



INEOS GROUP HOLDINGS S.A.

Three month period ended March 31, 2019

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

	Three-Month Period Ended March 31,	
	2019	2018
	<i>(€ in millions)</i>	
Revenue	3,596.8	3,990.6
Cost of sales.....	(3,074.8)	(3,342.7)
Gross profit	522.0	647.9
Distribution costs.....	(55.9)	(52.5)
Administrative expenses.....	(96.4)	(86.3)
Operating profit	369.7	509.1
Share of profit of associates and jointly controlled entities using the equity accounting method.....	21.8	9.5
Profit on disposal of investments.....	2.6	-
Profit before net finance costs	394.1	518.6
Finance income	29.1	19.8
Finance costs	(126.5)	19.3
Profit before tax	296.7	557.7
Tax charge	(49.5)	(98.7)
Profit for the period	247.2	459.0

The notes on pages 7 to 19 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 September 30,	
	2019	2018
	<i>(€ in millions)</i>	
Profit for the period	247.2	459.0
Other comprehensive income/(expense):		
Items that will not be recycled to profit and loss:		
Remeasurement of post employment benefit obligations net of tax	(61.0)	17.0
Items that may subsequently be recycled to profit and loss:		
Foreign exchange translation differences	(10.3)	17.6
Net gain/(loss) on hedge of net investment in foreign operations net of tax.....	109.5	(172.5)
Other comprehensive income/(expense) for the period net of tax	38.2	(137.9)
Total comprehensive income for the period	285.4	321.1

The notes on pages 7 to 19 are an integral part of these interim condensed consolidated financial statements.

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

	March 31, 2019	December 31, 2018
	(Unaudited)	
	<i>(€ in millions)</i>	
Non-current assets		
Property, plant and equipment.....	6,154.7	5,046.3
Intangible assets.....	755.0	744.8
Investments in equity-accounted investees.....	325.9	302.0
Financial assets at fair value through profit or loss	-	251.2
Financial assets at fair value through other comprehensive income	28.3	28.3
Employee benefits	45.3	45.3
Trade and other receivables.....	750.6	729.7
Deferred tax assets.....	220.8	201.6
	<u>8,280.6</u>	<u>7,349.2</u>
Current assets		
Inventories.....	1,303.7	1,407.7
Trade and other receivables.....	1,773.6	1,748.2
Derivative financial instruments.....	9.6	10.1
Cash and cash equivalents	1,202.8	2,071.3
	<u>4,289.7</u>	<u>5,237.3</u>
Total assets	<u>12,570.3</u>	<u>12,586.5</u>
Equity attributable to owners of the parent		
Share capital	0.9	0.9
Share premium.....	779.4	779.4
Other reserves.....	(1,919.7)	(1,957.9)
Retained earnings	2,892.3	4,095.1
Total equity	<u>1,752.9</u>	<u>2,917.5</u>
Non-current liabilities		
Interest-bearing loans and borrowings.....	6,469.2	6,241.5
Lease liabilities.....	773.7	-
Trade and other payables.....	104.3	112.1
Employee benefits	873.8	789.8
Provisions	27.6	27.6
Deferred tax liabilities	206.7	206.4
Derivative financial instruments.....	6.1	0.4
	<u>8,461.4</u>	<u>7,377.8</u>
Current liabilities		
Interest-bearing loans and borrowings	60.4	61.1
Lease liabilities.....	106.8	-
Trade and other payables.....	1,721.2	1,841.6
Tax payable	457.0	377.6
Provisions	10.6	10.9
	<u>2,356.0</u>	<u>2,291.2</u>
Total liabilities	<u>10,817.4</u>	<u>9,669.0</u>
Total equity and liabilities	<u>12,570.3</u>	<u>12,586.5</u>

The notes on pages 7 to 19 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 2018	0.9	779.4	(1,957.9)	4,095.1	2,917.5
Profit for the period	-	-	-	247.2	247.2
Other comprehensive income/(expense):					
Foreign exchange translation differences	-	-	(10.3)	-	(10.3)
Net gain on hedge of net investment in foreign operations	-	-	109.5	-	109.5
Remeasurement of post employment benefit obligations net of tax	-	-	(61.0)	-	(61.0)
Transactions with owners, recorded directly in equity:					
Dividend	-	-	-	(1,450.0)	(1,450.0)
Balance at 31 March 2019	0.9	779.4	(1,919.7)	2,892.3	1,752.9

	<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 2017	0.9	779.4	(2,183.2)	3,099.7	1,696.8
Impact of new accounting standards	-	-	-	(6.1)	(6.1)
Restated total equity at the beginning of the financial year	0.9	779.4	(2,183.2)	3,093.6	1,690.7
Profit for the period	-	-	-	459.0	459.0
Other comprehensive income/(expense):					
Foreign exchange translation differences	-	-	17.6	-	17.6
Net loss on hedge of net investment in foreign operations	-	-	(172.5)	-	(172.5)
Remeasurement of post employment benefit obligations net of tax	-	-	17.0	-	17.0
Balance at 31 March 2018	0.9	779.4	(2,321.1)	3,552.6	2,011.8

