HOLDINGS S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

**4. FINANCE COSTS**

	Three-Month Period Ended March 31,	
	2016	2015
	<i>(€ in millions)</i>	
Interest payable on senior notes	41.9	73.0
Interest payable on bank loans and overdrafts	48.1	30.8
Interest payable on securitisation	2.2	3.1
Amortisation of issue costs	2.5	3.0
Other finance charges	8.0	7.5
Net fair value (gain)/loss on derivatives	(5.7)	0.1
<b>Finance costs before exchange movements</b>	<b>97.0</b>	<b>117.5</b>
Exchange movements	(115.7)	219.0
<b>Total finance costs</b>	<b>(18.7)</b>	<b>336.5</b>

**5. EXCEPTIONAL FINANCE COSTS**

On March 27, 2015, the Group entered into an incremental term loan facility under the Senior Secured Term Loan Agreement to borrow an additional €50 million and \$625 million. The proceeds of the additional Term Loans were used to redeem the Senior Secured Notes due 2019. As a result of the early redemption of the Senior Secured Notes due 2019 an exceptional finance cost of €85.4 million was recognised in the three month period ended March 31, 2015, which included an early prepayment premium of €66.0 million and the write-off of deferred issue costs associated with the redeemed Notes of €19.4 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 30% for the first three months of 2016 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 2015 was approximately 40%, which reflected the anticipated tax rate for the full year.

**7. INVENTORIES**

	March 31,	December 31,
	2016	2015
	<i>(€ in millions)</i>	
Raw materials and consumables	324.0	353.4
Work in progress	16.2	17.7
Finished products	571.9	585.5
	<u>912.1</u>	<u>956.6</u>

**INEOS GROUP HOLDINGS S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

**8. BORROWINGS**

Borrowing obligations as of March 31, 2016 and December 31, 2015 are as follows:

	March 31, 2016	December 31, 2015
<i>(€ in millions)</i>		
<b>Non-current liabilities</b>		
Senior Secured Term Loans .....	4,367.2	4,476.9
Senior Secured Notes due 2023 .....	763.1	762.9
Senior Notes due 2018.....	1,093.4	1,117.1
Senior Notes due 2019.....	1,114.2	1,134.8
Securitisation Facility .....	408.1	426.9
Noretyl Facility.....	75.6	83.1
Finance lease liabilities.....	1.3	1.4
Other loans .....	4.4	5.4
	7,827.3	8,008.5
	March 31, 2016	December 31, 2015
<b>Current liabilities</b>		
Current portion of borrowings under Senior Secured Term Loans .....	250.8	261.0
Noretyl Facility.....	27.5	26.9
Other loans .....	3.6	3.6
Current portion of finance lease liabilities.....	0.3	0.3
	282.2	291.8

**INEOS GROUP HOLDINGS S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

**8. BORROWINGS (Continued)**

	March 31, 2016		
	Gross loans and borrowings	Issue costs	Net loans and borrowings
	<i>(€ in millions)</i>		
Senior Secured Term Loans .....	4,646.0	(28.0)	4,618.0
Senior Secured Notes due 2023 .....	770.0	(6.9)	763.1
Senior Notes due 2018.....	1,097.1	(3.7)	1,093.4
Senior Notes due 2019.....	1,119.6	(5.4)	1,114.2
Securitisation Facility .....	409.5	(1.4)	408.1
Noretyl Facility.....	103.1	-	103.1
Other.....	9.6	-	9.6
	<b>8,154.9</b>	<b>(45.4)</b>	<b>8,109.5</b>

	December 31, 2015		
	Gross loans and borrowings	Issue costs	Net loans and borrowings
	<i>(€ in millions)</i>		
Senior Secured Term Loans .....	4,767.2	(29.3)	4,737.9
Senior Secured Notes due 2023 .....	770.0	(7.1)	762.9
Senior Notes due 2018.....	1,121.3	(4.2)	1,117.1
Senior Notes due 2019.....	1,140.6	(5.8)	1,134.8
Securitisation Facility .....	428.1	(1.2)	426.9
Noretyl Facility.....	110.0	-	110.0
Other.....	10.7	-	10.7
	<b>8,347.9</b>	<b>(47.6)</b>	<b>8,300.3</b>

**Terms and debt repayment schedule**

	Currency	Nominal interest rate	Year of maturity
		LIBOR plus 2.50% -	
Senior Secured Term Loans .....	\$/€	3.25%	2016-2022
Senior Secured Notes .....	€	4.0%	2023
Senior Notes .....	\$/€	5.75% -6.5%	2018-2019
Securitisation Facility .....	\$/€£	Variable	2018
Noretyl Facility.....	€	EURIBOR plus 2.75%	2019
Other.....	€/\$	3.75% – 9.0%	2016-2019

