



INEOS GROUP HOLDINGS S.A.

Three month period ended March 31, 2017

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

	Three-Month Period Ended March 31,	
	2017	2016
	<i>(€ in millions)</i>	
Revenue	4,008.0	3,113.2
Cost of sales.....	(3,228.9)	(2,507.9)
Gross profit	779.1	605.3
Distribution costs.....	(51.8)	(53.9)
Administrative expenses.....	(89.4)	(93.6)
Operating profit.....	637.9	457.8
Share of profit/(loss) of associates and jointly controlled entities using the equity accounting method	42.9	(12.8)
Profit before net finance costs	680.8	445.0
Finance income	20.9	38.6
Finance costs	(43.6)	18.7
Exceptional finance costs	(44.1)	-
Profit before tax.....	614.0	502.3
Tax charge	(142.7)	(156.0)
Profit for the period.....	471.3	346.3

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

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

	Three-Month Period Ended March 31,	
	2017	2016
	<i>(€ in millions)</i>	
Profit for the period	471.3	346.3
Other comprehensive income:		
Items that will not be recycled to profit and loss:		
Remeasurement of post employment benefit obligations net of tax	-	-
Items that may subsequently be recycled to profit and loss:		
Foreign exchange translation differences	24.4	52.0
Net (loss)/gain on hedge of net investment in foreign operations	(109.6)	(177.0)
Other comprehensive loss for the period net of tax	(85.2)	(125.0)
Total comprehensive income for the period	386.1	221.3

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

INEOS GROUP HOLDINGS S.A.
CONSOLIDATED BALANCE SHEETS

	March 31, 2017	December 31, 2016
	(Unaudited)	
	<i>(€ in millions)</i>	
Non-current assets		
Property, plant and equipment.....	4,005.3	4,007.4
Intangible assets.....	751.9	763.9
Investments in equity-accounted investees.....	216.4	161.7
Other investments.....	258.4	262.2
Other financial assets.....	28.3	29.2
Other receivables.....	1,143.6	1,146.8
Deferred tax assets.....	204.9	205.1
	<u>6,608.8</u>	<u>6,576.3</u>
Current assets		
Inventories.....	1,140.4	1,068.1
Trade and other receivables.....	1,929.5	1,501.8
Other financial assets.....	4.0	8.2
Cash and cash equivalents.....	1,012.2	2,204.1
	<u>4,086.1</u>	<u>4,782.2</u>
Total assets.....	<u>10,694.9</u>	<u>11,358.5</u>
Equity attributable to owners of the parent		
Share capital.....	0.9	0.9
Share premium.....	779.4	779.4
Other reserves.....	(1,797.7)	(1,712.5)
Retained earnings.....	1,833.6	1,362.3
Total equity.....	<u>816.2</u>	<u>430.1</u>
Non-current liabilities		
Interest-bearing loans and borrowings.....	6,630.9	7,947.5
Trade and other payables.....	107.6	107.2
Employee benefits.....	796.1	789.5
Provisions.....	28.2	28.5
Deferred tax liabilities.....	275.0	275.6
Other financial liabilities.....	2.7	0.9
	<u>7,840.5</u>	<u>9,149.2</u>
Current liabilities		
Interest-bearing loans and borrowings.....	74.9	72.6
Trade and other payables.....	1,710.9	1,563.4
Tax payable.....	234.9	124.0
Other financial liabilities.....	-	-
Provisions.....	17.5	19.2
	<u>2,038.2</u>	<u>1,779.2</u>
Total liabilities.....	<u>9,878.7</u>	<u>10,928.4</u>
Total equity and liabilities.....	<u>10,694.9</u>	<u>11,358.5</u>

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

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

	<u>Share capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
	<i>(€ in millions)</i>				
Balance at 31 December					
2016	0.9	779.4	(1,712.5)	1,362.3	430.1
Profit for the period	-	-	-	471.3	471.3
Other comprehensive income:					
Foreign exchange translation differences	-	-	24.4	-	24.4
Net loss on hedge of net investment in foreign operations	-	-	(109.6)	-	(109.6)
Balance at 31 March 2017	0.9	779.4	(1,797.7)	1,833.6	816.2