The notes on pages 7 to 19 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,	
	2019	2018
	<i>(€ in millions)</i>	
Cash flows from operating activities		
Profit before tax.....	296.7	557.7
Adjustments for:		
Depreciation, amortisation and impairment.....	151.3	109.0
Net finance cost/(income).....	97.4	(39.1)
Share of profit of equity-accounted investees.....	(21.8)	(9.5)
Profit on disposal of investments.....	(2.6)	-
Increase in trade and other receivables.....	(34.8)	(211.9)
Decrease/(increase) in inventories.....	116.6	(45.4)
(Decrease)/increase in trade and other payables.....	(175.2)	50.2
Increase in provisions and employee benefits.....	-	0.2
Tax received/(paid).....	17.8	(15.0)
Net cash from operating activities.....	445.4	396.2
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment.....	0.2	-
Proceeds from sale of investments.....	260.5	0.1
Interest and other finance income received.....	14.0	2.4
Acquisition of businesses, net of cash acquired.....	(28.5)	-
Acquisition of property, plant and equipment.....	(212.2)	(212.0)
Acquisition of intangible assets.....	(6.3)	-
Net cash from/(used) in investing activities.....	27.7	(209.5)
Cash flows from financing activities		
Securitisation Facility.....	66.7	0.1
Issue costs.....	(0.9)	-
Interest paid.....	(71.0)	(58.2)
Repayment of loans.....	(15.9)	(16.5)
Proceeds from other loans.....	141.0	40.3
Dividends paid.....	(1,450.0)	-
Capital element of lease payments.....	(28.6)	-
Net cash used in financing activities.....	(1,358.7)	(34.3)
Net (decrease)/increase in cash and cash equivalents.....	(885.6)	152.4
Cash and cash equivalents at January 1.....	2,071.3	1,366.3
Effect of exchange rate fluctuations on cash held.....	17.1	(34.5)
Cash and cash equivalents at March 31.....	1,202.8	1,484.2

The notes on pages 7 to 19 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, 2019. 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, 2018, although from January 1, 2019 the Group has applied IFRS 16 *Leases* for the first time.

a) Nature of the effect of adopting IFRS 16

IFRS 16 replaces previous leasing guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate.

For leases in which the Group is a lessor, no significant impact has arisen. Lessor accounting in *IFRS 16 Leases* remains similar to the previous standard *IAS 17 Leases*, with lessors continuing to classify leases as finance or operating leases.

i) Adjustments recognised on adoption of IFRS 16 in which the Group is a lessee

The Group has recognised new assets and liabilities for lease contracts previously classified as operating leases, which include vessels, storage and transportation infrastructure. The nature of expenses related to those leases has changed because the Group recognises a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. In addition, the Group no longer recognises provisions for operating leases that it assesses to be onerous. Instead, the Group now includes the payments due under the lease in its lease liability.

The Group has applied *IFRS 16* on January 1, 2019, using the ‘modified retrospective approach’ which allowed the measurement of the right of use asset to equal the lease liability. Therefore, the cumulative effect of adopting *IFRS 16* has been recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The table below provides a reconciliation between operating lease commitments disclosed as at December 31, 2018 and the lease liability recognised as at January 1, 2019.

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

	2019
	<i>(€ in millions)</i>
Operating lease commitments disclosed as at December 31, 2018	1,037.3
Impact of discounting using the Group's incremental borrowing rates at the date of initial application	(227.1)
Less:	
Short-term leases recognised on a straight-line basis as expense	(9.4)
Low-value leases recognised on a straight-line basis as an expense	(0.3)
Add:	
Reassessment of service/non-lease components of leases and service contracts as leases ..	77.0
Adjustments related to variable lease payments based on an index or rate	0.2
Adjustments as a result of a different treatment of extension and termination options	21.7
Additional lease liability recognised on January 1, 2019	899.4
Add finance lease liabilities recognised as at December 31, 2018	1.2
Lease liability recognised as at January 1, 2019	900.6
<i>Of which are:</i>	
Current lease liabilities	173.4
Non-current lease liabilities	727.2
	900.6

Included within the lease liability on January 1, 2019 is €40.9 million in respect of related party leases.

The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.2%.

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- *Right-of-use assets* – increase of €903.0 million. This includes the leased assets recognised previously as finance leases of €3.6 million that were reclassified from property, plant and equipment.
- *Property, plant and equipment* – decrease of €3.6 million. This relates to the reclassification of leased assets, previously recognised as finance leases, to Right-of-use assets.
- *Lease liabilities* – increase of €899.4 million. From January 1, 2019 all lease liabilities (including finance leases recognised as at December 31, 2018) have been categorised within “Lease liabilities” on the balance sheet.

The net impact on retained earnings on January 1, 2019 was €nil.

(ii) Practical expedients applied

The Group had a number of arrangements that were not in the legal form of a lease, for which it concluded that the arrangement contained a lease under IFRIC 4. On transition to *IFRS 16*, the Group did not apply the practical expedient to grandfather the definition of a lease on transition. Therefore, the new definition of a lease under *IFRS 16* has been applied to all of the contracts in place on transition.

When applying the modified retrospective approach to leases previously classified as operating leases under *IAS 17*, the Group has elected to apply the following practical expedients:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the accounting for leases with a lease term of 12 months or less as short term leases. The lease payments associated with them will be recognised as an expense on a straight-line basis over the lease term,
- the accounting for leases for which the underlying asset is of low value when it is new as low value leases. The lease payments associated with them will be recognised as an expense on a straight-line basis over the lease term,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from January 1, 2019:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are expensed in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to all leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Group also applies the lease of low-value assets recognition exemption to leases of assets that are valued below €10,000. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

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,	
	2019	2018
	<i>(€ in millions)</i>	
<i>Revenue</i>		
O&P North America	868.9	910.9
O&P Europe	1,481.2	1,578.3
Chemical Intermediates	1,729.9	2,047.4
Eliminations	(483.2)	(546.0)
	<u>3,596.8</u>	<u>3,990.6</u>
 <i>EBITDA before exceptionals</i>		
O&P North America	202.2	183.3
O&P Europe	142.7	191.7
Chemical Intermediates	176.1	243.1
	<u>521.0</u>	<u>618.1</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,	
	2019	2018
	<i>(€ in millions)</i>	
EBITDA before exceptionals	521.0	618.1
Depreciation and amortisation	(151.3)	(109.0)
Operating profit	<u>369.7</u>	<u>509.1</u>