**Senior Secured Term Loans**

The Company had original borrowings under a senior facilities agreement (the “Senior Secured Term Loans”) which consisted of Term Loans comprising of \$375 million of short-dated term loans (the “Short-Dated Dollar Term Loans”), €500 million of term loans (the “Euro Term Loans”) and \$2.0 billion of term loans (the “Dollar Term Loans”). In May 2013 the Group completed the re-pricing and up-sizing of the Senior Secured Term Loan facility. The refinancing comprised of a \$640 million and a €50 million, five-year add-on term loans. In February 2014 the Group completed a further re-pricing of its Euro Term Loans and Dollar Term Loans. The margins on the Euro Term Loans and the Dollar Term Loans both maturing in May 2018 were reduced by 25bps. In addition the Dollar Term Loans were reduced by \$84.1 million and the Euro Term Loans were increased by €61.4 million. In November 2014 the Short-Dated Dollar Term Loans were split resulting in \$122.0 million remaining under the Short-Dated Dollar Term Loans and \$243.7 million under a new tranche of extended term loans (the “Tranche 1 Extended Dollar Term Loans”) maturing December 31, 2016. On December 31, 2014 the outstanding amounts under the Short-Dated Dollar Term Loans were fully redeemed. On

**INEOS GROUP HOLDINGS S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

**8. BORROWINGS (Continued)**

March 27, 2015, the Group entered into an incremental term loan facility under the Senior Secured Term Loan Agreement to borrow an additional €850 million and \$625 million (the “Incremental Term Loans”). The final maturity date for these incremental term loans is March 2022. In June 2015 the Group amended and extended a proportion of the Senior Secured Term Loans due 2018. The maturities of €1,115 million and \$890 million of Term Loans were extended from May 2018 to December 2020 (the “2020 Extended Term Loans”).

The Senior Secured Term Loans outstanding at March 31, 2016 before issue costs were €1,646.0 million of which €256.0 million is due within one year. The total amounts outstanding on Dollar Term Loans were €1,165.6 million, Tranche 1 Extended Dollar Term Loans were €211.0 million, Incremental Term Loans were €1,385.8 million and on the 2020 Extended Term Loans were €1,883.6 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 balance of Dollar Term Loans are payable, subject to certain exceptions, on the date that is six years after the original Issue Date. The Dollar Term Loans mature in May 2018. The Tranche 1 Extended Dollar Term Loans are payable, subject to certain exceptions in December 2016. The Incremental Term Loans are payable, subject to certain exceptions in March 2022. The 2020 Extended Term Loans are payable, subject to certain exceptions in December 2020.

The outstanding Tranche 1 Extended Dollar Term Loans and Dollar Term Loans will bear interest a rate per annum equal to LIBOR (subject to a floor of 1.00% per annum on the Dollar Term Loans) plus the Applicable Margin. The euro-denominated Incremental Term Loans and 2020 Extended Term Loans, bear interest at a rate per annum to LIBOR (subject to a floor of 1.00% per annum) plus the Applicable Margin and in the case of the dollar-denominated Incremental Term Loans and 2020 Extended Term Loans, bear interest at a rate per annum equal to LIBOR (subject to a floor of 1.00% per annum) plus the Applicable Margin.

As at March 31, 2016 the Applicable Margin for the Dollar Term Loans is 2.75%, the Tranche 1 Extended Dollar Term Loans is 2.50%, the Incremental Term Loans is 3.25%, the euro-denominated 2020 Extended Term Loans is 3.00% and the dollar-denominated 2020 Extended Term Loans is 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 2018 and Senior Notes due 2019. 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 €28.0 million (December 31, 2015: €29.3 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 2019***

On March 27, 2015, the Group entered into an incremental term loan facility under the Senior Secured Term Loan Agreement to borrow an additional €850 million and \$625 million. The proceeds of the additional Term Loans were used to redeem the Senior Secured Notes due 2019. As a result of the early redemption of the Senior Secured Notes due 2019 an exceptional finance cost of €66.0 million has been recognised in respect of an early prepayment premium (see note 5).

**INEOS GROUP HOLDINGS S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

**8. BORROWINGS (Continued)**

Before redemption the Senior Secured Notes due 2019 were listed on the Luxembourg Stock Exchange and comprised of €500.0 million Floating Rate Senior Secured Notes due 2019 (the “2019 Euro Floating Rate Notes”) and \$1,000.0 million Senior Secured Notes due 2019 (the “2019 Dollar Fixed Rate Notes”). The 2019 Euro Floating Rate Notes bore interest at a rate per annum, reset quarterly, equal to the sum of (i) the greater of (x) three-month EURIBOR and (y) 1.25% per annum plus (ii) 6.0%. Interest on the 2019 Euro Floating Rate Notes was payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, beginning May 15, 2012. The 2019 Dollar Fixed Rate Notes bore interest at a rate of 8.375% per annum. Interest on the 2019 Dollar Fixed Rate Notes was payable semi-annually in arrears on February 15 and August 15 of each year, beginning August 15, 2012.

Following the full redemption of the Senior Secured Notes due 2019 the Group has recognised an exceptional finance cost of €19.4 million in relation to the write-off of the associated unamortised debt issue costs (see note 5).

**Senior Secured Notes due 2020**

In May 2015 the Group issued €770 million of Senior Secured Notes due 2023. The proceeds of the refinancing were used to redeem in full the Senior Secured Notes due 2020. As a result of the early redemption of the Senior Secured Notes due 2020 an exceptional finance cost of €39.1 million was recognised in respect of an early prepayment premium in the three month period ended June 30, 2015.

Before redemption the Senior Secured Notes due 2020 were listed on the Luxembourg Stock Exchange and comprised of \$775.0 million Senior Secured Notes. The Senior Secured Notes due 2020 bore interest at 7.5% per annum, payable semi-annually in arrears on May 1 and November 1 of each year.