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

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

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

	Three-Month Period	
	Ended March 31,	
	2017	2016
	<i>(€ in millions)</i>	
Cash flows from operating activities		
Profit for the period	471.3	346.3
Adjustments for:		
Depreciation, amortisation and impairment.....	114.8	96.4
Net finance cost/(income).....	66.6	(57.3)
Share of (profit)/losses of equity-accounted investees	(42.9)	12.8
Tax charge	142.7	156.0
Increase in trade and other receivables.....	(432.8)	(49.4)
(Increase)/decrease in inventories.....	(83.8)	28.4
Increase/(decrease) in trade and other payables	195.7	(5.7)
(Decrease)/increase in provisions and employee benefits	(2.2)	3.5
Tax paid.....	(28.1)	(20.0)
Net cash from operating activities.....	401.3	511.0
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment.....	3.4	-
Proceeds from sale of investments	0.9	0.9
Interest and other finance income received	6.3	30.5
Dividends received	-	-
Acquisition of businesses, net of cash acquired	-	(0.1)
Acquisition of intangible assets	-	(0.1)
Acquisition of property, plant and equipment	(161.2)	(169.7)
Acquisition of other investments	(13.3)	-
Net cash used in investing activities	(163.9)	(138.5)
Cash flows from financing activities		
Securitisation Facility	(0.9)	(11.8)
Redemption of Senior Notes.....	(1,151.9)	-
Refinancing of Senior Secured Term Loans.....	(79.0)	-
Issue costs.....	(10.0)	(0.3)
Interest paid	(130.7)	(120.6)
Repayment of loans	(19.1)	(19.9)
Capital element of finance lease payment	-	(0.1)
Net cash used in financing activities.....	(1,391.6)	(152.7)
Net increase in cash and cash equivalents	(1,154.2)	219.8
Cash and cash equivalents at 1 January	2,204.1	1,648.0
Effect of exchange rate fluctuations on cash held	(37.7)	(42.0)
Cash and cash equivalents at March 31	1,012.2	1,825.8

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

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

1. BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The financial information has been prepared and approved by the directors in accordance with IAS 34 “Interim financial reporting” as adopted by the European Union in response to the IAS regulation (EC 1606/2002) effective from January 1, 2017. In compliance with IAS 34, the Company has opted for a condensed scope of reporting in the interim financial statements compared with the consolidated annual financial statements. The accounting policies are set out in the INEOS Group Holdings S.A. annual report for the year ended December 31, 2016.

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,	
	2017	2016
	(€ in millions)	
<i>Revenue</i>		
O&P North America	975.9	618.0
O&P Europe	1,531.1	1,307.5
Chemical Intermediates	2,006.9	1,518.0
Eliminations	(505.9)	(330.3)
	<u>4,008.0</u>	<u>3,113.2</u>
 <i>EBITDA before exceptionals</i>		
O&P North America	284.3	229.4
O&P Europe	220.7	175.0
Chemical Intermediates	247.7	149.8
	<u>752.7</u>	<u>554.2</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,	
	2017	2016
	(€ in millions)	
EBITDA before exceptionals	752.7	554.2
Depreciation and amortisation	(114.8)	(96.4)
Operating profit	<u>637.8</u>	<u>457.8</u>

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

4. FINANCE COSTS

	Three-Month Period Ended March 31,	
	2017	2016
	<i>(€ in millions)</i>	
Interest payable on senior notes	34.3	41.9
Interest payable on bank loans and overdrafts	43.2	48.1
Interest payable on securitisation	2.0	2.2
Amortisation of issue costs	1.6	2.5
Other finance charges	5.7	8.0
Net fair value loss/(gain) on derivatives	6.0	(5.7)
Finance costs before exchange movements	92.8	97.0
Exchange movements	(49.2)	(115.7)
Total finance costs	43.6	(18.7)

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

5. EXCEPTIONAL FINANCE COSTS

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

6. TAXATION

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

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

7. INVENTORIES

	March 31,	December 31,
	2017	2016
	<i>(€ in millions)</i>	
Raw materials and consumables	420.9	403.8
Work in progress	22.3	19.3
Finished products	697.2	645.0
	1,140.4	1,068.1

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

8. BORROWINGS

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

	March 31, 2017	December 31, 2016
	<i>(€ in millions)</i>	
Non-current liabilities		
Senior Secured Term Loans	4,403.5	4,538.6
Senior Secured Notes due 2023	764.1	763.8
Senior Notes due 2019.....	-	1,158.5
Senior Notes due 2024.....	1,106.4	1,116.9
Securitisation Facility	295.8	299.4
Noretlyl Facility.....	47.0	54.9
Finance lease liabilities.....	1.2	1.2
Other loans	12.9	14.2
	<u>6,630.9</u>	<u>7,947.5</u>

	March 31, 2017	December 31, 2016
Current liabilities		
Current portion of borrowings under Senior Secured Term		
Loans	43.0	41.9
Noretlyl Facility.....	26.9	25.7
Other loans	4.8	4.8
Current portion of finance lease liabilities.....	0.2	0.2
	<u>74.9</u>	<u>72.6</u>

	March 31, 2017		
	Gross loans and borrowings	Issue costs	Net loans and borrowings
	<i>(€ in millions)</i>		
Senior Secured Term Loans	4,456.4	(9.9)	4,446.5
Senior Secured Notes due 2023	770.0	(5.9)	764.1
Senior Notes due 2024.....	1,115.8	(9.4)	1,106.4
Securitisation Facility	296.7	(0.9)	295.8
Noretlyl Facility.....	75.6	(1.7)	73.9
Other.....	19.1	-	19.1
	<u>6,733.6</u>	<u>(27.8)</u>	<u>6,705.8</u>

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

8. BORROWINGS (Continued)

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

Terms and debt repayment schedule

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

Senior Secured Term Loans

The Group has outstanding borrowings under a senior credit facilities agreement (the ‘Senior Secured Term Loans’ or ‘Term Loans’) dated April 27, 2012 (as amended and restated). The Term Loans are denominated in both Euros and US dollars with tranches maturing in 2022 and 2024.