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

4. FINANCE COSTS

	Three-Month Period Ended March 31,	
	2019	2018
	<i>(€ in millions)</i>	
Interest payable on senior notes	25.5	25.1
Interest payable on bank loans and overdrafts	30.3	25.7
Interest payable on securitisation	2.9	2.0
Interest payable on lease liabilities	11.6	-
Amortisation of issue costs	1.4	1.4
Other finance charges	4.6	4.5
Net fair value loss on derivatives	6.5	6.5
Finance costs before exchange movements	82.8	65.2
Exchange movements	44.6	(84.5)
Borrowing costs capitalised in property, plant and equipment	(0.9)	-
Total finance costs	126.5	(19.3)

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

5. TAXATION

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

After adjusting for the profit from the share of associates and jointly controlled entities, the effective tax rate of approximately 18% for the first three months of 2019 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 2018 was approximately 18%, which reflected the anticipated tax rate for the full year.

6. INVENTORIES

	March 31, 2019	December 31, 2018
	<i>(€ in millions)</i>	
Raw materials and consumables	446.6	444.4
Work in progress	21.0	22.1
Finished products	836.1	941.2
	1,303.7	1,407.7

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

7. BORROWINGS

Borrowing obligations as of March 31, 2019 and December 31, 2018 are as follows:

	March 31, 2019	December 31, 2018
<i>(€ in millions)</i>		
Non-current liabilities		
Senior Secured Term Loans	3,449.6	3,432.6
Senior Secured Notes due 2023	766.0	765.8
Senior Secured Notes due 2025	545.0	544.9
Schuldschein Loan	140.1	-
Senior Notes due 2024	1,088.2	1,080.2
Securitisation Facility	356.0	286.6
Koln CoGen Facility	120.0	120.0
Finance lease liabilities	-	1.1
Other loans	4.3	10.3
	6,469.2	6,241.5
	March 31, 2019	December 31, 2018
Current liabilities		
Current portion of borrowings under Senior Secured Term		
Loans	33.3	33.0
Noretyl Facility	20.0	26.9
Other loans	7.1	1.1
Current portion of finance lease liabilities	-	0.1
	60.4	61.1

	March 31, 2019		
	Gross loans and borrowings	Issue costs	Net loans and borrowings
<i>(€ in millions)</i>			
Senior Secured Term Loans	3,493.4	(10.5)	3,482.9
Senior Secured Notes due 2023	770.0	(4.0)	766.0
Senior Secured Notes due 2025	550.0	(5.0)	545.0
Schuldschein Loan	141.0	(0.9)	140.1
Senior Notes due 2024	1,095.0	(6.8)	1,088.2
Securitisation Facility	357.0	(1.0)	356.0
Koln CoGen Facility	120.0	-	120.0
Noretyl Facility	20.6	(0.6)	20.0
Other	11.4	-	11.4
	6,558.4	(28.8)	6,529.6

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

7. BORROWINGS (Continued)

	December 31, 2018		
	Gross loans and borrowings	Issue costs	Net loans and borrowings
	<i>(€ in millions)</i>		
Senior Secured Term Loans	3,476.7	(11.1)	3,465.6
Senior Secured Notes due 2023	770.0	(4.2)	765.8
Senior Secured Notes due 2025	550.0	(5.1)	544.9
Senior Notes due 2024	1,087.3	(7.1)	1,080.2
Securitisation Facility	287.8	(1.2)	286.6
Koln CoGen Facility	120.0	-	120.0
Noretyl Facility	27.5	(0.6)	26.9
Other	12.6	-	12.6
	6,331.9	(29.3)	6,302.6

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity
		LIBOR/EURIBOR	
Senior Secured Term Loans	\$/€	plus 2.00%	2024
Senior Secured Notes	€	2.125%/4.0%	2023-2025
Schuldschein Loan	€	EURIBOR plus 2.00%	2024
Senior Notes	\$/€	5.375%-5.625%	2024
Securitisation Facility	\$/€/£	Variable	2020
Koln CoGen Facility	€	2.85%	2024
Noretyl Facility	€	EURIBOR plus 2.75%	2019
Other	€/£	3.75 – 9.0%	2019-2025

Senior Secured Term Loans

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

The Senior Secured Term Loans outstanding at March 31, 2019 before issue costs were €3,493.4 million (December 31, 2018: €3,476.7 million) of which €35.4 million (December 31, 2018: €35.1 million) is due within one year. The total amounts outstanding on the Euro denominated Term Loans were €2,034.3 million (December 31, 2018: €2,039.4 million) and the USD denominated Term Loans were €1,459.1 million (December 31, 2018: €1,437.3 million).

The Term Loans are to be repaid in equal quarterly instalments, in aggregate annual amounts equal to 1% of the original principal amount of the Term Loans. The Term Loans mature on March 31, 2024.

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

7. BORROWINGS (Continued)

The outstanding Term Loans denominated in US dollars bear interest at a rate per annum equal to LIBOR plus the Applicable Margin. The Term Loans denominated in Euros bear interest at a rate per annum equal to EURIBOR (subject to a floor of 0.50% per annum) plus the Applicable Margin.

As at March 31, 2019 the Applicable Margin for the Euro denominated Term Loans and the US dollar denominated Term Loans was 2.00%.

The Senior Secured Term Loans rank pari passu with the Senior Secured Notes due 2023, the Senior Secured Notes due 2025 and the Schuldschein Loan 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 €10.5 million (December 31, 2018: €11.1 million). These costs are allocated to the profit and loss account over the term of the Term Loans in accordance with IFRS 9 – Financial Instruments.

