



---

**INEOS GROUP HOLDINGS S.A.**

**Quarter ended June 30, 2013**

---

**INEOS GROUP HOLDINGS**  
**INCOME STATEMENT (UNAUDITED)**

	<b>Three-Month Period</b>	
	<b>Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
	<i>(€ in millions)</i>	
<b>Revenue.....</b>	<b>4,249.4</b>	<b>4,392.5</b>
Cost of sales .....	(3,865.3)	(4,083.1)
<b>Gross profit.....</b>	<b>384.1</b>	<b>309.4</b>
Distribution costs .....	(59.8)	(63.5)
Administrative expenses .....	(68.4)	(59.8)
<b>Operating profit .....</b>	<b>255.9</b>	<b>186.1</b>
Share of loss of associates and jointly controlled entities using the equity accounting method .....	(18.8)	(80.1)
<b>Profit before net finance costs.....</b>	<b>237.1</b>	<b>106.0</b>
Finance income .....	9.5	8.4
Finance costs .....	(129.7)	(202.7)
Exceptional finance costs.....	(121.1)	-
<b>Loss before tax .....</b>	<b>(4.2)</b>	<b>(88.3)</b>
Tax (charge) / credit.....	(7.3)	6.8
<b>Loss for the period .....</b>	<b>(11.5)</b>	<b>(81.5)</b>

**INEOS GROUP HOLDINGS**  
**INCOME STATEMENT (UNAUDITED)**

	Six-Month Period Ended June 30,	
	2013	2012
	<i>(€ in millions)</i>	
<b>Revenue</b> .....	<b>8,718.2</b>	<b>9,097.1</b>
Cost of sales .....	(7,895.5)	(8,305.3)
<b>Gross profit</b> .....	<b>822.7</b>	<b>791.8</b>
Distribution costs .....	(119.3)	(131.4)
Administrative expenses .....	(126.9)	(119.1)
<b>Operating profit</b> .....	<b>576.5</b>	<b>541.3</b>
Share of loss of associates and jointly controlled entities using the equity accounting method .....	(12.3)	(58.4)
<b>Profit before net finance costs</b> .....	<b>564.2</b>	<b>482.9</b>
Finance income .....	19.4	14.5
Finance costs.....	(287.2)	(350.3)
Exceptional finance costs.....	(121.1)	-
<b>Profit before tax</b> .....	<b>175.3</b>	<b>147.1</b>
Tax charge .....	(93.8)	(63.9)
<b>Profit for the period</b> .....	<b>81.5</b>	<b>83.2</b>

**INEOS GROUP HOLDINGS**  
**STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

	<b>Six-Month Period Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
	<i>(€ in millions)</i>	
<b>Profit for the period .....</b>	<b>81.5</b>	<b>83.2</b>
<b>Other comprehensive income:</b>		
Foreign exchange translation differences net of tax .....	(38.0)	(132.0)
Net gain/(loss) on hedge of net investment in foreign operations net of tax .....	(8.6)	96.8
<b>Other comprehensive income for the period net of tax .....</b>	<b>(46.6)</b>	<b>(35.2)</b>
<b>Total comprehensive income for the period .....</b>	<b>34.9</b>	<b>48.0</b>

**INEOS GROUP HOLDINGS**  
**CONSOLIDATED BALANCE SHEETS**

	<b>June 30, 2013</b>	<b>December 31, 2012</b>
	<b>(Unaudited)</b>	
	<i>(€ in millions)</i>	
<b>Non-current assets</b>		
Property, plant and equipment .....	3,176.3	3,093.8
Intangible assets .....	678.6	673.2
Investments in equity-accounted investees .....	408.5	423.2
Other investments .....	185.8	175.9
Other financial assets .....	52.0	51.0
Other receivables .....	221.4	164.8
Deferred tax assets .....	504.4	507.4
	<u>5,227.0</u>	<u>5,089.3</u>
<b>Current assets</b>		
Inventories .....	1,283.5	1,392.2
Trade and other receivables .....	2,050.0	1,908.7
Other financial assets .....	0.8	0.5
Cash and cash equivalents.....	1,091.5	1,235.4
	<u>4,425.8</u>	<u>4,536.8</u>
<b>Total assets .....</b>	<b><u>9,652.8</u></b>	<b><u>9,626.1</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 .....	(1,473.8)	(1,427.2)
Retained earnings.....	(29.6)	(111.1)
<b>Total equity.....</b>	<b><u>(723.1)</u></b>	<b><u>(758.0)</u></b>
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings .....	7,465.9	7,272.2
Trade and other payables .....	100.1	120.3
Employee benefits.....	696.8	702.5
Provisions .....	12.0	19.4
Deferred tax liabilities.....	179.7	170.8
	<u>8,454.5</u>	<u>8,285.2</u>
<b>Current liabilities</b>		
Interest-bearing loans and borrowings .....	32.0	16.7
Trade and other payables .....	1,750.3	1,909.0
Tax payable.....	114.7	157.4
Other financial liabilities.....	-	0.3
Provisions .....	24.4	15.5
	<u>1,921.4</u>	<u>2,098.9</u>
<b>Total liabilities.....</b>	<b><u>10,375.9</u></b>	<b><u>10,384.1</u></b>
<b>Total equity and liabilities.....</b>	<b><u>9,652.8</u></b>	<b><u>9,626.1</u></b>

**INEOS GROUP HOLDINGS**  
**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 2012.....</b>	<b>0.9</b>	<b>779.4</b>	<b>(1,427.2)</b>	<b>(111.1)</b>	<b>(758.0)</b>
Profit for the period .....	-	-	-	81.5	81.5
<b>Other comprehensive income:</b>					
Foreign exchange translation differences.....	-	-	(38.0)	-	(38.0)
Net loss on hedge of net investment in foreign operations.....	-	-	(8.6)	-	(8.6)
<b>Balance at 30 June 2013.....</b>	<b>0.9</b>	<b>779.4</b>	<b>(1,473.8)</b>	<b>(29.6)</b>	<b>(723.1)</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 2011.....</b>	<b>0.9</b>	<b>779.4</b>	<b>(1,303.2)</b>	<b>200.4</b>	<b>(322.5)</b>
Profit for the period .....	-	-	-	83.2	83.2
<b>Other comprehensive income:</b>					
Foreign exchange translation differences.....	-	-	(132.0)	-	(132.0)
Net gain on hedge of net investment in foreign operations.....	-	-	96.8	-	96.8
<b>Balance at 30 June 2012.....</b>	<b>0.9</b>	<b>779.4</b>	<b>(1,338.4)</b>	<b>283.6</b>	<b>(274.5)</b>