Following the full redemption of the Senior Secured Notes due 2020 unamortised debt issue costs of €7.1 million were charged to exceptional finance costs in the three month period ended June 30, 2015.

**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:

<b>Year</b>	<b>2023 Dollar Fixed Rate Notes Redemption Price</b>
2018.....	102.000%
2019.....	101.000%
2020 and thereafter.....	<u>100.000%</u>

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 are structurally senior to the Senior Notes due 2018 and the Senior Notes due 2019. 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

**INEOS GROUP HOLDINGS S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

**8. BORROWINGS (Continued)**

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 €6.9 million (December 31, 2015: €7.1 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 2018***

The Senior Notes due 2018 are listed on the Luxembourg Stock Exchange and comprise €500 million Senior Notes due 2018 (the “Euro Notes”) and \$678 million Senior Notes due 2018 (the “Dollar Notes”). The Senior Notes due 2018 bear interest at 6.50% per annum for the Euro Notes and 6.125% for the Dollar Notes, payable semi-annually in arrears on 15 February and 15 August of each year. Unless previously redeemed as noted below, the Senior Notes due 2018 will be redeemed by the Group at their principal amount on 15 August 2018.

The Senior Notes due 2018 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 15 February of the years indicated below:

<b>Year</b>	<b><u>Euro Notes redemption price</u></b>	<b><u>Dollar Notes redemption price</u></b>
2016.....	101.625%	101.531%
2017 and thereafter .....	<u>100.000%</u>	<u>100.000%</u>

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 2018 are secured by junior pledges of all of the shares of INEOS Holdings Limited. The Senior Notes due 2018 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 2018 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 2018 are stated net of debt issue costs of €3.7 million (December 31, 2015: €4.2 million). These costs are allocated to the profit and loss account over the term of the Senior Notes due 2018 in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

***Senior Notes due 2019***

The Senior Notes due 2019 are listed on the Luxembourg Stock Exchange and comprise €600 million Senior Notes due 2019 (the “Euro Notes”) and \$590 million Senior Notes due 2019 (the “Dollar Notes”). The Senior Notes due 2019 bear 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. Unless previously redeemed as noted below, the Senior Notes due 2019 will be redeemed by the Group at their principal amount on 15 February 2019.

**INEOS GROUP HOLDINGS S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

**8. BORROWINGS (Continued)**

The Senior Notes due 2019 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 15 February of the years indicated below:

<b>Year</b>	<b>Euro Notes redemption price</b>	<b>Dollar Notes redemption price</b>
2016.....	102.875%	102.938%
2017.....	101.438%	101.469%
2018 and thereafter.....	<u>100.000%</u>	<u>100.000%</u>

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 2019 are secured by junior pledges of all of the shares of INEOS Holdings Limited. The Senior Notes due 2019 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 2019 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 2019 are stated net of debt issue costs of €5.4 million (December 31, 2015: €5.8 million). These costs are allocated to the profit and loss account over the term of the Senior Notes due 2019 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 March 31, 2016 was €409.5 million (December 31, 2015: €428.1 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 €1.4 million (December 31, 2015: €1.2 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 €40 million loan facility (“Noretyl Facility”) that Noretyl had in place. The total amount outstanding at March 31, 2016 was €103.1 million (December 31, 2015: €110.0 million), of which €27.5 million (December 31, 2015: €26.9 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%.

**INEOS GROUP HOLDINGS S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

**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**

Mr JA Ratcliffe, Mr AC Currie and Mr J Reece are shareholders in INEOS AG. INEOS AG provides operational management services to the Group through a management services agreement. INEOS AG management fees of €20.5 million (March 31, 2015: €20.0 million) were charged to the income statement during the three month period ended March 31, 2016. As at March 31, 2016 amounts owed to INEOS AG were €20.7 million (March 31, 2015: €20.5 million). Amounts due from INEOS Holdings AG, a wholly owned subsidiary of INEOS AG, were €89.3 million (March 31, 2015: €48.8 million).

INEOS AG owns and controls a number of operating subsidiaries that are not included in the INEOS Group Holdings S.A. group, including Kerling plc (prior to its transfer in to the Inovyn joint venture), INEOS Industries Limited, the Grangemouth petrochemical subsidiaries which were divested on October 1, 2013 and the Lavera petrochemical assets and businesses, together with the other French and Italian assets of O&P South which were divested on July 1, 2014. During the three month period ended March 31, 2016 the Group has made sales to these subsidiaries of €80.4 million (March 31, 2015: €194.4 million), recovered costs of €6.6 million (March 31, 2015: €5.3 million) and made purchases of €246.9 million (March 31, 2015: €234.1 million). As at March 31, 2016, €486.5 million (March 31, 2015: €467.7 million) was owed by and €164.1 million (March 31, 2015: €171.5 million) was owed to these subsidiaries (excluding the Grangemouth shareholder loan, the Lavera disposal proceeds receivable, the Ineos Upstream Limited loan and transactions and balances with Styrolution).

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 and matures on October 26, 2020 and bears interest at 7% per annum. As at March 31, 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 agreement 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 March 31, 2016 €128.7 million (March 31, 2015: €127.4 million) was outstanding under the facility, which includes capitalized interest of €1.5 million (March 31, 2015: €4.4 million). The total consideration for the sale of the Lavera businesses amounted to €200 million and was initially provided in the form of vendor loans, although all of the outstanding consideration has now been paid (March 31, 2015: €45.0 million remained outstanding).