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

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

The Senior Secured Term Loans outstanding at March 31, 2017 before issue costs were €4,456.4 million of which €44.7 million is due within one year. The total amounts outstanding on the Term Loans due 2022 were €3,068.0 million and the Term Loans due 2024 were €1,388.4 million.

The Term Loans are to be repaid in equal quarterly instalments, in aggregate annual amounts equal to 1% of the original principal amount of the Term Loans. The Term Loans due 2022 mature in March 2022 and the Term Loans due 2024 mature in March 2024.

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

8. BORROWINGS (Continued)

The outstanding Term Loans denominated in US dollars bear interest at a rate per annum equal to LIBOR plus the Applicable Margin. The Term Loans denominated in Euros bear interest at a rate per annum equal to LIBOR (subject to a floor of 0.75% per annum) plus the Applicable Margin.

As at March 31, 2017 the Applicable Margin for the Euro denominated Term Loans was 2.50% and the US dollar denominated Term Loans was 2.75%.

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

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

The Senior Secured Term Loans are stated net of debt issue costs of €9.9 million. These costs are allocated to the profit and loss account over the term of the Term Loans in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

Senior Secured Notes due 2023

In May 2015 the Group issued €70 million of Senior Secured Notes due 2023. The Senior Secured Notes due 2023 are listed on the Luxembourg Stock Exchange. The Senior Secured Notes due 2023 bear interest at 4.0% per annum, payable semi-annually in arrears on May 1 and November 1 of each year. Unless previously redeemed as noted below, the Senior Secured Notes due 2023 will be redeemed by the Group at their principal amount on May 1, 2023.

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

Year	2023 Dollar Fixed Rate Notes Redemption Price
2018.....	102.000%
2019.....	101.000%
2020 and thereafter	100.000%

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

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

8. BORROWINGS (Continued)

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

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

The Senior Secured Notes due 2023 are stated net of debt issue costs of €5.9 million (December 31, 2016: €6.2 million). These costs are allocated to the profit and loss account over the term of the Senior Secured Notes due 2023 in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

Senior Notes due 2019

On March 1, 2017 the Group redeemed in full the Senior Notes due 2019 with the proceeds from the issuance of the Senior Secured Term Loans due 2024. Before redemption the Senior Notes due 2019 were listed on the Luxembourg Stock Exchange and comprised of €600 million Senior Notes due 2019 (the “Euro Notes”) and \$590 million Senior Notes due 2019 (the “Dollar Notes”). The Senior Notes due 2019 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).

Senior Notes due 2024

The Senior Notes due 2024 are listed on the Luxembourg Stock Exchange and comprise €550 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	<u>Euro Notes redemption price</u>	<u>Dollar Notes redemption price</u>
2019.....	102.688%	102.813%
2020.....	101.344%	101.406%
2021 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 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.

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

8. BORROWINGS (Continued)

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

The Senior Notes due 2024 are stated net of debt issue costs of €0.4 million (December 31, 2016: €0.7 million). These costs are allocated to the profit and loss account over the term of the Senior Notes due 2024 in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

Receivables Securitisation Facility

The Company has entered into a €800 million receivables securitisation facilities agreement (“Receivables Securitisation Facility”) which matures in December 2018. The total amount outstanding at March 31, 2017 before issue costs was €296.7 million (December 31, 2016: €300.4 million). The facility is secured by pledges over the trade receivables sold in to the programme. Interest is charged on the facility at a rate per annum of either EURIBOR or short term commercial paper rates plus a margin.

The Receivables Securitisation Facility is stated net of debt issue costs of €0.9 million (December 31, 2016: €1.0 million).

Noretyl Facility

As part of the Group’s purchase of the remaining 50% interest in the Noretyl ethylene cracker at Rafnes, Norway from the Kerling group on July 1, 2015, the Group also assumed the obligations of a €40 million loan facility (“Noretyl Facility”) that Noretyl had in place. The total amount outstanding at March 31, 2017 before issue costs was €75.6 million (December 31, 2016: €82.5 million), of which €27.5 million (December 31, 2016: €27.5 million) is due within one year.

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

The Noretyl Facility is stated net of debt issue costs of €1.7 million (December 31, 2016: €1.9 million).

9. CONTINGENCIES

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

10. RELATED PARTIES

Related parties comprise:

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

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

Ineos AG, a subsidiary of Ineos Limited, provides operational management services to the Group through a management services agreement. Ineos AG management fees of €0.7 million (March 31, 2016: €0.5 million) were charged to the income statement during the three month period ended March

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

10. RELATED PARTIES (Continued)

31, 2017. As at March 31, 2017 amounts owed to Ineos AG were €21.1 million (March 31, 2016: €20.7 million). Amounts due from Ineos Holdings AG, a wholly owned subsidiary of Ineos AG, were €21.6 million (March 31, 2016: €9.3 million).