Senior Secured Notes due 2023

In May 2015, the Group issued €770 million of Senior Secured Notes due 2023. The Senior Secured Notes due 2023 are listed on the Luxembourg Stock Exchange. The Senior Secured Notes due 2023 bear interest at 4.0% per annum, payable semi-annually in arrears on May 1 and November 1 of each year. Unless previously redeemed as noted below, the Senior Secured Notes due 2023 will be redeemed by the Group at their principal amount on May 1, 2023.

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

Year	Redemption Price
2019.....	101.000%
2020 and thereafter.....	100.000%

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

The Senior Secured Notes due 2023 rank pari passu with the Senior Secured Term Loans, Senior Secured Notes due 2025 and the Schuldschein Loan 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.

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

7. BORROWINGS (Continued)

The Senior Secured Notes due 2023 are stated net of debt issue costs of €4.0 million (December 31, 2018: €4.2 million). These costs are allocated to the profit and loss account over the term of the Senior Secured Notes due 2023 in accordance with IFRS 9 – Financial Instruments.

In April 2019 the Group issued €770 million Senior Secured Notes due 2026. The proceeds of the refinancing along with cash on hand were used to redeem in full the Senior Secured Notes due 2023 (including redemption premium) on May 1, 2019.

Senior Secured Notes due 2025

In November 2017 the Group issued €550 million of Senior Secured Notes due 2025. The proceeds from the new Notes were used to partially repay the Senior Secured Term Loans. The Senior Secured Notes due 2025 are listed on the Luxembourg Stock Exchange. The Senior Secured Notes due 2025 bear interest at 2.125% per annum, payable semi-annually in arrears on May 15 and November 15 of each year. Unless previously redeemed as noted below, the Senior Secured Notes due 2025 will be redeemed by the Group at their principal amount on November 15, 2025.

The Senior Secured Notes due 2025 will be subject to redemption at any time on or after November 15, 2020, at the option of the Issuer, in whole or in part, on not less than 10 nor more than 60 days' prior notice at the following redemption prices (expressed as percentages of the aggregate principal amount), if redeemed during the 12-month period beginning November 15 of the year indicated below:

Year	Redemption Price
2020	101.0625%
2021	100.53125%
2022 and thereafter	100.000%

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

The Senior Secured Notes due 2025 rank pari passu with the Senior Secured Term Loans, Senior Secured Notes due 2023 and the Schuldschein Loan and are structurally senior to the Senior Notes due 2024. The notes are guaranteed by INEOS Group Holdings S.A., INEOS Holdings Limited and certain of their subsidiaries on a senior secured basis. The notes and the guarantees are secured by first ranking liens on the same assets (subject to certain exceptions) that secure INEOS Holdings Limited's obligations under the Senior Secured Term Loans.

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

The Senior Secured Notes due 2025 are stated net of debt issue costs of €5.0 million (December 31, 2018: €5.1 million). These costs are allocated to the profit and loss account over the term of the Senior Secured Notes due 2025 in accordance with IFRS 9 – Financial Instruments.

Senior Notes due 2024

The Senior Notes due 2024 are listed on the Luxembourg Stock Exchange and comprise €650 million Senior Notes due 2024 (the "Euro Notes") and \$500 million Senior Notes due 2024 (the "Dollar Notes"). The Senior Notes due 2024 bear interest at 5.375% per annum for the Euro Notes and 5.625% for the Dollar Notes, payable semi-annually in arrears on 1 February and 1 August of each year.

Unless previously redeemed as noted below, the Senior Notes due 2024 will be redeemed by the Group at their principal amount on 1 August 2024.

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

7. BORROWINGS (Continued)

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.

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 €6.8 million (December 31, 2018: €7.1 million). These costs are allocated to the profit and loss account over the term of the Senior Notes due 2024 in accordance with IFRS 9 – Financial Instruments.

Receivables Securitisation Facility

The Group has entered into a €800 million receivables securitisation facilities agreement (“Receivables Securitisation Facility”) which matures in December 2020. The total amount outstanding at March 31, 2019 before issue costs was €357.0 million (December 31, 2018: €287.8 million). The facility is secured by pledges over the trade receivables sold in to the programme. Interest is charged on the facility at a rate per annum of either EURIBOR or short term commercial paper rates plus a margin.

The Receivables Securitisation Facility is stated net of debt issue costs of €1.0 million (December 31, 2018: €1.2 million).

Koln CoGen Facility

As part of a project at the Group’s Koln site to replace part of its incineration or cogeneration unit, the Group has entered into a €120 million loan facility (“Koln CoGen Facility”). The facility matures in December 2024. There are no scheduled interest or amortization payments during the first two years of the facility. The total amount outstanding at March 31, 2019 was €120.0 million (December 31, 2018: €120.0 million).

The Koln CoGen Facility is to be repaid in equal quarterly instalments of €6 million, starting from March 2020. The facility is secured by pledges over the plant and equipment of INEOS Manufacturing Deutschland GmbH’s new cogeneration assets. The outstanding Koln CoGen Facility

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

7. BORROWINGS (Continued)

bears a fixed interest rate of 2.85% per annum.

Noretyl Facility

As part of the Group's purchase of the remaining 50% interest in the Noretyl ethylene cracker at Rafnes, Norway from the Kerling group on July 1, 2015, the Group also assumed the obligations of a €140 million loan facility ("Noretyl Facility") that Noretyl had in place. The total amount outstanding at March 31, 2019 before issue costs was €20.6 million (December 31, 2018: €27.5 million), all of which 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 bears interest at a rate per annum equal to EURIBOR (subject to a floor of 0% per annum) plus a margin of 2.75%.

The Noretyl Facility is stated net of debt issue costs of €0.6 million (December 31, 2018: €0.6 million).

Schuldschein Loan

In March 2019 the Group entered into a €141 million floating rate loan facility ("Schuldschein Loan"). The facility matures in March 2024.