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 bears 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 the three month period ended March 31, 2016 the Group has made sales to Styrolution of €83.9 million (March 31, 2015: €68.9 million) and recovered costs of €10.4 million (March 31, 2015: €1.2 million). As at March 31, 2016, €232.6 million (March 31, 2015: €251.3 million) was owed by Styrolution, which included €200.0 million under the Second Lien PIK Toggle Loan. As at March 31, 2016, €0.1 million (March 31, 2015: €nil million) was owed to Styrolution. During the three month period ended March 31, 2016 Styrolution has paid €0.5 million (March 31, 2015: €nil million) of interest relating to the Second Lien PIK Toggle Loan.

INEOS AG owns interests in a number of joint ventures that are not included in the INEOS Group Holdings S.A. group, including Inovyn, a 50-50 joint venture with Solvay, the French joint ventures associated with the Lavera petrochemical assets and businesses which were divested by the Group on



**INEOS GROUP HOLDINGS S.A.**  
**NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)**

**10. RELATED PARTIES (Continued)**

July 1, 2014 and the refining joint ventures between PetroChina and INEOS Investments (Jersey) Limited, a related party.

During the three month period ended March 31, 2016 the Group has made sales to Inovyn of €3.4 million, made purchases of €2.9 million and recovered costs of €1.4 million. As at March 31, 2016, €27.4 million was owed by Inovyn.

As at March 31, 2016, €nil million (March 31, 2015: €0.6 million) was owed by the French joint ventures.

There were a number of transactions with the Refining joint ventures, all of which arose in the normal course of business. The Refining joint ventures are between PetroChina and INEOS Investments (Jersey) Limited, a related party. During the three month period ended March 31, 2016 the Group has made sales to the Refining joint ventures of €nil million (March 31, 2015: €0.3 million), recovered costs of €0.2 million (March 31, 2015: €0.2 million) and made purchases of €74.1 million (March 31, 2015: €3.2 million). As at March 31, 2016, €3.0 million (March 31, 2015: €1.4 million) was owed by the Refining joint ventures and €4.5 million (March 31, 2015: €9.8 million) was owed to the Refining joint ventures.

## INEOS GROUP HOLDINGS S.A.

### 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.

**INEOS GROUP HOLDINGS S.A.**  
**OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

*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 25 manufacturing sites in 6 countries throughout the world. As of December 31, 2015, our total chemical production capacity was approximately 21,200 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.

	<b>Three-Month Period</b>			
	<b>Ended March 31,</b>			
	<b>2016</b>		<b>2015</b>	
	€m	%	€m	%
<b>Revenue</b> .....	<b>3,113.2</b>	<b>100.0</b>	<b>3,451.6</b>	<b>100.0</b>
Cost of sales .....	(2,507.9)	(80.6)	(2,901.4)	(84.1)
<b>Gross profit</b> .....	<b>605.3</b>	<b>19.4</b>	<b>550.2</b>	<b>15.9</b>
Distribution costs .....	(53.9)	(1.7)	(53.2)	(1.5)
Administrative expenses .....	(93.6)	(3.0)	(85.6)	(2.5)
<b>Operating profit</b> .....	<b>457.8</b>	<b>14.7</b>	<b>411.4</b>	<b>11.9</b>
Share of (loss)/profit of associates and jointly controlled entities .....	(12.8)	(0.4)	45.3	1.3
<b>Profit before net finance costs</b> .....	<b>445.0</b>	<b>14.3</b>	<b>456.7</b>	<b>13.2</b>
Finance income .....	38.6	1.2	15.9	0.5
Finance costs .....	18.7	0.6	(336.5)	(9.7)
Exceptional finance costs .....	-	-	(85.4)	(2.5)
<b>Profit before tax</b> .....	<b>502.3</b>	<b>16.1</b>	<b>50.7</b>	<b>1.5</b>
Tax charge .....	(156.0)	(5.0)	(2.1)	(0.1)
<b>Profit for the period</b> .....	<b>346.3</b>	<b>11.1</b>	<b>48.6</b>	<b>1.4</b>

**INEOS GROUP HOLDINGS S.A.**  
**OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

***Three-Month Period Ended March 31, 2016, Compared to Three-Month Period Ended March 31, 2015***

**Revenue.** Revenue decreased by €38.4 million, approximately 9.8%, to €113.2 million in the three month period ended March 31, 2016 as compared to €451.6 million for the same period in 2015. The decrease in revenues was driven primarily by a decrease in selling prices which followed the significant fall in crude oil prices which decreased to an average of \$32/bbl for the three month period ended March 31, 2016 as compared to \$54/bbl in the same period in 2015. Partially offsetting this decrease was an increase in sales volumes for the Group in the three month period ended March 31, 2016 as compared to the same period in 2015, primarily in the O&P Europe business. Revenues were also favourably impacted by the appreciation of the US dollar by approximately 6% against the euro in the three month period ended March 31, 2016, as compared to the same period in 2015.

**Cost of sales.** Cost of sales decreased by €93.5 million, approximately 13.6%, to €2,507.9 million in the three month period ended March 31, 2016 as compared to €2,901.4 million for the same period in 2015. The decrease in cost of sales is largely due to the fall in crude oil prices, which has meant lower feedstock prices across the Group in the three month period ended March 31, 2016, as compared to same period in 2015.