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

During the three month period ended March 31, 2017 the Group has made sales to these subsidiaries of €48.3 million (March 31, 2016: €30.4 million), recovered costs of €1.3 million (March 31, 2016: €6.6 million) and made purchases of €288.7 million (March 31, 2016: €246.9 million). As at March 31, 2017, €84.4 million (March 31, 2016: €486.5 million) was owed by and €203.5 million (March 31, 2016: €164.1 million) was owed to these subsidiaries (excluding the Grangemouth shareholder loan, the INEOS Upstream Limited loan and transactions and balances with Styrolution).

During 2015 the Group provided a loan of \$623.7 million to INEOS Upstream Limited, a related party, in connection with its acquisition of natural gas assets in the North Sea. The loan facility is unsecured and matures on October 26, 2020 and bears interest at 7% per annum. As at March 31, 2017 \$506.1 million (€471.5 million) (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 facility to fund the ongoing operations and investments required at the site. This facility matures on July 28, 2021 and is secured on a second lien basis on the assets of the Grangemouth petrochemical business. As at March 31, 2017 €127.0 million (March 31, 2016: €128.7 million) was outstanding under the facility, which includes €17.9 million (March 31, 2016: €11.5 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 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 Styrolution paid €0.5 million of interest relating to the Second Lien PIK Toggle Loan. 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. The new Term Loan will bear interest at a rate per annum equal to EURIBOR (subject to a floor of 1.00% per annum) plus a margin of 3.75% and matures on September 30, 2021. During the three month period ended March 31, 2017 the Group has made sales to Styrolution of €107.1 million (March 31, 2016: €33.9 million), recovered costs of €0.6 million (March 31, 2016: €10.4 million) and made purchases of €3.6 million (March 31, 2016: €nil million). As at March 31, 2017, €279.7 million (March 31, 2016: €232.6 million) was owed by Styrolution, which included the Group's €48.3 million Term Loan holding (March 31, 2016: included €200 million under the Second Lien PIK Toggle Loan) and €1.3 million (March 31, 2016: €0.1 million) was owed to Styrolution. During the three month period ended March 31, 2017 Styrolution paid €3.0 million of interest relating to the Term Loan debt.

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

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

10. RELATED PARTIES (Continued)

The Refining joint ventures are between PetroChina and INEOS Investments (Jersey) Limited, a related party. During the three month period ended March 31, 2017 the Group has recovered costs of €0.7 million (March 31, 2016: €0.2 million) and made purchases of €4.6 million (March 31, 2016: €74.1 million). As at March 31, 2016, €0.8 million (March 31, 2016: €3.0 million) was owed by the Refining joint ventures and €5.1 million (March 31, 2016: €4.5 million) was owed to the Refining joint ventures.

During the three month period ended March 31, 2017 the Group has recovered costs of €nil million (March 31, 2016: €0.3 million) from the HDPE joint venture. As at March 31, 2017, €2.1 million (March 31, 2016: €1.4 million) was owed by the HDPE joint venture.

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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 31 manufacturing sites in six countries throughout the world. As of December 31, 2016, our total chemical production capacity was approximately 21,400 kta, of which 59% was in Europe and 41% was in North America.

Results of Operations

Consolidated

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

	Three-Month Period			
	Ended March 31,			
	2017		2016	
	€m	%	€m	%
Revenue	4,008.0	100.0	3,113.2	100.0
Cost of sales	(3,228.9)	(80.6)	(2,507.9)	(80.6)
Gross profit	779.1	19.4	605.3	19.4
Distribution costs	(51.8)	(1.3)	(53.9)	(1.7)
Administrative expenses	(89.4)	(2.2)	(93.6)	(3.0)
Operating profit	637.9	15.9	457.8	14.7
Share of profit/(loss) of associates and jointly controlled entities	42.9	1.1	(12.8)	-
Profit before net finance costs	680.8	17.0	445.0	14.3
Finance income	20.9	0.5	38.6	1.2
Finance costs	(43.6)	(1.1)	18.7	0.6
Exceptional finance costs	(44.1)	(1.1)	-	-
Profit before tax	614.0	15.3	502.3	16.1
Tax charge	(142.7)	(3.6)	(156.0)	(5.0)
Profit for the period	471.3	11.7	346.3	11.1

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Three-Month Period Ended March 31, 2017, Compared to Three-Month Period Ended March 31, 2016

Revenue. Revenue increased by €94.8 million, approximately 28.7%, to €4,008.0 million in the three month period ended March 31, 2017 as compared to €3,113.2 million for the same period in 2016. The increase in revenues was driven primarily by an increase in selling prices which followed the significant rise in crude oil prices which increased to an average of \$52/bbl for the three month period ended March 31, 2017 as compared to \$32/bbl in the same period in 2016. In addition there was an increase in sales volumes for the Group in the three month period ended March 31, 2017 as compared to the same period in 2016, primarily in the O&P North America and Oligomers businesses. Revenues were also favourably impacted by the appreciation of the US dollar by approximately 3% against the euro in the three month period ended March 31, 2017, as compared to the same period in 2016.

Cost of sales. Cost of sales increased by €721.0 million, approximately 28.7%, to €3,228.9 million in the three month period ended March 31, 2017 as compared to €2,507.9 million for the same period in 2016. The increase in cost of sales is largely due to the rise in crude oil prices, which has meant higher feedstock prices across the Group in the three month period ended March 31, 2017, as compared to the same period in 2016.