The Schuldschein Loan bears interest at a rate per annum equal to EURIBOR for an interest period of six months (subject to a floor of 0.50% per annum) plus a margin of 2.00%. Interest on the Schuldschein Loan is payable semi-annually in arrears in September and March of each year.

The Schuldschein Loan ranks parri passu with the Senior Secured Term Loans and the Senior Secured Notes.

The Schuldschein Loan is stated net of debt issue costs of €0.9 million.

8. 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.

9. 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 €22.1 million (March 31, 2018: €21.2 million) were charged to the income statement during the three month period ended March 31, 2019. As at March 31, 2019 amounts owed to INEOS AG were €1.4 million (March 31, 2018: €22.0 million). Amounts owed to INEOS Holdings AG, a wholly owned subsidiary of INEOS AG, were €0.3 million (March 31, 2018: owed by €152.6 million).

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

9. RELATED PARTIES (Continued)

In March 2019 the Group received €260.5 million (\$296.5 million) of proceeds in relation to the repayment of the Group's preferential interest in INEOS Investments Partnership following the sale by INEOS Investments Partnership of its assets (shares in PQ Corporation) to INEOS Limited.

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 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, 2019 the Group has made sales to these subsidiaries of €264.4 million (March 31, 2018: €285.6 million), recovered costs of €43.8 million (March 31, 2018: €13.3 million) and made purchases of €209.4 million (March 31, 2018: €267.8 million). As at March 31, 2019, €455.3 million (March 31, 2018: €414.3 million) was owed by and €143.5 million (March 31, 2018: €177.4 million) was owed to these subsidiaries (excluding the INEOS Upstream Limited loans 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. On September 29, 2017, INEOS Upstream Limited, a related party, acquired further natural gas assets in the North Sea through its acquisition of the entire oil and gas business of DONG Energy A/S. In connection with the DONG Acquisition, the Group advanced a loan of \$376.2 million (€315.7 million) to INEOS Upstream Limited, the proceeds of which were on-lent to certain of its subsidiaries. The loan is unsecured and matures in June 2022 and bears interest at 7% per annum. As at March 31, 2019 \$617.1 million (€549.3 million) was outstanding under these facilities (March 31, 2018: \$739.6 million (€691.9 million)).

Following the divestment of the Grangemouth petrochemical business in 2013, the Group put in place a €200 million shareholder loan facility to fund the ongoing operations and investments required at the site. This facility has a maturity date of July 28, 2021 and is secured on a second lien basis on the assets of the Grangemouth petrochemical business. On July 25, 2017 INEOS Grangemouth plc repaid the Group €127.0 million in full repayment (including accrued interest) of the shareholder loan facility.

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. During the three month period ended March 31, 2019 the Group has made sales to Styrolution of €89.3 million (March 31, 2018: €80.3 million), recovered costs of €2.8 million (March 31, 2018: €0.9 million). As at March 31, 2019, €31.1 million (March 31, 2018: €24.8 million) was owed by Styrolution and €1.3 million (March 31, 2018: €1.7 million) was owed to Styrolution.

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

The Refining joint ventures are between PetroChina and INEOS Investments (Jersey) Limited, a related party. During the three month period ended March 31, 2019 the Group has recovered costs of €1.5 million (March 31, 2018: €0.8 million) and made purchases of €67.0 million (March 31, 2018: €56.8 million). As at March 31, 2019, €0.4 million (March 31, 2018: €1.1 million) was owed by the Refining joint ventures and €13.7 million (March 31, 2018: €27.8 million) was owed to the Refining joint ventures.

During the three month period ended March 31, 2019 the Group has recovered costs of €16.3 million (March 31, 2018: €9.3 million) and made purchases of €10.9 million (March 31, 2018: €8.7 million)

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

9. RELATED PARTIES (Continued)

from the HDPE joint venture. As at March 31, 2019, €5.5 million was owed to (March 31, 2018: €4.0 million owed by) the HDPE joint venture.

10. SUBSEQUENT EVENTS

In April 2019 the Group issued €770 million Senior Secured Notes due 2026. The proceeds of the refinancing along with cash on hand were used to redeem in full the Senior Secured Notes due 2023 (including redemption premium) on May 1, 2019. The new Senior Secured Notes due 2026 bear interest at 2.875% per annum and mature on May 1, 2026.

In April 2019 the Group paid the proceeds received in relation to the March 2019 repayment of the Group's preferential interest in INEOS Investments Partnership following the sale by INEOS Investments Partnership of its assets (shares in PQ Corporation) to INEOS Limited, a related party as part of a dividend of €296.3 million to its parent company, INEOS Holdings Luxembourg S.A..

FORWARD-LOOKING STATEMENTS

The Company includes “forward-looking statements,” within the meaning of the US securities laws, based on our current expectations and projections about future events, including:

- the cyclical and highly competitive nature of our businesses;
- our 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 33 manufacturing sites in six countries throughout the world. As of December 31, 2018, our total chemical production capacity was approximately 21,900 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,			
	2019		2018	
	€m	%	€m	%
Revenue	3,596.8	100.0	3,990.6	100.0
Cost of sales.....	(3,074.8)	(85.5)	(3,342.7)	(83.8)
Gross profit	522.0	14.5	647.9	16.2
Distribution costs.....	(55.9)	(1.6)	(52.5)	(1.3)
Administrative expenses.....	(96.4)	(2.7)	(86.3)	(2.2)
Operating profit	369.7	10.3	509.1	12.8
Share of profit of associates and jointly controlled entities.....	21.8	0.6	9.5	0.2
Profit on disposal of investments.....	2.6	0.1	-	-
Profit before net finance costs	394.1	11.0	518.6	13.0
Finance income.....	29.1	0.8	19.8	0.5
Finance costs.....	(126.5)	(3.5)	19.3	0.5
Profit before tax	296.7	8.2	557.7	14.0
Tax charge.....	(49.5)	(1.4)	(98.7)	(2.5)
Profit for the period	247.2	6.9	459.0	11.5