**INEOS GROUP HOLDINGS**  
**STATEMENT OF CASH FLOWS (UNAUDITED)**

	<b>Six-Month Period Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
	<i>(€ in millions)</i>	
<b>Cash flows from operating activities</b>		
Profit for the period.....	81.5	83.2
Adjustments for:		
Depreciation and impairment.....	203.6	232.4
Net finance costs.....	388.9	335.8
Share of (profits)/losses of equity-accounted investees .....	12.3	58.4
Tax charge/(credit).....	93.8	63.9
(Increase)/decrease in trade and other receivables .....	(178.5)	5.1
(Increase)/decrease in inventories .....	113.6	67.1
Increase/(decrease) in trade and other payables .....	(160.4)	(230.2)
(Decrease)/increase in provisions and employee benefits .....	(14.5)	(11.9)
Tax received/(paid) .....	(123.4)	(114.6)
<b>Net cash from operating activities .....</b>	<b>416.9</b>	<b>489.2</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment .....	-	-
Interest and other finance income received .....	4.4	4.5
Dividends received .....	1.9	1.3
Disposal of businesses, net of cash disposed of .....	-	-
Acquisition of subsidiaries, net of cash acquired .....	-	-
Acquisition of property, plant and equipment.....	(268.7)	(246.4)
Acquisition of other investments .....	(0.6)	-
<b>Net cash used in investing activities.....</b>	<b>(263.0)</b>	<b>(240.6)</b>
<b>Cash flows from financing activities</b>		
Securitisation Facility .....	-	(76.1)
Revolving Credit Facility.....	-	(293.0)
Proceeds from new Senior Secured Notes .....	1,017.5	1,847.0
Proceeds from new Senior Secured Term Loans .....	838.5	2,291.1
Redemption of Senior Facilities Agreement .....	-	(2,863.5)
Redemption of Senior Secured Notes .....	(735.1)	-
Redemption of Senior Notes .....	(1,017.1)	-
Issue costs .....	(15.5)	(87.9)
Interest paid .....	(366.1)	(402.0)
Repayment of loans.....	(14.2)	(6.0)
Capital element of finance lease payment.....	(1.1)	-
<b>Net cash used in financing activities .....</b>	<b>(293.1)</b>	<b>409.6</b>
Net increase/(decrease) in cash and cash equivalents .....	(139.2)	658.2
Cash and cash equivalents at 1 January .....	1,235.4	582.4
Effect of exchange rate fluctuations on cash held .....	(4.7)	6.6
<b>Cash and cash equivalents at June 30 .....</b>	<b>1,091.5</b>	<b>1,247.2</b>

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

**1. BASIS OF PREPARATION**

In January 2011 the obligations of INEOS Group Holdings plc as Issuer of the Senior Notes Due 2016 were transferred to INEOS Group Holdings S.A. (INEOS Group Holdings or the “Group”), a company registered in Luxembourg. INEOS Group Holdings S.A. is now the parent company for the Group. The Group has used accounting principles for entities under common control for this restructuring and accordingly the consolidated figures have been presented as if INEOS Group Holdings S.A. had always been the parent company for the current and prior periods.

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.

**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 June 30, 2013. 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, 2012.



**INEOS GROUP HOLDINGS**  
**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 June 30,		Six-Month Period Ended June 30,	
	2013	2012	2013	2012
	<i>(€ in millions)</i>		<i>(€ in millions)</i>	
<i>Revenue</i>				
O&P North America	905.6	867.3	1,771.8	1,784.3
O&P Europe	1,952.7	1,918.8	3,976.9	3,983.1
Chemical Intermediates	1,986.1	2,304.8	4,221.5	4,998.2
Eliminations	(595.0)	(698.4)	(1,252.0)	(1,668.5)
	<u>4,249.4</u>	<u>4,392.5</u>	<u>8,718.2</u>	<u>9,097.1</u>
<i>EBITDA before exceptionals</i>				
O&P North America	221.4	132.0	469.2	307.3
O&P Europe	39.7	57.1	62.0	113.7
Chemical Intermediates	103.9	119.3	248.9	352.7
	<u>365.0</u>	<u>308.4</u>	<u>780.1</u>	<u>773.7</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 June 30,		Six-Month Period Ended June 30,	
	2013	2012	2013	2012
	<i>(€ in millions)</i>		<i>(€ in millions)</i>	
EBITDA before exceptionals	365.0	308.4	780.1	773.7
Depreciation and amortisation	(109.1)	(122.3)	(203.6)	(232.4)
Operating profit	<u>255.9</u>	<u>186.1</u>	<u>576.5</u>	<u>541.3</u>

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

**4. FINANCE COSTS**

	Three-Month Period Ended June 30,		Six-Month Period Ended June 30,	
	2013	2012	2013	2012
	(€ in millions)		(€ in millions)	
Interest payable on senior notes	82.0	90.2	174.1	160.6
Interest payable on bank loans and overdrafts	39.5	40.5	76.6	92.6
Interest payable on securitisation	4.7	6.1	9.3	12.0
Amortisation of issue costs	6.5	25.1	13.2	40.9
Other finance charges	8.8	6.3	17.6	22.9
Net fair value loss/(gain) on derivatives	(2.0)	-	(0.7)	(12.7)
<b>Finance costs before exchange movements</b>	<b>139.5</b>	<b>168.2</b>	<b>290.1</b>	<b>316.3</b>
Exchange movements	(9.8)	34.5	(2.9)	34.0
<b>Total finance costs</b>	<b>129.7</b>	<b>202.7</b>	<b>287.2</b>	<b>350.3</b>

**5. EXCEPTIONAL FINANCE COSTS**

During May 2013 the Group successfully completed the re-pricing and up-sizing of its Senior Secured Term Loan facility and issued fixed rate Senior Notes due 2018. The re-pricing led to a reduction in the margins on the Group's existing Senior Secured Term Loans. In addition, the proceeds were used to repay the Group's existing Senior Secured Notes due 2015, to pay transaction fees and expenses and to refinance all of its outstanding U.S. dollar-denominated Senior Notes due 2016 and redeem €500 million aggregate principal amount of its outstanding euro-denominated Senior Notes due 2016 pursuant to a partial redemption.

The Group has assessed that the re-pricing of the Senior Secured Term Loan facility represents a substantial modification and results in the extinguishment of the existing debt. As a result, the existing debt has been derecognised and the modified debt recognised at fair value which is equal to cost (see Note 8). As a result of the substantial modification of the Senior Secured Term Loan facility in May 2013 the unamortised issue costs at this date of €34.9 million were written off as an exceptional finance cost.

Following the redemption of the Senior Secured Notes due 2015 and the partial redemption of the Senior Notes due 2016, the Group has recognised a charge of €16.0 million as an exceptional finance cost in respect of the write-off of the associated unamortised debt issue costs.

The May 2013 refinancing resulted in the payment of call premia of €70.2 million, which have been charged in the quarter as an exceptional finance cost. The call premia were paid on the early redemption of the Senior Secured Notes due 2015 and the Senior Notes due 2016, together with the re-pricing of the Senior Secured Term Loans.