**Gross profit.** Gross profit increased by €5.1 million, approximately 10.0%, to €605.3 million in the three month period ended March 31, 2016 as compared to €50.2 million for the same period in 2015. The business environment for the O&P Europe segment was much stronger in the three month period ended March 31, 2016 as compared to same period in 2015 which has led to an increase in margins for both European olefins and polymers. In addition the O&P Europe segment benefitted from the acquisition of the remaining 50% of the Noretyl ethylene cracker at Rafnes, Norway in July 2015 which has led to increased volumes and margins in the three month period ended March 31, 2016 as compared to same period in 2015. The appreciation of the US dollar by approximately 6% against the euro in the three month period ended March 31, 2016 as compared to the same period in 2015, has favourably impacted the euro reported results of our US businesses. The depreciation of the euro in the quarter has also improved market conditions in Europe for both O&P Europe and Chemical Intermediates, by restricting imports and bolstering exports. Inventory holding losses within the O&P segments remained constant at approximately €1 million in both the three month period ended March 31, 2016 and the three month period ended March 31, 2015.

**Distribution costs.** Distribution costs increased by €0.7 million, approximately 1.3%, to €3.9 million in the three month period ended March 31, 2016 as compared to €3.2 million for the same period in 2015. The small increase in distribution costs in the Group reflects the increase in sales volumes of the Group in the three month period ended March 31, 2016 as compared to the same period in 2015.

**Administrative expenses.** Administrative expenses increased by €8.0 million, approximately 9.3%, to €93.6 million in the three month period ended March 31, 2016 as compared to €85.6 million for the same period in 2015. The increase in administrative expenses is primarily due to a decrease in other operating income in the three month period ended March 31, 2016 as compared to the same period in 2015, together with increased expenses due to the inclusion of the full results of the Noretyl ethylene cracker after its acquisition in July 2015 and the acquisition of the Axiall cumene plant in Pasadena, USA in September 2015.

**Operating profit.** Operating profit increased by €46.4 million, approximately 11.3%, to €457.8 million for the three month period ended March 31, 2016 as compared to €411.4 million for the same period in 2015.

**Share of (loss)/profit of associates and jointly controlled entities.** Share of (loss)/profit of associates and jointly controlled entities was a loss of €12.8 million for the three month period ended March 31, 2016 as compared to a profit of €45.3 million for the same period in 2015. The share of (losses)/profits from associates and jointly controlled entities primarily reflects our share of the results of the Refining joint venture with PetroChina. Margins in the European refining market have weakened in the three month period ended March 31, 2016 as compared to the same period in 2015.

**INEOS GROUP HOLDINGS S.A.**  
**OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

**Profit before net finance costs.** Profit before net finance costs decreased by €11.7 million, approximately 2.6%, to €445.0 million for the three month period ended March 31, 2016 as compared to €456.7 million for the same period in 2015.

**Finance income.** Finance income increased by €22.7 million to €38.6 million for the three month period ended March 31, 2016 as compared to €15.9 million for the same period in 2015. The income in the three month period ended March 31, 2016 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 €355.2 million, approximately 105.6%, to a credit of €18.7 million for the three month period ended March 31, 2016 as compared to a charge of €336.5 million for the same period in 2015. The decrease in finance costs for the three month period ended March 31, 2016 reflects an increase in net foreign exchange gains associated with short term intra group funding, which was a gain of €15.7 million in the three month period ended March 31, 2016 as compared to a loss of €19.0 million in the same period in 2015. In addition, following the refinancing transactions in March 2015 and May 2015 the weighted average interest rate on the Group's debt is lower during the three month period ended March 31, 2016 as compared to the same period in 2015.

**Exceptional finance costs.** Exceptional finance costs of €85.4 million were charged in the three month period ended March 31, 2015 as a result of the redemption of the Senior Secured Notes due 2019 which included an early prepayment premium of €66.0 million and the write-off of deferred issue costs associated with the redeemed notes of €19.4 million.

**Profit before tax.** Profit before tax increased by €451.6 million, to €502.3 million for the three month period ended March 31, 2016 as compared to €50.7 million for the same period in 2015.

**Tax charge.** Tax charge increased by €153.9 million to a charge of €156.0 million for the three month period ended March 31, 2016 as compared to a charge of €2.1 million for the same period in 2015. The increase in the tax charge is a result of the improved performance of the Group during the three month period ended March 31, 2016 as compared to the same period in 2015. After adjusting for the results from the share of associates and jointly controlled entities the effective tax rate of approximately 30% for the three month period ended March 31, 2016 reflects the anticipated tax rate for the Group for the full year. The effective rate for the three month period ended March 31, 2015 was approximately 40% 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 2015.

**Profit for the period.** Profit for the period increased by €297.7 million to a profit of €346.3 million for the three month period ended March 31, 2016 as compared to €48.6 million for the same period in 2015.