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

Three-Month Period Ended March 31, 2019, Compared to Three-Month Period Ended March 31, 2018

Revenue. Revenue decreased by €393.8 million, approximately 9.9%, to €3,596.8 million in the three month period ended March 31, 2019 as compared to €3,990.6 million for the same period in 2018. The decrease in revenues was driven primarily by lower prices. The decrease in selling prices followed the fall in crude oil prices, which decreased to an average of \$63/bbl for the three month period ended March 31, 2019 as compared to \$67/bbl in the same period in 2018. Sales volumes were marginally lower in the three month period ended March 31, 2019 as compared to the same period in 2018. Decreased volumes in the O&P North business due to a planned turnaround at the Rafnes site along with some production issues at the Nitriles facilities in Green Lake and Seal Sands were mostly offset by increased volumes in the O&P North America business, following higher polymer volumes and an increase in volumes within the pipe business as a result of strong oil and gas markets.

Cost of sales. Cost of sales decreased by €267.9 million, approximately 8.0%, to €3,074.8 million in the three month period ended March 31, 2019 as compared to €3,342.7 million for the same period in 2018. The decrease in cost of sales is largely due to the decrease in crude oil prices, which has meant lower feedstock prices across the Group in the three month period ended March 31, 2019, as compared to the same period in 2018.

Gross profit. Gross profit decreased by €125.9 million, approximately 19.4%, to €522.0 million in the three month period ended March 31, 2019 as compared to €647.9 million for the same period in 2018. The decrease in profitability was primarily driven by lower margins in the three month period ending March 31, 2019 as compared to the same period in 2018. North American markets were solid, with the O&P North America business continuing to benefit from its flexibility to be able to utilise cheaper gas feedstocks with the business experiencing solid polymer margins and improved margins in the pipe business as a result of strong oil and gas markets. Ethylene markets in the US remained long, with increased supply availability impacting margins. Market conditions in Europe have remained generally good in the three month period ended March 31, 2019, but markets in Asia have seen some weakness during this period. The profitability of the O&P Europe business was adversely impacted by a decreasing price environment and a planned cracker outage at the Rafnes site, although butadiene margins benefitted from a balanced market in Europe. European polymer demand and margins have been adversely impacted by increased competition from imports. The decrease in profitability in the three month period ending March 31, 2019 as compared to the same period in 2018 was also driven by the Oxide and Nitriles businesses. The Oxide business experienced lower margins on glycol products due to some increased capacity in both China and the US, whilst the Nitriles business was adversely impacted by some production issues at Green Lake and Seal Sands and a weaker acrylic fibre market environment. Inventory holding losses within the O&P segments, were approximately €16 million in the three month period ended March 31, 2019, as compared to inventory holding losses of approximately €15 million in the same period in 2018.

Distribution costs. Distribution costs increased by €3.4 million, approximately 6.5%, to €55.9 million in the three month period ended March 31, 2019 as compared to €52.5 million for the same period in 2018. The increase in distribution costs in the period ended March 31, 2019 as compared to the same period in 2018 reflects additional tankage expenditure in support of the LAO expansion project for the Oligomers business coming on line later this year.

Administrative expenses. Administrative expenses increased by €10.1 million, approximately 11.7%, to €96.4 million in the three month period ended March 31, 2019 as compared to €86.3 million for the same period in 2018. The increase in administrative expenses is primarily due to an increase in research and development expenditure in the three month period ended March 31, 2019 as compared to the same period in 2018.

Operating profit. Operating profit decreased by €139.4 million, approximately 27.4%, to €369.7 million in the three month period ended March 31, 2019 as compared to €509.1 million for the same period in 2018.

Share of profit of associates and jointly controlled entities. Share of profit of associates and jointly controlled entities was €21.8 million in the three month period ended March 31, 2019 as compared to

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

€9.5 million for the same period in 2018. The share of profit from associates and jointly controlled entities primarily reflects our share of the results of the Refining joint venture with PetroChina. Margins in the European refining market have strengthened in the three month period ended March 31, 2019 as compared to the same period in 2018.

Profit on disposal of investments. Profit on disposal of investments was €2.6 million in the three month period ended March 31, 2019. The profit on disposal related to the repayment of the Group's preferential interest in INEOS Investments Partnership following the sale by INEOS Investments Partnership of its assets (shares in PQ Corporation) to INEOS Limited, a related party for \$296.5 million (€260.5 million).

Profit before net finance costs. Profit before net finance costs decreased by €124.5 million, approximately 24.0%, to €394.1 million in the three month period ended March 31, 2019 as compared to €518.6 million for the same period in 2018.

Finance income. Finance income increased by €9.3 million, approximately 47.0%, to €29.1 million in the three month period ended March 31, 2019 as compared to €19.8 million for the same period in 2018. The income in the three month period ended March 31, 2019 primarily relates to interest income on the Group's investment in INEOS Investments Partnership, before its disposal, together with interest income from loans to related parties, including INEOS Upstream.

Finance costs. Finance costs increased by €145.8 million, to be a charge of €126.5 million in the three month period ended March 31, 2019 as compared to a credit of €19.3 million for the same period in 2018. The increase in finance costs for the three month period ended March 31, 2019 reflects a decrease in net foreign exchange gains associated with short term intra group funding, which was a loss of €44.6 million in the three month period ended March 31, 2019 as compared to a gain of €84.5 million in the same period in 2018.