**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 losses from the share of associates and jointly controlled entities the effective tax rate of approximately 50% for the first six months of 2013 reflects the anticipated tax rate for the Group for the full year. The effective rate in the same period in 2012 was approximately 31% which reflected the anticipated tax rate for the full year.

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

**7. INVENTORIES**

	June 30, 2013	December 31, 2012
	<i>(€ in millions)</i>	
Raw materials and consumables	425.9	497.4
Work in progress	26.1	28.4
Finished products	831.5	866.4
	1,283.5	1,392.2

**8. BORROWINGS**

Borrowing obligations as of June 30, 2013 and December 31, 2012 are as follows:

	June 30, 2013	December 31, 2012
	<i>(€ in millions)</i>	
<b>Non-current liabilities</b>		
Senior Secured Term Loans .....	3,099.7	2,225.1
Senior Secured Notes due 2015 .....	-	721.3
Senior Secured Notes due 2019 .....	1,240.8	1,225.3
Senior Secured Notes due 2020 .....	586.2	575.6
Senior Notes due 2016 .....	1,024.5	2,026.2
Senior Notes due 2018 .....	1,013.8	-
Securitisation Facility .....	493.1	490.0
Finance lease liabilities .....	6.8	7.6
Other loans .....	1.0	1.1
	7,465.9	7,272.2
	June 30, 2013	December 31, 2012
<b>Current liabilities</b>		
Current portion of borrowings under Senior Secured Term Loans .....	30.1	14.7
Current portion of finance lease liabilities .....	1.9	2.0
	32.0	16.7

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

**8. BORROWINGS (Continued)**

	June 30, 2013		
	Gross loans and borrowings	Issue costs	Net loans and borrowings
	<i>(€ in millions)</i>		
Senior Secured Term Loans .....	3,137.5	(7.7)	3,129.8
Senior Secured Notes due 2019 .....	1,269.1	(28.3)	1,240.8
Senior Secured Notes due 2020 .....	596.0	(9.8)	586.2
Senior Notes due 2016 .....	1,032.1	(7.6)	1,024.5
Senior Notes due 2018 .....	1,021.4	(7.6)	1,013.8
Securitisation Facility .....	494.1	(1.0)	493.1
Other .....	9.7	-	9.7
	<u>7,559.9</u>	<u>(62.0)</u>	<u>7,497.9</u>

  

	December 31, 2012		
	Gross loans and borrowings	Issue costs	Net loans and borrowings
	<i>(€ in millions)</i>		
Senior Secured Term Loans .....	2,278.9	(39.1)	2,239.8
Senior Secured Notes due 2015 .....	731.1	(9.8)	721.3
Senior Secured Notes due 2019 .....	1,256.2	(30.9)	1,225.3
Senior Secured Notes due 2020 .....	586.1	(10.5)	575.6
Senior Notes due 2016 .....	2,044.5	(18.3)	2,026.2
Securitisation Facility .....	492.0	(2.0)	490.0
Other .....	10.7	-	10.7
	<u>7,399.5</u>	<u>(110.6)</u>	<u>7,288.9</u>

**Terms and debt repayment schedule**

	Currency	Nominal interest rate	Year of maturity
		<b>LIBOR / EURIBOR</b>	
Senior Secured Term Loans .....	\$/€	plus 2.00%-3.25%	2015-2018
Senior Secured Notes .....	\$/€	7.5%-8.375%	2019-2020
Floating Rate Senior Secured Notes .....	€	EURIBOR plus 6%	2019
Senior Notes .....	\$/€	6.125%-7.875%	2016-2018
Securitisation Facility .....	\$/€/£	Variable	2014
Other .....	€/¥	7.0 – 9.0%	2013-2016

**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 €350 million, five-year add-on term loans. The Senior Secured Term Loans outstanding at June 30, 2013 before issue costs were €3,137.5 million, of which €31.7 million is due within one year. The total amounts outstanding on the Short-Dated Dollar Term Loans were €284.8 million, Euro Term Loans were €842.9 million and Dollar Term Loans were €2,009.8 million.

The Group has assessed that the re-pricing of the Senior Secured Term Loan facility represents a substantial modification and results in the extinguishment of the existing debt. As a result, the existing debt has been derecognised and the modified debt recognised at fair value which is equal to cost.

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

**8. BORROWINGS (Continued)**

The Term Loans are to be repaid in equal quarterly installments, in aggregate annual amounts equal to 1% of the original principal amount of the Term Loans. The respective balances of the Euro Term Loans and Dollar Term Loans are payable, subject to certain exceptions, on the date that is six years after the original Issue Date. The balances of the Short-Dated Dollar Term Loans are payable, subject to certain exceptions, on the date that is three years after the original Issue Date. The Short-Dated Dollar Term Loans mature in May 2015. The Euro Term Loans and the Dollar Term Loans mature in May 2018.

The outstanding Euro Term Loans bear interest at a rate per annum equal to EURIBOR (subject to a floor of 1.00% per annum) plus the Applicable Margin and the outstanding Short-Dated 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) plus the Applicable Margin. The floor was reduced from 1.25% to 1.00% in May 2013.

As at June 30, 2013 the Applicable Margin for the Euro Term Loans is 3.25%, the Short-Dated Dollar Term Loans is 2.00% and the Dollar Term Loans is 3.00%. The Applicable Margins were reduced as a result of the re-pricing in May 2013.

The Senior Secured Term Loans rank pari passu with the the Senior Secured Notes due 2019 and the Senior Secured Notes due 2020 and are structurally senior to the Senior Notes due 2016 and Senior Notes due 2018. 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.

As a result of the substantial modification of the Senior Secured Term Loan facility in May 2013 the unamortised debt issue costs at this date of €34.9 million were written off as an exceptional finance cost (see Note 5). The new issue costs relating to the up-sizing of the facility have been capitalised, therefore the Term Loans are stated net of debt issue costs of €7.7 million (December 31, 2012: €39.1 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 Facilities Agreement***

The Company had borrowings under a facilities agreement (the "Senior Facilities Agreement") which consisted of Term Loans ("Term Loan A", "Term Loan B", "Term Loan C" and "Term Loan D"), and a revolving credit facility (the "Revolving Credit Facility"). Term Loan A, Term Loan B, Term Loan C, Term Loan D and the Revolving Credit Facility are now fully repaid. In February 2012 the Group issued \$1,000 million Senior Secured Notes due 2019 and €500 million Floating Rate Notes due 2019. The net proceeds from the notes were used to repay all of the Term Loan B and a proportion of Term Loan C. In May 2012 the Group issued \$775 million Senior Secured Notes due 2020 and a new Senior Secured Term Loan totalling \$3,025 million. The net proceeds from the notes and the term loan were used to repay all of the outstanding Term Loan C, Term Loan D and Revolving Credit Facility indebtedness under the Senior Facilities Agreement, including the associated PIK interest.