Gross profit. Gross profit increased by €173.8 million, approximately 28.7%, to €779.1 million in the three month period ended March 31, 2017 as compared to €605.3 million for the same period in 2016. The increase in profitability was primarily driven by higher margins across the Group, increased inventory holding gains and higher sales volumes. The Phenol and Nitriles businesses experienced significant increases in margins in the three month period ended March 31, 2017 as compared to the same period in 2016 as the Phenol business benefitted from the positive impact of higher benzene prices on the phenol margins and the Nitriles business experienced strengthening demand across all sectors. Sales volumes for the Group increased by approximately 5% in the three month period ended March 31, 2017 as compared to the same period in 2016, primarily due to increased sales within the O&P North America and Oligomers businesses. The O&P segments also had higher inventory holding gains of approximately €49 million in the three month period ended March 31, 2017, as compared to inventory holding losses of approximately €31 million in the same period in 2016. The appreciation of the US dollar by approximately 3% against the euro in the three month period ended March 31, 2017 as compared to the same period in 2016, has favourably impacted the euro reported results of our US businesses.

Distribution costs. Distribution costs decreased by €2.1 million, approximately 3.9%, to €1.8 million in the three month period ended March 31, 2017 as compared to €3.9 million for the same period in 2016. The small decrease in distribution costs in the Group reflects lower exports in the three month period ended March 31, 2017 as compared to the same period in 2016.

Administrative expenses. Administrative expenses decreased by €4.2 million, approximately 4.5%, to €9.4 million in the three month period ended March 31, 2017 as compared to €3.6 million for the same period in 2016. The decrease in administrative expenses is primarily due to a decrease in research and development expenditure in the three month period ended March 31, 2017 as compared to the same period in 2016.

Operating profit. Operating profit increased by €180.1 million, approximately 39.3%, to €637.9 million for the three month period ended March 31, 2017 as compared to €457.8 million for the same period in 2016.

Share of profit/(loss) of associates and jointly controlled entities. Share of profit/(loss) of associates and jointly controlled entities was a profit of €42.9 million for the three month period ended March 31, 2017 as compared to a loss of €2.8 million for the same period in 2016. The share of profit/(loss) from associates and jointly controlled entities primarily reflects our share of the results of the Refining joint venture with PetroChina. Margins in the European refining market have strengthened in the three month period ended March 31, 2017 as compared to the same period in 2016.

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Profit before net finance costs. Profit before net finance costs increased by €35.8 million, approximately 53.0%, to €80.8 million for the three month period ended March 31, 2017 as compared to €45.0 million for the same period in 2016.

Finance income. Finance income decreased by €17.7 million to €20.9 million for the three month period ended March 31, 2017 as compared to €38.6 million for the same period in 2016. The income in the three month period ended March 31, 2017 primarily relates to interest income on the Group's investment in INEOS Investments Partnership, together with interest income from loans to related parties (including Styrolution, Ineos Upstream and Grangemouth).

Finance costs. Finance costs increased by €2.3 million, to a charge of €43.6 million for the three month period ended March 31, 2017 as compared to a credit of €8.7 million for the same period in 2016. The increase in finance costs for the three month period ended March 31, 2017 reflects a decrease in net foreign exchange gains associated with short term intra group funding, which was a gain of €49.2 million in the three month period ended March 31, 2017 as compared to a gain of €15.7 million in the same period in 2016. The increase has been partially offset by the refinancing transactions completed in August 2016 and February 2017 which have resulted in the weighted average interest rate on the Group's debt being lower during the three month period ended March 31, 2017 as compared to the same period in 2016.

Exceptional finance costs. Exceptional finance costs of €44.1 million were charged in the three month period ended March 31, 2017 following the refinancing of the Senior Secured Term Loans and the redemption of the Senior Notes due 2019 in February 2017. As a result of the refinancing and early redemption of the Senior Notes due 2019 an exceptional finance cost of €44.1 million 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 and the Secured Term Loans of €23.6 million.

Profit before tax. Profit before tax increased by €111.7 million, approximately 22.2%, to €14.0 million for the three month period ended March 31, 2017 as compared to €02.3 million for the same period in 2016.

Tax charge. Tax charge decreased by €13.3 million, approximately 8.5%, to a charge of €42.7 million for the three month period ended March 31, 2017 as compared to a charge of €56.0 million for the same period in 2016. The decrease in the tax charge is a result of a lower anticipated effective tax rate during the three month period ended March 31, 2017 as compared to the same period in 2016 which has more than offset the improved performance of the Group. After adjusting for the results from the share of associates and jointly controlled entities, the effective tax rate of approximately 25% for the three month period ended March 31, 2017 reflects the anticipated tax rate for the Group for the full year. The effective rate for the three month period ended March 31, 2016 was approximately 30% after adjusting for the profits from the share of associates and jointly controlled entities, which reflected the anticipated tax rate for the full year for 2016.

Profit for the period. Profit for the period increased by €125.0 million, approximately 36.1%, to a profit of €71.3 million for the three month period ended March 31, 2017 as compared to €46.3 million for the same period in 2016.