**INEOS GROUP HOLDINGS S.A.**  
**OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

***Business segments***

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

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

	Three-Month Period Ended March 31,	
	2016	2015
	(€ in millions)	
<i>Revenue</i>		
O&P North America	618.0	785.7
O&P Europe	1,307.5	1,317.5
Chemical Intermediates	1,518.0	1,749.9
Eliminations	(330.3)	(401.5)
	3,113.2	3,451.6
<i>EBITDA before exceptionals</i>		
O&P North America	229.4	269.0
O&P Europe	175.0	70.9
Chemical Intermediates	149.8	162.8
	554.2	502.7

***O&P North America***

***Revenue.*** Revenue in the O&P North America segment decreased by €167.7 million, or 21.3%, to €618.0 million for the three month period ended March 31, 2016, as compared to €785.7 million for the same period in 2015. The decrease was driven primarily by lower selling prices and lower volumes. The weighted average sales price for the whole business was down approximately 13% for the three month period ended March 31, 2016 as compared to the same period in 2015, driven by lower commodity prices across all product lines. Sales volumes decreased by approximately 15% in the three month period ending March 31, 2016 as compared to the same period in 2015, driven by lower sales volumes of ethylene due to the inventory build in preparation for a major cracker turnaround in the second quarter of 2016 and lower polyethylene volumes as a result of lost production due to a turnaround at the Battleground site during the quarter. This was partially offset by higher sales volumes of polypropylene in the period as the first quarter of 2015 experienced lower production volumes as a result of both planned and unplanned outages. The appreciation of the US dollar by approximately 6% against the euro in the three month period ended March 31, 2016 as compared to the same period of 2015 has increased reported euro revenues, which has partially offset the overall decrease.

***EBITDA before exceptionals.*** EBITDA before exceptionals in the O&P North America segment decreased by €9.6 million, or 14.7%, to €229.4 million for the three month period ended March 31, 2016 as compared to €269.0 million in the same period in 2015. The business has continued to benefit from its flexibility to be able to utilise cheaper gas feedstock to maintain healthy margins. Both ethane and propane have continued to be advantaged feedstocks. The US cracker business environment was strong, with healthy margins and high operating rates throughout the three month period ended March 31, 2016. The results for the three month period ended March 31, 2016 were lower than the same period in 2015, due to a combination of lower margins for some products and reduced volumes. The business experienced lower margins overall, driven primarily by lower ethylene and polyethylene margins, which were partially offset by higher polypropylene margins in the period. Decreased sales volumes were mainly driven by an inventory build in the three months ended March 31, 2016 in preparation for a major cracker turnaround in the second quarter of 2016. Partially offsetting this decrease was the appreciation of the US dollar by approximately 6% against the euro in the three month period ended March 31, 2016 as compared to the same period in 2015, which has had a favourable impact on the euro reported results. In addition there were inventory holding gains of approximately €8 million in the three month period ended March 31, 2016, as compared to inventory holding losses of approximately €23 million in the same period in 2015.

**INEOS GROUP HOLDINGS S.A.**  
**OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

*O&P Europe*

**Revenue.** Revenue in the O&P Europe segment decreased by €10.0 million, or 0.8%, to €1,307.5 million for the three month period ended March 31, 2016 as compared to €1,317.5 million for the same period in 2015. The decrease in revenues was driven by lower sales during the three month period ended March 31, 2016 as compared to the same period in 2015 from the previously divested O&P South and O&P UK businesses, which continue to utilise some of the Group's distribution companies in Europe. The revenue of the remaining O&P North business has increased in the three month period ended March 31, 2016 as compared to the same period in 2015 as a result of higher sale volumes, partially offset by lower prices. The higher sales volumes were a result of the stronger demand in European markets together with the acquisition of the remaining 50% interest in the Noretyl ethylene cracker at Rafnes, Norway from the Kerling group in July 2015, which led to higher sales volumes of ethylene during the period. The general price environment in the first quarter of 2016 was lower than the same quarter in 2015 with crude oil prices falling to an average of \$32/bbl for the three month period ended March 31, 2016 as compared to an average of \$54/bbl for the three month period ended March 31, 2015 which led to a fall in olefin prices. This was partially offset by an increase in polymer revenues as result of the very strong polymer demand in a balanced European market.

**EBITDA before exceptionals.** EBITDA before exceptionals in the O&P Europe segment increased by €104.1 million or 146.8% to €175.0 million for the three month period ended March 31, 2016, as compared to €70.9 million in the same period in 2015. The results for the three month period ended March 31, 2016 have increased compared to the same period in 2015, primarily due to increased margins together with the acquisition of the remaining 50% interest in the Noretyl ethylene cracker at Rafnes, Norway in July 2015. The business environment was much stronger in the three month period ended March 31, 2016 as compared to same period in 2015 which has led to an increase in margins for both olefins and polymers. Demand for olefins during the first quarter of 2016 was solid with healthy margins whilst polymer demand was very strong in a balanced market, with solid volumes and high margins. The depreciation of the euro against the US dollar also improved export opportunities and reduced import pressures, which helped improve margins. In addition the acquisition of the remaining 50% of the Noretyl ethylene cracker in July 2015 led to both increased volumes and margins in the three month period ended March 31, 2016 as compared to the same period in 2015. Partially offsetting this increase were higher inventory holding losses of approximately €9 million in the three month period ended March 31, 2016 as compared to losses of approximately €8 million in the same period in 2015.