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

**8. BORROWINGS (Continued)**

***Senior Secured Notes due 2015***

In May 2013 the Senior Secured Notes due 2015 were fully redeemed from the proceeds of the additional Term Loans. The Senior Secured Notes due 2015 were listed on the Luxembourg Stock Exchange and comprised of €300.0 million (December 31, 2012: €300.0 million) Senior Secured Notes due 2015 (the “Secured Euro Notes”) and \$570.0 million (December 31, 2012: \$570.0 million) Senior Secured Notes due 2015 (the “Secured Dollar Notes”). The Senior Secured Notes due 2015 bore interest at 9.25% per annum for the Secured Euro Notes and 9.0% for the Secured Dollar Notes, payable semi-annually in arrears on May 15 and November 15 of each year.

Following the redemption of the Senior Secured Notes due 2015, the Group has recognised a charge of €8.1 million as an exceptional finance cost in respect of the write-off of the associated unamortised debt issue costs (see Note 5). The debt issue costs at December 31, 2012 were €9.8 million.

***Senior Secured Notes due 2019***

The Senior Secured Notes due 2019 are listed on the Luxembourg Stock Exchange and comprise €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 bear 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 is 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 bear interest at a rate of 8.375% per annum. Interest on the 2019 Dollar Fixed Rate Notes is payable semi-annually in arrears on February 15 and August 15 of each year, beginning August 15, 2012. Unless previously redeemed as noted below, the Senior Secured Notes will be redeemed by the Group at their principal amount on February 15, 2019.

The 2019 Euro Floating Rate Notes will be subject to redemption at any time on or after February 15, 2015, at the option of the 2019 Notes Issuer, in whole or in part, at the following redemption prices (expressed as percentages of the aggregate principal amount), if redeemed during the 12-month period beginning on February 15 of the year indicated below:

<b>Year</b>	<b>2019 Euro Floating Rate Notes Redemption Price</b>
2015.....	102.000%
2016.....	101.000%
2017 and thereafter .....	100.000%

The 2019 Dollar Fixed Rate Notes will be subject to redemption at any time on or after February 15, 2015, at the option of the 2019 Notes Issuer, in whole or in part, at the following redemption prices (expressed as percentages of the aggregate principal amount), if redeemed during the 12-month period beginning on February 15 of the year indicated below:

<b>Year</b>	<b>2019 Dollar Fixed Rate Notes Redemption Price</b>
2015.....	106.281%
2016.....	104.188%
2017.....	102.094%
2018 and thereafter .....	100.000%

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

**8. BORROWINGS (Continued)**

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 2019 rank pari passu with the Senior Secured Term Loans and the Senior Secured Notes due 2020 and are structurally senior to the Senior Notes due 2016 and the Senior Notes due 2018. 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 credit facility.

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 2019 are stated net of debt issue costs of €28.3 million (December 31, 2012: €30.9 million). These costs are allocated to the profit and loss account over the term of the Senior Secured Notes due 2019.

***Senior Secured Notes due 2020***

The Senior Secured Notes due 2020 are listed on the Luxembourg Stock Exchange and comprise of \$775.0 million Senior Secured Notes. The Senior Secured Notes due 2020 bear interest at 7.5% 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 2020 will be redeemed by the Group at their principal amount on May 1, 2020.

The Senior Secured Notes due 2020 will be subject to redemption at any time on or after May 1, 2015, 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>2020 Dollar Fixed Rate Notes Redemption Price</b>
2015.....	105.625%
2016.....	103.750%
2017.....	101.875%
2018 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 2020 rank pari passu with the Senior Secured Term Loans and the Senior Secured Notes due 2019 and are structurally senior to the Senior Notes due 2016 and the Senior Notes due 2018. 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.

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

**8. BORROWINGS (Continued)**

The Senior Secured Notes due 2020 are stated net of debt issue costs of €9.8 million (December 31, 2012: €10.5 million). These costs are allocated to the profit and loss account over the term of the Senior Secured Notes due 2020.

***Senior Notes due 2016***

The Group used the proceeds from the Senior Notes due 2018 to refinance all of its outstanding U.S. dollar-denominated Senior Notes due 2016 on May 15, 2013 and redeem €500 million aggregate principal amount of its outstanding euro-denominated Senior Notes due 2016 pursuant to a partial redemption (redemption date of June 5, 2013). The Senior Notes due 2016 are listed on the Luxembourg Stock Exchange and comprise €1,032.1 million (December 31, 2012: €1,532.1 million) Senior Notes due 2016 (the “Euro Notes”) and \$nil million (December 31, 2012: \$677.5 million) Senior Notes due 2016 (the “Dollar Notes”) following the May 2013 refinancing. The Senior Notes due 2016 bear interest at 7.875% per annum for the Euro 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 2016 will be redeemed by the Group at their principal amount on 15 February 2016.

The Senior Notes due 2016 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>
2013.....	101.313%
2014 and thereafter .....	100.000%

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

The Senior Notes due 2016 are secured by junior pledges of all of the shares of INEOS Holdings Limited. The Senior Notes due 2016 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 2016 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.

Following the partial redemption of the Senior Notes due 2016 the Group has recognised a charge of €7.9 million as an exceptional finance cost in respect of the write-off of the associated unamortised debt issue costs (see Note 5). The remaining Senior Notes due 2016 are stated net of debt issue costs of €7.6 million (December 31, 2012: €18.3 million). These costs are allocated to the profit and loss account over the term of the Senior Notes due 2016.

***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:



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

**8. BORROWINGS (Continued)**

<b>Year</b>	<b><u>Euro Notes redemption price</u></b>	<b><u>Dollar Notes redemption price</u></b>
2015.....	103.250%	103.063%
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 €7.6 million. These costs are allocated to the profit and loss account over the term of the Senior Notes due 2018.

***Receivables Securitisation Facility***

The Company has entered into a €1,200 million receivables securitisation facilities agreement (“Receivables Securitisation Facility”) which matures in December 2014. The total amount outstanding at June 30, 2013 was €494.1 million (December 31, 2012: €492.0 million).

The Receivables Securitisation Facility is stated net of debt issue costs of €1.0 million (December 31, 2012: €2.0 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**

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 €19.5 million (June 30, 2012: €18.1 million) were charged to the income statement during the three month period ended June 30, 2013. As at June 30, 2013 amounts owed to INEOS AG were €24.4 million (June 30, 2012: €24.7 million). Amounts due from INEOS Group AG, a wholly owned subsidiary of INEOS AG, were €7.2 million (June 30, 2012: €0.1 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 and INEOS Industries Limited. During the three month period ended June 30, 2013 the Group has made sales to these subsidiaries of €86.5 million (June 30, 2012: €129.3 million), recovered costs of €72.9 million (June 30, 2012: €8.1 million) and made purchases of €47.5 million (June 30, 2012: €25.7 million). As at June 30, 2013, €204.2 million (June 30, 2012: €180.5 million) was owed by and €18.3 million (June 30, 2012: €26.4 million) was owed to these subsidiaries.