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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,	
	2017	2016
	(€ in millions)	
<i>Revenue</i>		
O&P North America	975.9	618.0
O&P Europe	1,531.1	1,307.5
Chemical Intermediates	2,006.9	1,518.0
Eliminations	(505.9)	(330.3)
	<u>4,008.0</u>	<u>3,113.2</u>
<i>EBITDA before exceptionals</i>		
O&P North America	284.3	229.4
O&P Europe	220.7	175.0
Chemical Intermediates	247.7	149.8
	<u>752.7</u>	<u>554.2</u>

O&P North America

Revenue. Revenue in the O&P North America segment increased by €57.9 million, or 57.9%, to €975.9 million for the three month period ended March 31, 2017, as compared to €618.0 million for the same period in 2016. The increase was driven primarily by higher volumes and higher selling prices. Sales volumes increased by approximately 23% in the three month period ending March 31, 2017 as compared to the same period in 2016, driven by higher sales volumes of ethylene, polypropylene and polyethylene due to higher production levels. There were lower sales volumes in the three month period ended March 31, 2016 due to the inventory build in preparation for a major cracker turnaround in the second quarter of 2016. The weighted average sales price for the whole business was up approximately 14% for the three month period ended March 31, 2017 as compared to the same period in 2016, driven by higher commodity prices. The appreciation of the US dollar by approximately 3% against the euro in the three month period ended March 31, 2017 as compared to the same period of 2016 has also increased reported euro revenues.

EBITDA before exceptionals. EBITDA before exceptionals in the O&P North America segment increased by €54.9 million, or 23.9%, to €284.3 million for the three month period ended March 31, 2017 as compared to €229.4 million in the same period in 2016. The business has continued to benefit from its flexibility to be able to utilise cheaper gas feedstock to maintain healthy margins. The US cracker business environment was solid, with healthy margins and high operating rates throughout the three month period ended March 31, 2017. The results for the three month period ended March 31, 2017 were higher than the same period in 2016, due to a combination of higher sales volumes and higher inventory holding gains, partially offset by lower margins. Increased sales volumes of approximately 23% in the three month period ended March 31, 2017 as compared 2016 was a result of higher production levels in the quarter. In addition the business experienced inventory holding gains of approximately €5 million in the three month period ended March 31, 2017, as compared to inventory holding gains of approximately €8 million in the same period in 2016. Partially offsetting these increases were lower overall margins in the three month period ended March 31, 2017 as compared to the same period in 2016, driven primarily by lower polypropylene and polyethylene margins, partially offset by higher ethylene margins.

O&P Europe

Revenue. Revenue in the O&P Europe segment increased by €23.6 million, or 17.1%, to €1,531.1

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million for the three month period ended March 31, 2017 as compared to €1,307.5 million for the same period in 2016. The increase in revenues was mainly driven by higher selling prices, partially offset by lower volumes during the three month period ended March 31, 2017 as compared to the same period in 2016. The increase in revenues for the business was driven by the general price environment which was higher in the first quarter of 2017 as compared to the same quarter in 2016 as crude oil prices rose to an average of \$52/bbl for the three month period ended March 31, 2017 as compared to an average of \$32/bbl for the three month period ended March 31, 2016 which led to a rise in both olefin and polymer prices. Butadiene prices showed the largest increase, up approximately 188% as the market recovered from the weakness seen in the last few years, due to improved demand in Asia and a strong market in Europe. Polymer prices rose approximately 11% as compared to the same quarter in 2016 reflecting a smaller change from the very strong markets experienced last year. Partially offsetting these increases were slightly lower sales volumes of finished goods during the first quarter of 2017 as compared to the same period in 2016.

EBITDA before exceptionals. EBITDA before exceptionals in the O&P Europe segment increased by €45.7 million or 26.1% to €20.7 million for the three month period ended March 31, 2017, as compared to €75.0 million in the same period in 2016. The results for the three month period ended March 31, 2017 have increased compared to the same period in 2016, primarily due to higher inventory holding gains and higher margins partially offset by higher fixed costs and lower volumes. Inventory holding gains were approximately €4 million in the three month period ended March 31, 2017 as compared to losses of €9 million in the three month period ended March 31, 2016. Margins increased in the three month period ended March 31, 2017 as compared to the same period in 2016 as additional margin was generated from the Trading & Shipping business. In addition olefin margins were higher mainly driven by the recovery of the butadiene market and the fall in feedstock prices after the monthly contract prices had been set. Polymer margins remained good, albeit down from the exceptional levels experienced in 2016. Partially offsetting these increases were higher fixed costs in the first quarter of 2017 as compared to the same quarter in 2016, primarily due to the additional costs of the Group's new Dragon ships along with the associated US infrastructure costs in respect of shipping ethane from the US to Europe.