*Chemical Intermediates*

**Revenue.** Revenue in the Chemical Intermediates segment decreased by €231.9 million, or 13.3%, to €1,518.0 million for the three month period ended March 31, 2016 as compared to €1,749.9 million for the same period in 2015. The Oxide business revenues decreased in the three month period ended March 31, 2016 as compared to the same period in 2015, driven by a fall in selling prices and to a lesser extent a fall in sales volumes. Overall prices decreased in the three month period ended March 31, 2016 as compared to the same period in 2015, as pricing closely followed the fall in underlying raw material costs of ethylene and propylene, although the speciality products experienced much more stable pricing. Sales volumes decreased approximately 2% in the three month period ended March 31, 2016 as the positive effects of lower oil prices and a weaker euro helped the competitive position of the mainly European business, which mitigated the fall in export opportunities as the Asian market experienced some weakness in demand. The Oligomers business revenues were higher in the three month period ended March 31, 2016 as compared to the same period in 2015, mainly as a result of increased sales volumes. The overall demand trend was strong in most products and sectors with overall sales volumes up approximately 6% in the three month period ended March 31, 2016 as compared to the same period in 2015. This increase was due to a combination of good market conditions for most products and better product availability as the first quarter of 2015 was adversely impacted by a fire at the Feluy, Belgium site and production issues at the La Porte site in the USA. Nitriles revenues decreased in the three month period ended March 31, 2016 as compared to the same period in 2015 driven by lower selling prices, partially offset by higher sales volumes. Average acrylonitrile sales prices fell approximately 33% in the three month period ended March 31, 2016 as compared to the same period in 2015 reflecting the fall in the feedstock costs of propylene in the first quarter of 2016 as compared to the same quarter in 2015. In addition new capacities coming on line in China have continued to put pressure on selling prices. Partially offsetting the lower

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selling prices was an increase in acrylonitrile sales volumes which were up approximately 5% in the three month period ended March 31, 2016 as compared to the same period in 2015, due to increased sales volumes into Asia as pre-marketing continued prior to commencing production again at the Green Lake plant. Revenues of the Phenol business decreased in the three month period ended March 31, 2016 as compared to the same period in 2015, primarily driven by lower prices partially offset by an increase in sales volumes. The decrease in prices of finished goods moved in line with the underlying raw material prices which have fallen in the three month period ended March 31, 2016 as compared to the same period in 2015. Benzene prices decreased in the US, although increased slightly in Europe, which in total led to lower phenol prices of approximately 2% in the three month period ended March 31, 2016 as compared to the same period in 2015. In addition the average acetone price decreased by approximately 33% in the three month period ended March 31, 2016 as compared to the same period in 2015, following lower propylene prices in both Europe and the US. Partially offsetting the decrease were higher sales volumes of both phenol and acetone in the three month period ended March 31, 2016 as compared to the same period in 2015 as market demand remained stable.

**EBITDA before exceptionals.** EBITDA before exceptionals in the Chemical Intermediates segment decreased by €3.0 million, or 8.0%, to €149.8 million for the three month period ended March 31, 2016 as compared to €162.8 million for the same period in 2015. The Oxide business results in the three month period ended March 31, 2016 decreased as compared with the same period in 2015, mainly driven by lower margins. Despite demand remaining solid, margins have weakened in the three month period ended March 31, 2016 as compared with the same period in 2015, especially in the solvents and glycol markets which benefitted from higher than normal margins in the first quarter of 2015 as a result of a number of European competitor outages. The Oligomers business profitability increased in the three month period ended March 31, 2016 as compared to the same period in 2015, primarily driven by higher margins and increased volumes. Demand was strong across most products and in most sectors leading to improved margins in the first quarter of 2016 as compared to the same period in 2015. Margins were highest in the European market with the Asian market continuing to experience some weakness. Increased volumes were the result of good market conditions in most products and better product availability as the first quarter of 2015 was adversely impacted by a fire at the Feluy, Belgium site and production issues at the La Porte site in the USA. The Nitriles business experienced a decrease in profitability in the three month period ended March 31, 2016 as compared to the same period in 2015, primarily due to lower margins. Overall margins were down approximately 42% during the three month period ended March 31, 2016 as compared to the same period in 2015 driven by an oversupplied Asian market which squeezed margins in Asia and adversely impacted European margins following pressure from Asian imports. The Phenol business profitability was effectively flat for the three month period ended March 31, 2016 as compared to the same period in 2015, primarily due to higher fixed costs which were offset by improved margins. The increase in fixed costs during the first quarter of 2016 as compared to the same quarter in 2015 was a result of the additional fixed costs from the Pasadena acquisition which happened in September 2015. The Pasadena acquisition had a positive impact on business margins, which increased during the three month period ended March 31, 2016 as compared to the same period in 2015 primarily driven by the positive impact on raw material purchasing following the increase in feedstock availability for the business as a result of the additional cumene capacity of the Pasadena site.



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**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 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 March 31, 2016, the Group had a total of €1,646.0 million Senior Secured Term Loans, €1,097.1 million Senior Notes due 2018, €1,119.6 million Senior Notes due 2019, and €770.0 million Senior Secured Notes due 2023 outstanding.

*Capital Expenditures*

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

Capital expenditure incurred during the three months ended March 31, 2016 was €169.7 million (€78.1 million in the three months ended March 31, 2015) analysed by business segment as follows:

	<b>Three-month period ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
	<i>(€ in millions)</i>	
O&P North America	73.1	29.1
O&P Europe	42.7	20.5
Chemical Intermediates	53.9	28.5
	<u>169.7</u>	<u>78.1</u>

The main capital expenditures in the three month period ended March 31, 2016 related to expenditure within the O&P North America segment on a cogeneration project at the Chocolate Bayou site, together with expenditure in preparation for the scheduled turnaround of one of the crackers in the

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second quarter of 2016. There were also a number of smaller projects within the O&P North America and O&P Europe segments. There was also additional expenditure by the Oligomers business on a DIB debottlenecking project at the site in Koln, Germany and on the PAO HiVis plant at La Porte, USA. The remaining capital expenditure related primarily to sustenance expenditure.