There were a number of transactions with joint ventures, all of which arose in the normal course of business.

**INEOS GROUP HOLDINGS**  
**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 June 30, 2013 the Group has made sales to the Refining joint ventures of €73.8 million (June 30, 2012: €98.5 million), recovered costs of €139.7 million (June 30, 2012: €0.2 million) and made purchases of €21.2 million (June 30, 2012: €58.5 million).

As at June 30, 2013, €34.9 million (June 30, 2012: €55.2 million) was owed by the Refining joint ventures and €4.3 million (June 30, 2012: €60.7 million) was owed to the Refining joint ventures.

Styrolution is a joint venture between INEOS and BASF. During the three month period ended June 30, 2013 the Group has made sales to the Styrolution joint venture of €8.2 million (June 30, 2012: €13.5 million), recovered costs of €5.3 million (June 30, 2012: €5.4 million) and made purchases of €2.1 million (June 30, 2012: €55.3 million). As at June 30, 2013, €8.7 million (June 30, 2012: €43.5 million) was owed by the Styrolution joint venture and €1.3 million (June 30, 2012: €nil million) was owed to the Styrolution joint venture.

During the three month period ended June 30, 2013 the Group has made sales to other joint ventures of €nil million (June 30, 2012: €5.6 million), recovered costs of €4.2 million (June 30, 2012: €nil million) and made purchases of €33.9 million (June 30, 2012: €46.8 million). As at June 30, 2013, €78.0 million (June 30, 2012: €32.2 million) was owed by other joint ventures and €22.7 million (June 30, 2012: €28.9 million) was owed to other joint ventures.

## INEOS GROUP HOLDINGS

### 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:

- Our high degree of leverage and significant debt service obligations as well as future cash flow and earnings;
- Our ability to deleverage through strategic disposals of certain assets and non-core businesses;
- 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;
- Raw material costs or supply arrangements;
- Our technological and manufacturing assets and our ability to utilise them to further increase sales and the profitability of our businesses;
- Our ability to retain existing customers and obtain new customers;
- Our ability to develop new products and technologies successfully;
- The cyclical and highly competitive nature of our businesses;
- Risks related to environmental costs, liabilities or claims; and
- Currency fluctuations.

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 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 operate 28 manufacturing sites in 8 countries throughout the world, including petrochemical facilities in Europe which are co-located and fully integrated with refineries. As of December 31, 2012, our total chemical production capacity was approximately 25,000 kta, of which 69% was in Europe and 31% was in North America.

### Results of Operations

#### Consolidated

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

	Three-Month Period Ended June 30,			
	2013		2012	
	€m	%	€m	%
<b>Revenue</b> .....	<b>4,249.4</b>	<b>100.0</b>	<b>4,392.5</b>	<b>100.0</b>
Cost of sales .....	(3,865.3)	(91.0)	(4,083.1)	(93.0)
<b>Gross profit</b> .....	<b>384.1</b>	<b>9.0</b>	<b>309.4</b>	<b>7.0</b>
Distribution costs .....	(59.8)	(1.4)	(63.5)	(1.4)
Administrative expenses .....	(68.4)	(1.6)	(59.8)	(1.4)
<b>Operating profit</b> .....	<b>255.9</b>	<b>6.0</b>	<b>186.1</b>	<b>4.2</b>
Share of loss of associates and jointly controlled entities.....	(18.8)	(0.4)	(80.1)	(1.8)
<b>Profit before net finance costs</b> .....	<b>237.1</b>	<b>5.6</b>	<b>106.0</b>	<b>2.4</b>
Finance income .....	9.5	0.2	8.4	0.2
Finance costs.....	(129.7)	(3.0)	(202.7)	(4.6)
Exceptional finance costs.....	(121.1)	(2.9)	-	-
<b>Loss before tax</b> .....	<b>(4.2)</b>	<b>(0.1)</b>	<b>(88.3)</b>	<b>(2.0)</b>
Tax (charge)/credit.....	(7.3)	(0.2)	6.8	0.1
<b>Loss for the period</b> .....	<b>(11.5)</b>	<b>(0.3)</b>	<b>(81.5)</b>	<b>(1.9)</b>

**INEOS GROUP HOLDINGS**  
**OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

***Three-Month Period Ended June 30, 2013, Compared to Three-Month Period Ended June 30, 2012***

**Revenue.** Revenue decreased by €143.1 million, approximately 3.3%, to €4,249.4 million in the three month period ended June 30, 2013 as compared to €4,392.5 million for the same period in 2012. The decrease in revenues is primarily driven by lower sales prices as volumes remained relatively flat in the second quarter of 2013 as compared to same period in 2012. The fall in selling prices was due to lower feedstock prices following the lower crude oil prices which averaged \$103/bbl in the three month period ended June 30, 2013 as compared to \$109/bbl for the same period in 2012. Volumes remained flat overall as the increased volumes within the O&P North America segment were offset by a significant fall in volumes within the Phenol business driven primarily by lower demand in the domestic markets as well as lower export shipments.

**Cost of sales.** Cost of sales decreased by €17.8 million, approximately 5.3%, to €3,865.3 million in the three month period ended June 30, 2013 as compared to €4,083.1 million for the same period in 2012. The decrease in cost of sales follows the decrease in revenues due to the lower feedstock prices driven from the lower crude oil prices in the three month period ended June 30, 2013 as compared to same period in 2012.

**Gross profit.** Gross profit increased by €74.7 million, approximately 24.1%, to €384.1 million in the three month period ended June 30, 2013 as compared to €309.4 million for the same period in 2012. The increase reflects the improved margins in O&P North America in the second quarter of 2013 as compared to the same period in 2012, with a strong domestic business environment leading to high cracker operating rates and top of cycle margins. In addition the O&P North America segment experienced lower inventory holding losses of approximately €18 million in the second quarter of 2013 as compared to inventory holding losses of approximately €78 million in the same period in 2012. Partially offsetting this increase was the the adverse impact of the fire on a compressor at the cracker in Lavera in December 2012. The partial closure of the cracker in the quarter adversely impacted the results in the three month period ended June 30, 2013 by approximately €24 million. In addition margins declined further in the Nitriles business in the quarter as new competitor capacities came on line in Asia.

**Distribution costs.** Distribution costs decreased by €3.7 million, approximately 5.8%, to €9.8 million in the three month period ended June 30, 2013 as compared to €63.5 million for the same period in 2012. The decrease in distribution costs is primarily due to the depreciation of the US dollar by approximately 3% against the euro in the second quarter of 2013 as compared to same period in 2012.