Chemical Intermediates

Revenue. Revenue in the Chemical Intermediates segment increased by €488.9 million, or 32.2%, to €2,006.9 million for the three month period ended March 31, 2017 as compared to €1,518.0 million for the same period in 2016. The Oxide business revenues increased in the three month period ended March 31, 2017 as compared to the same period in 2016, driven by higher selling prices, partially offset by lower volumes. Overall prices increased in the three month period ended March 31, 2017 as compared to the same period in 2016, as pricing closely followed the rise in underlying raw material costs of ethylene and propylene which followed the increase in crude oil prices. Glycol products experienced a more significant rise in prices due to very high prices in the Asian market and the impact of some competitor outages in the period. Partially offsetting this increase was a decrease in overall sales volumes of approximately 5% in the three month period ended March 31, 2017 as compared to the same period in 2016, mainly due to lower EO sales volumes, although the first quarter of 2017 did see record sales volumes of glycol and alkoxilates as European demand remained very strong and export markets were good. The Oligomers business revenues were higher in the three month period ended March 31, 2017 as compared to the same period in 2016, mainly as a result of increased sales volumes and higher prices. The overall demand trend was strong in most products and sectors, most notably in the polymer co-monomer segment, supporting the strong polymer markets with overall sales volumes up approximately 10% in the three month period ended March 31, 2017 as compared to the same period in 2016. The higher sales prices followed the increase in the underlying raw material prices since feedstock related contract prices make up the majority of the Oligomers pricing arrangements. Nitriles revenues increased in the three month period ended March 31, 2017 as compared to the same period in 2016 driven by higher selling prices. Average acrylonitrile sales prices rose approximately 36% in the three month period ended March 31, 2017 as compared to the same period in 2016, reflecting the rise in the feedstock costs of propylene in the first quarter of 2017 as compared to the same quarter in 2016 and strengthening demand across all sectors. Sales volumes of acrylonitrile increased approximately 4% in the three month period ended March 31, 2017 as compared to the same period in 2016 as customers restocked following a significant number of outages in the US and Asia during the second half of 2016. Revenues of the Phenol business increased in the three month period ended March 31, 2017 as compared to the same period in 2016, primarily driven by higher prices and to a lesser extent higher sales volumes. The increase in prices of finished goods

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moved in line with the underlying raw material prices which have risen in the three month period ended March 31, 2017 as compared to the same period in 2016. Benzene prices increased in the US and Europe, which in total led to higher phenol prices of approximately 46% in the three month period ended March 31, 2017 as compared to the same period in 2016. In addition the average acetone price increased by approximately 60% in the three month period ended March 31, 2017 as compared to the same period in 2016, following higher propylene prices in both Europe and the US. In addition total sales volumes were higher driven by increased phenol and acetone sales in the three month period ended March 31, 2017 as compared to the same period in 2016.

EBITDA before exceptionals. EBITDA before exceptionals in the Chemical Intermediates segment increased by €7.9 million, or 65.4%, to €47.7 million for the three month period ended March 31, 2017 as compared to €149.8 million for the same period in 2016. The Oxide business results in the three month period ended March 31, 2017 increased as compared with the same period in 2016, mainly driven by higher margins. The significant increase in margins in the three month period ended March 31, 2017 as compared to the same period in 2016 was due to improved raw material procurement as the ethylene tank in Antwerp helped to achieve higher discounts for ethylene; a steep increase in glycol pricing due to improved demand in Asia, and buoyant European markets, especially for solvents helped by competitor outages shortening the market. The Oligomers business profitability remained flat in the three month period ended March 31, 2017 as compared to the same period in 2016 as higher volumes were offset by lower margins. Demand was strong across most products and in most sectors leading to higher sales volumes in the first quarter of 2017 as compared to the same period in 2016. However margins were lower in the three month period ended March 31, 2017 as higher margins in LAO were offset by lower PAO and SO margins. LAO margins continued to be strong in comonomer and global oilfield applications. North American margins continued to benefit from advantaged production at the Joffre site. European margins benefited from significant ethylene price discounts from third party suppliers, however significant increases in raw material prices were not fully passed on in customer realisations. PAO margins were slightly lower coming down from the top of the cycle margins experienced in 2016. However they were still strong overall, with continued good core demand and solid sales of higher margin HiViscosity products. PAO margins were comparatively lower in North America and Europe, and near parity in Asia in the quarter as compared to the same period in 2016. SO margins were also below the record levels of the first quarter of 2016 with good sales in core products and in higher margin specialty products. The product available from the DIB expansion in Koln in 2016 has supported margins, although supply chain considerations, market conditions and competitive pricing negatively impacted this. The Nitriles business experienced an increase in profitability in the three month period ended March 31, 2017 as compared to the same period in 2016, primarily due to higher margins. Overall margins were up approximately 20% during the three month period ended March 31, 2017 as compared to the same period in 2016 as the business experienced strengthening demand across all sectors, together with improved demand in Asia. In addition, markets were tight as a result of a number of planned competitor outages in the US and Asia in the quarter. The Phenol business profitability increased significantly in the three month period ended March 31, 2017 as compared to the same period in 2016, primarily due to higher margins driven by better acetone returns and the positive impact of higher benzene prices on phenol margins, together with improved demand in Asia.

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

The Group has a €800 million Receivables Securitization Program in place, which matures in December 2018.

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

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

As of March 31, 2017, the Group had a total of €4,456.4 million Senior Secured Term Loans, €770.0 million Senior Secured Notes due 2023, and €1,115.8 million Senior Notes due 2024 outstanding.