The main capital expenditures in the three month ended March 31, 2015 related to a number of smaller projects within the O&P North America and O&P Europe segments. There was also expenditure on a DIB debottlenecking project at the Oligomers site in Koln, Germany. The remaining capital expenditure related primarily to sustenance expenditure.

***Working Capital***

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

***Cash Flows***

During the three month period ended March 31, 2016 and 2015, our cash flow was as follows:

	<b>Three-month period ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
	<i>(€ millions)</i>	
Cash flow from operating activities .....	511.0	424.7
Cash flow from investing activities.....	(138.5)	(43.8)
Cash flow from financing activities .....	(152.7)	(263.3)

***Cash flows from operating activities***

Net cash flow from operating activities was an inflow of €11.0 million for the three month period ended March 31, 2016 (inflow of €24.7 million in the three month period ended March 31, 2015). The inflow was due to the profit generated from operations, partially offset by working capital outflows of €26.7 million in the three month period ended March 31, 2016 (outflow of €1.9 million in the three month period ended March 31, 2015). The decrease in working capital outflows primarily reflects the lower working capital levels of the Group as a result of lower raw material costs in the three month period ended March 31, 2016 as compared to the same period in the prior year.

Taxation payments of €20.0 million were made in the three month period ended March 31, 2016 (payments of €20.7 million in the three month period ended March 31, 2015). The payments in the three month period ended March 31, 2016 primarily reflect payments made to the tax authorities in Canada, and to a lesser extent Germany. The payments in the three month period ended March 31, 2015 primarily reflect payments made to the tax authorities in Belgium and Germany.

***Cash flows from investing activities***

On July 1, 2014, the Group successfully completed the Lavera Divestiture for a total consideration of €200 million. During the three month period ended March 31, 2015 the Group received a further €34.3 million of proceeds. None of the consideration remained outstanding as at March 31, 2016.

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 bears 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 the three month period ended March

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31, 2016 Styrolution has paid €9.5 million (March 31, 2015: €nil million) of interest relating to the Second Lien PIK Toggle Loan.

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 three month period ended March 31, 2016 Ineos Upstream has paid interest of €12.9 million relating to the loan.

There were no other significant cash flows from investing activities in the three month period ended March 31, 2016 and 2015 other than the acquisition of property, plant and equipment (refer to the “Capital Expenditure” section).

*Cash flows from financing activities*

Interest payments of €20.6 million were made in the three month period ended March 31, 2016 (€21.6 million in the three month period ended March 31, 2015). The interest payments during the first three 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 and Senior Notes due 2019. The interest payments during the first three months of 2015 relate primarily to monthly cash payments in respect of the Senior Secured Term Loans, semi-annual interest payments on the Senior Notes due 2018 and Senior Notes due 2019 and a final interest payment and early prepayment premium of €66.0 million on the 2019 Senior Secured Notes which were redeemed in March 2015.

The Group made a repayment of €1.8 million on the Securitization Program during the three month period ended March 31, 2016 (repayment of €0.9 million in the three month period ended March 31, 2015). Further debt issue costs of €0.3 million in relation to the Securitization Program amendment agreement in December 2015 were paid during the three month period ended March 31, 2016.

The Group made scheduled repayments of €12.1 million on the Senior Secured Term Loans during the three month period ended March 31, 2016 (scheduled repayments of €8.4 million in the three month period ended March 31, 2015). The Group also made scheduled repayments of €6.9 million on the Noretyl Loan during the three month period ended March 31, 2016.

The Group made scheduled repayments of €0.9 million on a bilateral bank loan agreement to fund some specific capital expenditure at the Koln, Germany site, during the three month period ended March 31, 2016 (scheduled repayments of €0.9 million in the three month period ended March 31, 2015).

In March 2015, the Group entered into an incremental term loan facility under the Senior Secured Term Loan Agreement to borrow an additional €850 million and \$625 million, resulting in a combined cash inflow of €1,407.3 million. The proceeds of the additional Term Loans were used to redeem the Senior Secured Notes due 2019 of €1,391.7 million. The Group paid associated debt issue costs of €17.0 million in relation to the issue of the incremental term loan facility during the three month period ended March 31, 2015.

*Net debt*

Total net debt as at March 31, 2016 was €6,329.1 million (December 31, 2015: €6,699.9 million). The Group held net cash balances of €1,825.8 million as at March 31, 2016 (December 31, 2015: €1,648.0 million) which included restricted cash of €166.6 million used as collateral against bank guarantees and letters of credit. The Group had availability under undrawn working capital facilities of €137.2 million as at March 31, 2016.

The Group entered into two interest rate caps in May 2012 to hedge the variable interest rate exposures on the €500.0 million Floating Rate Senior Secured Notes due 2019. The interest rate caps had a strike price of 1.25% per annum, which was in line with the EURIBOR floor on the Floating Rate Notes of 1.25% per annum. These derivative instruments expired in May 2015.