**Administrative expenses.** Administrative expenses increased by €8.6 million, approximately 14.4%, to €68.4 million in the three month period ended June 30, 2013 as compared to €59.8 million for the same period in 2012. The increase in administrative expenses is primarily due to improved employee performance bonuses in North America and higher pension costs in Germany.

**Operating profit.** Operating profit increased by €69.8 million, approximately 37.5%, to €255.9 million for the three month period ended June 30, 2013 as compared to €186.1 million for the same period in 2012.

**Share of loss of associates and jointly controlled entities.** Share of loss of associates and jointly controlled entities was a loss of €18.8 million for the three month period ended June 30, 2013 as compared to a loss of €80.1 million for the same period in 2012. The share of loss primarily reflects our share of the results of the Refining joint venture with PetroChina.

**Profit before net finance costs.** Profit before net finance costs increased by €131.1 million, approximately 123.7%, to €237.1 million for the three month period ended June 30, 2013 as compared to €106.0 million for the same period in 2012.

**Finance income.** Finance income increased by €1.1 million to €9.5 million for the three month period ended June 30, 2013 as compared to €8.4 million for the same period in 2012. The income in the second quarter of 2013 primarily relates to interest income on the Group's investment in INEOS Investments Partnership.

## INEOS GROUP HOLDINGS

### OPERATING AND FINANCIAL REVIEW AND PROSPECTS

**Finance costs.** Finance costs decreased by €73.0 million to €129.7 million for the three month period ended June 30, 2013 as compared to €202.7 million for the same period in 2012. The lower finance costs primarily reflects a decrease in foreign exchange movements associated with short term intra group funding which was a gain of €9.8 million in the second quarter of 2013, as compared to a loss of €34.5 million in the same period in 2012. In addition debt issue costs of €18.1 million were charged in May 2012 following the redemption of the Senior Facilities Agreement which has also resulted in the finance costs being higher in the second quarter of 2012 as compared to same period in 2013.

**Exceptional finance costs.** Exceptional finance costs for the three month period ended June 30, 2013 was €21.1 million. As a result of the substantial modification of the Senior Secured Term Loan facility in May 2013 the unamortised debt issue costs at this date of €34.9 million were written off. In addition following the redemption of the Senior Secured Notes due 2015 and the partial redemption of the Senior Notes due 2016, the Group has recognised a charge of €16.0 million in respect of the write-off of the associated unamortised debt issue costs. The May 2013 refinancing also resulted in call premia of €70.2 million being paid which were charged in the quarter. The call premia were paid on the early redemption of the Senior Secured Notes due 2015 and the Senior Notes due 2016, together with the re-pricing of the Senior Secured Term Loans.

**Loss before tax.** Loss before tax decreased by €34.1 million, to a loss of €(4.2) million for the three month period ended June 30, 2013 as compared to a loss of €(88.3) million for the same period in 2012.

**Tax charge/credit.** Tax charge increased by €14.1 million to a charge of €7.3 million for the three month period ended June 30, 2013 as compared to a credit of €6.8 million for the same period in 2012 due to an increase in the effective tax rate due to the mix of profitability across the regions within the Group during the quarter. Profits have generally been made in regions with significantly higher rates than the standard rate in Luxembourg of 28.8% (such as Canada and USA), whilst losses have been made in regions with lower rates than the standard rate (such as Switzerland). After adjusting for the losses from the share of associates and jointly controlled entities, the effective tax rate of approximately 50% for the second quarter of 2013 reflects the anticipated tax rate for the Group for the full year. The effective rate in the second quarter of 2012 was approximately 31%, which reflected the anticipated tax rate for the full year for 2012.

**Loss for the period.** Loss for the period decreased by €70.0 million to a loss of €(11.5) million for the three month period ended June 30, 2013 as compared to a loss of €(81.5) million for the same period in 2012.

## INEOS GROUP HOLDINGS 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 June 30,		Six-Month Period Ended June 30,	
	2013	2012	2013	2012
	(€ in millions)		(€ in millions)	
<i>Revenue</i>				
O&P North America	905.6	867.3	1,771.8	1,784.3
O&P Europe	1,952.7	1,918.8	3,976.9	3,983.1
Chemical Intermediates	1,986.1	2,304.8	4,221.5	4,998.2
Eliminations	(595.0)	(698.4)	(1,252.0)	(1,668.5)
	<u>4,249.4</u>	<u>4,392.5</u>	<u>8,718.2</u>	<u>9,097.1</u>
<i>EBITDA before exceptionals</i>				
O&P North America	221.4	132.0	469.2	307.3
O&P Europe	39.7	57.1	62.0	113.7
Chemical Intermediates	103.9	119.3	248.9	352.7
	<u>365.0</u>	<u>308.4</u>	<u>780.1</u>	<u>773.7</u>

### *O&P North America*

**Revenue.** Revenue in the O&P North America segment increased by €38.3 million, or 4.4%, to €905.6 million for the second quarter of 2013, as compared to €867.3 million for the same period in 2012. The increase was driven by higher sales volumes in the second quarter of 2013 as compared to same period in 2012 following a turnaround at the Chocolate Bayou site in the second quarter of 2012 which adversely impacted production volumes. This increase was partially offset by falling sales prices with the weighted average sales price down by approximately 2% in the second quarter of 2013 as compared to the same period in 2012, largely due to lower ethylene prices, partially offset by higher polypropylene and polyethylene prices.

**EBITDA before exceptionals.** EBITDA before exceptionals in the O&P North America segment increased by €89.4 million, or 67.7%, to €221.4 million for the second quarter of 2013 as compared to €132.0 million in the same period in 2012. The business has continued to benefit from its flexibility to be able to utilise cheaper gas feedstock to maintain good margins. The US cracker business environment was strong with top of cycle margins and high operating rates throughout the quarter as ethylene and polyethylene margins increased driven mainly by lower feedstock prices. The increase in sale volumes of ethylene, polyethylene and polypropylene in the second quarter of 2013 as compared to the same period in 2012 following the turnaround at the Chocolate Bayou site in the second quarter of 2012 also led to an improvement in performance. In addition the business experienced lower inventory holding losses of approximately €18 million in the second quarter of 2013 as compared to inventory holding losses of approximately €78 million in the same period in 2012.