Capital Expenditures

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

Capital expenditure incurred during the three months ended March 31, 2017 was €61.2 million (€69.7 million in the three months ended March 31, 2016) analysed by business segment as follows:

	Three-month period ended March 31,	
	2017	2016
	<i>(€ in millions)</i>	
O&P North America	43.3	73.1
O&P Europe	43.9	42.7
Chemical Intermediates	74.0	53.9
	<u>161.2</u>	<u>169.7</u>

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

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 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 Laporte, USA. 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, 2017 and 2016, our cash flow was as follows:

	Three-month period ended March 31,	
	2017	2016
	<i>(€ millions)</i>	
Cash flow from operating activities	401.3	511.0
Cash flow from investing activities.....	(163.9)	(138.5)
Cash flow from financing activities	(1,391.6)	(152.7)

Cash flows from operating activities

Net cash flow from operating activities was an inflow of €401.3 million for the three month period ended March 31, 2017 (inflow of €111.0 million in the three month period ended March 31, 2016). The inflow was due to the profit generated from operations partially offset by working capital outflows of €320.9 million in the three month period ended March 31, 2017 (outflow of €26.7 million in the three month period ended March 31, 2016). The increase in working capital outflows primarily reflects the higher working capital levels of the Group as a result of higher raw material costs in the three month period ended March 31, 2017 as compared to the same period in the prior year, together with higher sales volumes.

Taxation payments of €28.1 million were made in the three month period ended March 31, 2017 (payments of €20.0 million in the three month period ended March 31, 2016). The payments in the three month period ended March 31, 2017 primarily reflect payments made to the tax authorities in Germany, and to a lesser extent Canada. 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.

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Cash flows from investing activities

During 2014 a related party group acquired the remaining 50% of the Styrolution joint venture which was previously a joint venture between Ineos Industries Holdings Limited, a related party, and BASF. As part of the funding for the acquisition the Group provided Ineos Styrolution Holding GmbH ('Styrolution'), a related party, with a Second Lien PIK Toggle Loan of €200.0 million. The loan bore interest at a rate per annum of 9.5% for cash interest payments or 10.25% for PIK interest and had a scheduled maturity date of November 2020. Before its early repayment the Group paid interest of €9.5 million during the three month period ended March 31, 2016 relating to the Second Lien PIK Toggle Loan.

During September 2016 Styrolution refinanced its capital structure and repaid the €200.0 million Second Lien PIK Toggle Loan. The Group used the proceeds from the loan together with €50.0 million of cash in hand to invest €250.0 million in the Styrolution Term Loan facility which was issued during September 2016. The facility was further repriced and the maturity extended in March 2017. The new Term Loan is secured on the assets of Styrolution, will bear interest at a rate per annum equal to EURIBOR (subject to a floor of 0.75% per annum) plus a margin of 2.50% and matures on September 30, 2024. During the three month period ended March 31, 2017 Styrolution paid €3.0 million of interest to the Group in relation to the Term Loan facility.

During the three month period ended December 31, 2015 the Group provided a loan of \$623.7 million to INEOS Upstream Limited, a related party, in connection with its acquisition of natural gas assets in the North Sea. The loan facility is unsecured, matures on October 26, 2020 and bears interest at 7% per annum. During the three month period ended March 31, 2017 INEOS Upstream paid interest of €nil million (March 31, 2016: €12.9 million) relating to the loan.

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

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

There were no other significant cash flows from investing activities in the three month period ended March 31, 2017 and 2016 other than the acquisition of property, plant and equipment (refer to the "Capital Expenditure" section).

Cash flows from financing activities

Interest payments of €130.7 million were made in the three month period ended March 31, 2017 (€120.6 million in the three month period ended March 31, 2016). The interest payments during the first three months of 2017 relate primarily to monthly cash payments in respect of the Senior Secured Term Loans, semi-annual interest payments on the Senior Notes due 2024 and a final interest payment and early prepayment premium of €16.7 million on the Senior Notes due 2019 which were redeemed in February 2017. 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 Group made a repayment of €0.9 million on the Securitization Program during the three month period ended March 31, 2017 (repayment of €1.8 million in the three month period ended March 31, 2016). 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 €11.1 million on the Senior Secured Term Loans during the three month period ended March 31, 2017 (scheduled repayments of €12.1 million in the three month period ended March 31, 2016). The Group also made scheduled repayments of €6.9 million on the Noretyl Facility during the three month period ended March 31, 2017 (scheduled repayments of €6.9 million in the three month period ended March 31, 2016).

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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, 2017 (scheduled repayments of €0.9 million in the three month period ended March 31, 2016).

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

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

Net debt

Total net debt as at March 31, 2017 was €5,721.4 million (December 31, 2016: €5,862.8 million). The Group held net cash balances of €1,012.2 million as at March 31, 2017 (December 31, 2016: €2,204.1 million) which included restricted cash of €142.0 million used as collateral against bank guarantees and letters of credit. The Group had availability under undrawn working capital facilities of €451.5 million as at March 31, 2017.