Profit before tax. Profit before tax decreased by €261.0 million, approximately 46.8%, to €296.7 million in the three month period ended March 31, 2019 as compared to €557.7 million for the same period in 2018.

Tax charge. Tax charge decreased by €49.2 million, approximately 49.8%, to a charge of €49.5 million in the three month period ended March 31, 2019 as compared to a charge of €98.7 million for the same period in 2018 primarily due to the decreased profitability of the Group. After adjusting for the results from the share of associates and jointly controlled entities, the effective tax rate of approximately 18% for the three month period ended March 31, 2019 reflects the anticipated tax rate for the Group for the full year. The effective rate for the three month period ended March 31, 2018 was approximately 18% 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 2018.

Profit for the period. Profit for the period decreased by €211.8 million, approximately 46.1%, to a profit of €247.2 million in the three month period ended March 31, 2019 as compared to €459.0 million for the same period in 2018.

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

Business segments

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

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

	Three-Month Period Ended March 31,	
	2019	2018
	<i>(€ in millions)</i>	
<i>Revenue</i>		
O&P North America	868.9	910.9
O&P Europe	1,481.2	1,578.3
Chemical Intermediates	1,729.9	2,047.4
Eliminations	(483.2)	(546.0)
	3,596.8	3,990.6
<i>EBITDA before exceptionals</i>		
O&P North America	202.2	183.3
O&P Europe	142.7	191.7
Chemical Intermediates	176.1	243.1
	521.0	618.1

O&P North America

Revenue. Revenue in the O&P North America segment decreased by €42.0 million, or 4.6%, to €868.9 million in the three month period ended March 31, 2019, as compared to €910.9 million for the same period in 2018. The decrease was driven primarily by lower prices which was partially offset by higher sales volumes and the favourably impact of the appreciation of the US against the euro in the three month period ending March 31, 2019 as compared to the same period in 2018. The weighted average sales price for the whole business was lower by approximately 14% in the three month period ended March 31, 2019 as compared to the same period in 2018, largely driven by lower olefin, polypropylene and polyethylene prices. Partially offsetting the decrease in prices was an increase in sales volumes of approximately 7% in the three month period ended March 31, 2019 as compared to the same period in 2018, largely due to higher polyethylene and polypropylene sales volumes. The pipe business experienced both higher prices and sales volumes in the three month period ended March 31, 2019 as compared to the same period in 2018, largely as a result of strong oil and gas markets. In addition the appreciation of the US dollar by approximately 6% against the euro in the three month period ended March 31, 2019 as compared to the same period in 2018 has increased reported euro revenues.

EBITDA before exceptionals. EBITDA before exceptionals in the O&P North America segment increased by €18.9 million, or 10.3%, to €202.2 million in the three month period ended March 31, 2019 as compared to €183.3 million in the same period in 2018. The business has continued to benefit from its flexibility to be able to utilise cheaper gas feedstock. The increase in profitability during the three month period ended March 31, 2019 as compared to the same period in 2018 was largely due to increased volumes and the favourable impact of the appreciation of the US against the euro, partially offset by lower margins and increased inventory holding losses. Total sales volumes increased in the three month period ending March 31, 2019 as compared to the same period in 2018, largely driven by additional polyethylene sales from the new Gemini HDPE joint venture. In addition strong oil and gas markets led to additional sales volumes within the pipe business. The appreciation of the US dollar by approximately 6% against the euro in the three month period ended March 31, 2019 as compared to the same period in 2018 has also increased the reported euro profitability. Partially offsetting these increases were lower margins and higher inventory holding losses. During the three month period ended March 31, 2019 the US cracker business environment was generally solid with good operating rates throughout the quarter, although margins were lower in the three month period ended March 31, 2019 as compared to the same period in 2018, reflecting lower ethylene margins as a result of the recent expansion of ethylene supply in the US.

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

Polymer margins were also lower in the three month period ended March 31, 2019 as compared to the same period in 2018, driven mainly by lower polyethylene margins. The pipe business experienced improved margins in the three month period ended March 31, 2019 as compared to the same period in 2018, reflecting some market recovery. Inventory holding losses were approximately €16 million in the three month period ended March 31, 2019, as compared to inventory holding losses of approximately €12 million in the same period in 2018.

O&P Europe

Revenue. Revenue in the O&P Europe segment decreased by €97.1 million, or 6.2%, to €1,481.2 million in the three month period ended March 31, 2019 as compared to €1,578.3 million for the same period in 2018. The decrease in revenues was driven by lower selling prices during the three month period ended March 31, 2019 as compared to the same period in 2018. The decrease in revenues was driven by the general price environment, which was lower in the first quarter of 2019 as compared to the same period in 2018, as crude oil prices fell to an average of \$63/bbl for the three month period ended March 31, 2019 as compared to an average of \$67/bbl for the three month period ended March 31, 2018, which in turn led to a fall in prices across most products. Benzene prices experienced the most significant price decrease compared to the same quarter last year due to increased competition from imports. Butadiene prices increased following strong domestic demand driven by ABS and speciality rubber markets. The business also experienced lower sales volumes in the three month period ending March 31, 2019 as compared to the same period in 2018 primarily due by lower olefin sales as a result of a scheduled turnaround at the Rafnes cracker during the quarter.