### *O&P Europe*

**Revenue.** Revenue in the O&P Europe segment increased by €33.9 million, or 1.8%, to €1,952.7 million for the second quarter of 2013, as compared to €1,918.8 million for the same period in 2012. The increase in revenue was primarily due to increased volumes, partially offset by lower prices and a change in product mix. Whilst the compressor fire on the Lavera cracker in December 2012 had a negative impact on the level of volumes of olefin products sold, this was offset by the resale of feedstocks purchased which were not used in the cracker back on to the open market. This increase was mostly offset by lower prices which followed the decrease in feedstock costs in the quarter, with butadiene prices

## INEOS GROUP HOLDINGS

### OPERATING AND FINANCIAL REVIEW AND PROSPECTS

being significantly lower in the second quarter of 2013 as compared to the same period in 2012 following lower global demand for rubber and the exceptionally high price in 2012.

**EBITDA before exceptionals.** EBITDA before exceptionals in the O&P Europe segment decreased by €17.4 million or 30.5% to €39.7 million for the second quarter of 2013 as compared to €57.1 million in the same period in 2012. The results for the second quarter of 2013 have been adversely impacted by the fire on a compressor at the cracker in Lavera in December 2012. The partial closure of the cracker in Lavera during the quarter adversely impacted the results by approximately €17 million. Demand for olefins in the second quarter of 2013 was subdued with industry cracker operating rates remaining trimmed. Butadiene demand and margins lessened in the second quarter of 2013 as compared to same period in 2012 in line with depressed European tyre demand. Overall margins have been relatively steady in the quarter, although higher unit utility costs in Lavera during the cracker restart have adversely impacted margins.

#### *Chemical Intermediates*

**Revenue.** Revenue in the Chemical Intermediates segment decreased by €318.7 million, or 13.8%, to €1,986.1 million for the second quarter of 2013, as compared to €2,304.8 million for the same period in 2012. The Phenol business revenues decreased in the second quarter of 2013 as compared to the same period in 2012 driven by a fall in sales volumes. Sales volumes were down by approximately 24% in the second quarter of 2013 as compared to the same period in 2012, driven primarily by lower demand in the domestic markets as well as lower export shipments. In addition there was a scheduled turnaround of the Antwerp plant in the second quarter of 2013. The price of finished goods moved in line with the underlying raw material prices with increased phenol prices being partially offset by lower acetone prices in the second quarter of 2013 as compared to same period in 2012. The Oligomers business experienced a decrease in revenue in the second quarter of 2013 as compared to the same period in 2012 primarily due to the continued lack of availability of PIB product as a result of the December 2012 Lavera cracker fire. Globally LAO sales were higher on core product growth with PAO and SO sales being flat and PIB sales lower than same period in 2012. The Oxide business saw revenues increase in the second quarter of 2013 as compared to same period in 2012 due to higher sales volumes and selling prices. Despite very difficult markets in Europe, sales volumes increased as specialities such as EO, Alkox and ENB performed well and there was additional sales volumes following the start-up of the ethylene terminal in Antwerp during 2013. Selling prices have also increased in the quarter compared to the second quarter in 2012 as ethylene products offset the reduction in the selling price of propylene products. Nitriles revenues decreased in the second quarter of 2013 as compared to the same period in 2012, driven by a decrease in sales prices, partially offset by higher volumes. The average acrylonitrile sales price was approximately 12% lower in the second quarter of 2013 as compared to the same period in 2012, reflecting the on-going weakness in demand. This decrease was partially offset by a 2% increase in acrylonitrile volumes driven by higher US sales volumes, partially offset by lower European sales.

**EBITDA before exceptionals.** EBITDA before exceptionals in the Chemical Intermediates segment decreased by €15.4 million, or 12.9%, to €103.9 million for the second quarter of 2013 as compared to €119.3 million for the same period in 2012. The results for the second quarter of 2013 have been adversely impacted in the Chemical Intermediates segment by the fire on a compressor at the cracker in Lavera in December 2012. The partial closure of the cracker in Lavera during the second quarter of 2013 adversely impacted the results of the Oxide and Oligomers businesses by approximately €7 million. The Phenol business performance declined in the second quarter of 2013 as compared to the same period of 2012, primarily due to a reduction in sales volumes driven by weak sales opportunities together with a scheduled turnaround at the Antwerp plant, although this was partially offset by some improvement in margins. The Oligomers business profitability decreased slightly following lower sales volumes primarily due to the continued lack of availability of PIB product as a result of the December 2012 Lavera cracker fire. The Oxide business result in the second quarter of 2013 increased slightly compared to same period in 2012, following an increase in margins and volumes, although this was mostly offset by higher fixed costs. Margins improved in the second quarter of 2013 as compared to same period in 2012 primarily due to improved margins on ethylene oxide (EO). In addition glycol margins were stable, despite some pressure in China as inventories remained high. Solvent margins were under pressure, although the margins for the rubber speciality ENB improved. Fixed costs increased due to higher manpower and maintenance costs following the Antwerp ethylene terminal



**INEOS GROUP HOLDINGS**  
**OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

coming into service during 2013. In addition the second quarter of 2013 saw catalyst changes at the Antwerp and Hull sites accompanied by cyclical maintenance during the catalyst change. The Nitriles business experienced a significant decline in margins in the second quarter of 2013 as compared to the same period in 2012. Average margins deteriorated by approximately 47% as new capacities came on line in Asia combined with the on-going weak demand, resulting in an over supplied market. This decrease was partially offset by higher US sales and lower fixed costs, primarily driven by the timing of site maintenance expenditure.

## **INEOS GROUP HOLDINGS OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

### **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 Receivables Securitization Facility. 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 Receivables Securitization Facility, 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***

In February 2012 the Group issued \$1.0 billion Senior Secured Notes due 2019 and €500.0 million Floating Rate Senior Secured Notes due 2019. In May 2012 the Group issued \$775 million Senior Secured Notes due 2020 and a new Senior Secured Term Loan totalling \$3,025 million. The net proceeds from the notes and the term loan were used to repay all of the remaining indebtedness (including the Term Loan D and Revolving Credit Facility) under the Senior Facilities Agreement.

In May 2013 the Group successfully completed the re-pricing and up-sizing of its Senior Secured Term Loan facility and issued fixed rate Senior Notes due 2018. The refinancing of the Senior Secured Term Loans comprised of a \$371 million, two-year term loan, a \$1.977 billion, five-year term loan, a \$640 million five-year add-on term loan, a €494 million, five-year term loan, and a €350 million, five-year add-on term loan. The re-pricing led to a reduction in the margins on the Group's existing Senior Secured Term Loans. In addition, the proceeds from the additional €350 million and \$640 million term loans were used to repay the Group's existing Senior Secured Notes due 2015, to pay transaction fees and expenses and for general corporate purposes. The fixed rate Senior Notes due 2018 were issued in two tranches, being a \$678 million aggregate principal amount of 6.125% Senior Notes due 2018 and a €500 million aggregate principal amount of 6.50% Senior Notes due 2018. The Group used the proceeds from the Notes to refinance all of its outstanding U.S. dollar-denominated Senior Notes due 2016 and redeem €500 million aggregate principal amount of its outstanding euro-denominated Senior Notes due 2016 pursuant to a partial redemption.

The Group also has a €1,200 million Receivables Securitisation Facility in place, which matures in December 2014.

The Group has a €250.0 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.

As of June 30, 2013, we had a total of €1,032.1 million Senior Notes due 2016, €1,021.4 million Senior Notes due 2018, €1,269.1 million Senior Secured Notes due 2019 and €596.0 million Senior Secured Notes due 2020 outstanding.

## INEOS GROUP HOLDINGS

### OPERATING AND FINANCIAL REVIEW AND PROSPECTS

#### *Capital Expenditures*

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

Capital expenditure incurred during the six months ended June 30, 2013 was €268.7 million (€246.4 million in the six months ended June 30, 2012) analysed by business segment as follows:

	<b>Six months ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
	<i>(€ in millions)</i>	
O&P North America	139.5	88.5
O&P Europe	71.4	61.0
Chemical Intermediates	57.8	96.9
	<b>268.7</b>	<b>246.4</b>

The main capital expenditures in the six months ended June 30, 2013 were the purchase of a feedstock pipeline in Texas, USA for €66.3 million and an expansion of a furnace within the O&P North America segment, additional spend on a project to improve the feedstock flexibility of the KG cracker in Grangemouth, Scotland and a turnaround within the O&P Europe segment at Lillo, Belgium. In addition there was some further capital expenditure on the finalisation of the ethylene terminal project in Antwerp, Belgium within the Chemical Intermediates segment. The remaining capital expenditure related primarily to sustenance expenditure.

#### *Working Capital*

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

#### *Cash Flows*

During the six month period ended June 30, 2013 and 2012, our cash flow was as follows:

	<b>Six months ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
	<i>(€ millions)</i>	
Cash flow from operating activities.....	416.9	489.2
Cash flow from investing activities.....	(263.0)	(240.6)
Cash flow from financing activities.....	(293.1)	409.6

#### *Cash flows from operating activities*

Net cash flow from operating activities was an inflow of €416.9 million for the six month period ended June 30, 2013 (inflow of €489.2 million in the six months ended June 30, 2012). The inflow was due to the profit generated from operations, partially offset by working capital outflows of €225.2 million in the six month period (outflow of €158.0 million in the six months ended June 30, 2012). The working capital outflows in the first quarter of 2013 and 2012 reflect the typical seasonal outflow the

## INEOS GROUP HOLDINGS

### OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Group experiences in the first part of a year as business picks up after the seasonal lows at the end of the fourth quarter.

Taxation payments of €123.4 million were made in the six months ended June 30, 2013 (payments of €14.6 million in the six months ended June 30, 2012). The payments in the six months ended June 30, 2013 primarily reflect payment on account made to the tax authorities in the US, Canada and Germany.

#### *Cash flows from investing activities*

There were no other significant cash flows from investing activities in the six months ended June 30, 2013 and 2012 other than the acquisition of property, plant and equipment (refer to the “Capital Expenditure” section).

#### *Cash flows from financing activities*

Interest payments of €366.1 million were made in the six month period ended June 30, 2013 (€402.0 million in the six months ended June 30, 2012). The interest payments during the first six months of 2013 relate to monthly cash payments in respect of the Senior Secured Term Loans, semi-annual interest payments on the Senior Notes due 2016, 2019 Dollar Fixed Rate Notes, Senior Secured Notes due 2020 and a final interest payment on the Senior Secured Notes due 2015 which were redeemed in May 2013, quarterly interest payments on the 2019 Euro Floating Rate Notes and €70.2 million of call premia in relation to the May 2013 refinancing. The interest payments during the first six months of 2012 relate to monthly cash payments in respect of the Senior Credit Facilities, semi-annual interest on the Senior Secured Notes due 2015 and on the Senior Notes due 2016 and a quarterly interest payment on the Senior Secured Notes due 2019. In addition the Group paid €146.2 million of accrued PIK interest as a result of the repayments made on the Term Loans under the Senior Credit Facilities from the proceeds of the Senior Secured Term Loans, Senior Secured Notes due 2019 and the Senior Secured Notes due 2020.

The Revolving Credit Facility was cancelled in May 2012 as a result of the redemption of the Senior Facilities Agreement. In the six months ended June 30, 2012 the Group made repayments on the Revolving Credit Facility of €293.0 million.

The Group made no repayment or drawdown on the Receivables Securitization Facility during the six months ended June 30, 2013 (€76.1 million repayment in the six months ended June 30, 2012).

The Group made scheduled repayments of €14.2 million on the Senior Secured Term Loans during the six months ended June 30, 2013 (scheduled repayments of €6.0 million in the six months ended June 30, 2012).

In February 2012 the Group issued \$1.0 billion Senior Secured Notes due 2019 and €500.0 million Floating Rate Senior Secured Notes due 2019, resulting in a combined cash inflow of €1,262.5 million. The proceeds of the notes were used to repay senior debt of €1,231.2 million (plus the associated PIK interest of €59.0 million). In May 2012 the Group issued \$775 million Senior Secured Notes due 2020 and a new Senior Secured Term Loan totalling \$3,025 million, resulting in a combined cash inflow of €2,875.6 million. The net proceeds from the notes and the term loan were used to repay all of the outstanding Term Loan C, Term Loan D and Revolving Credit Facility indebtedness under the Senior Facilities Agreement, including the associated PIK interest. The Group paid associated debt issue costs of €87.9 million in relation to the issue of the Senior Secured Notes and Senior Secured Term Loans during the six months ended June 30, 2012.

In May 2013 new Senior Secured Term Loans of €350 million and \$640 million resulting in a combined cash inflow of €838.5 million were issued to redeem the 2015 Senior Secured Notes due 2015 of €735.1 million and fund the cost of refinancing which included call premia of €70.2 million and debt issue costs of €15.5 million. In addition new Senior Notes due 2018 of €500 million and \$678 million were issued resulting in a combined cash inflow of €1,017.5 million. The proceeds from the Dollar Notes were used to redeem in full the Dollar Senior Notes due 2016 of \$677.5 million (€17.1 million) whilst the proceeds from the euro Notes were used to partially redeem €500 million of the Euro Senior Notes due 2016.

**INEOS GROUP HOLDINGS**  
**OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

***Net debt***

Total net debt as at June 30, 2013 was €6,468.4 million (December 31, 2012: €6,164.1 million). The Group held net cash balances of €1,091.5 million as at June 30, 2013 (December 31, 2012: €1,235.4 million) which included restricted cash of €219.0 million used as collateral against bank guarantees and letters of credit. The Group had availability under undrawn working capital facilities of €250 million as at June 30, 2013.

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 have a strike price of 1.25% per annum, which is in line with the EURIBOR floor on the Floating Rate Notes of 1.25% per annum. These derivative instruments expire in May 2015.