EBITDA before exceptionals. EBITDA before exceptionals in the O&P Europe segment decreased by €49.0 million or 25.6% to €142.7 million in the three month period ended March 31, 2019, as compared to €191.7 million in the same period in 2018. The results for the three month period ended March 31, 2019 have decreased compared to the same period in 2018, primarily due to lower margins and to a lesser extent lower sales volumes, partially offset by lower inventory holding losses. Margins were lower in the three month period ended March 31, 2019 as compared to the same period in 2018 driven by lower olefin margins as a result of a decreasing price environment, although butadiene margins were higher in the first quarter of 2019 as compared to 2018 as they benefitted from a balanced market in Europe. Polymer margins were also lower as margins were adversely impacted by increased competition from imports in the three month period ended March 31, 2019 as compared to the same period in 2018. The lower margins were partially offset by the benefit of additional margins from the Trading & Shipping business in the three month period ended March 31, 2019 as compared to the same period in 2018. Overall sales volumes were also down in the three month period ended March 31, 2019 as compared to the same period in 2018 primarily due to a scheduled turnaround at the Rafnes cracker during the quarter which adversely impacted olefin volumes. Partially offsetting these decreases were inventory holding losses which were nil in the three month period ended March 31, 2019 as compared to losses of approximately €3million in the three month period ended March 31, 2018.

Chemical Intermediates

Revenue. Revenue in the Chemical Intermediates segment decreased by €317.5 million, or 15.5%, to €1,729.9 million in the three month period ended March 31, 2019 as compared to €2,047.4 million for the same period in 2018. The Oxide business revenues decreased in the three month period ended March 31, 2019 as compared to the same period in 2018 driven by both lower sales volumes and lower prices. Sales volumes decreased by approximately 2% in the three month period ended March 31, 2019 as compared to the same period in 2018, most notably in the commodity product segment as a result of a weaker economic environment in glycols and the EtAc markets coming under pressure during the quarter. Overall prices decreased in the three month period ended March 31, 2019 as compared to the same period in 2018, as pricing closely followed the fall in underlying raw material costs of ethylene and propylene which followed the decrease in crude and naphtha prices. Pricing softened for EO and alko products whilst ethylene glycol and propylene glycol prices decreased approximately 20% and 10% respectively. The Oligomers business revenues were slightly higher in the three month period ended March 31, 2019 as compared to the same period in 2018, as a result of higher prices partially offset by lower sales volumes. The overall market demand trend was good across most products and regions. Prices in the quarter largely moved in line with the decrease in underlying raw material prices of ethylene and naphtha; however realisations were approximately 2% higher in the three month period ended March 31, 2019 as

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compared to the same period in 2018, reflecting competitive pricing situations and cyclicity. Sales volumes were lower in the three month period ended March 31, 2019 as compared to the same period in 2018, as a result of lower PAO and SO sales, whilst LAO sales volumes remained flat. Nitriles revenues decreased in the three month period ended March 31, 2019 as compared to the same period in 2018, driven by both decreased sales volumes and lower selling prices. Sales volumes of acrylonitrile decreased by approximately 19% in the three month period ended March 31, 2019 as compared to the same period in 2018, as they were impacted by unplanned outages at the Green Lake and Seal Sands facilities during the quarter which limited availability. In addition the ABS and acrylic fibre sectors were adversely impacted by weaker market conditions from the US sanctions on Iran and the US/China trade war which has resulted in falling demand in both Asia and Europe. The average acrylonitrile sales price fell approximately 7% in the three month period ended March 31, 2019 as compared to the same period in 2018, as Asia and Europe experienced falling prices, especially in the ABS and acrylic fibre sectors as a result of the weakening markets. Revenues of the Phenol business decreased in the three month period ended March 31, 2019 as compared to the same period in 2018, primarily driven by lower selling prices and decreased sales volumes. Selling prices moved in line with the underlying raw material prices with both phenol and acetone prices decreasing by approximately 18% in the three month period ended March 31, 2019 as compared to the same period in 2018. Phenol and acetone sales volumes were also lower in the three month period ended March 31, 2019 as compared to the same period in 2018.

EBITDA before exceptionals. EBITDA before exceptionals in the Chemical Intermediates segment decreased by €67.0 million, or 27.6%, to €176.1 million in the three month period ended March 31, 2019 as compared to €243.1 million for the same period in 2018. The Oxide business results in the three month period ended March 31, 2019 decreased as compared to the same period in 2018, mainly driven by lower margins, higher fixed costs and lower sales volumes. The decrease in margins in the three month period ended March 31, 2019 as compared to the same period in 2018 was driven by lower glycol margins due to a weaker Asian market and increased capacity in both China and the US. The decrease in sale volumes of approximately 2% in the three month period ended March 31, 2019 as compared to the same period in 2018 was primarily due to a weaker Asian market, particularly in China which has seen demand for glycols fall significantly. Fixed costs have increased in the three month period ended March 31, 2019 as compared to the same period in 2018 in support of the expansion projects, mainly at Antwerp where the new alkox 6 unit and EO storage facilities have started up in the first quarter of 2019. There were also start-up costs in respect of the Antwerp co-generation unit, which was acquired by the business from RWE in March 2019. The Oligomers business profitability in the three month period ended March 31, 2019 was in line with the same period in 2018, primarily due to higher margins being offset by higher fixed costs. Margins in the three month period ended March 31, 2019 were higher than the same period in 2018 as a result of higher PAO margins in all three regions as price levels were maintained despite competitive pressures. PAO core automotive markets weakened in Europe and Asia; however sales to other core customers and record Hi-Viscosity sales mitigated the lower automotive sales. Higher SO margins in Europe and Asia offset lower margins in North America during the three month period ended March 31, 2019 as compared to the same period in 2018 as a result of strong market conditions. LAO margins were slightly lower in the three month period ended March 31, 2019 as compared to the same period in 2018, but remained solid in good margin co-monomer applications. Offsetting the margin increase were higher fixed costs due to increased project support and start-up expenses in respect of the LAO and PAO expansion projects coming on line later in the year. The Nitriles business experienced a decrease in profitability in the three month period ended March 31, 2019 as compared to the same period in 2018, primarily due to lower sales volumes. Sales volumes of acrylonitrile decreased approximately 19% in the three month period ended March 31, 2019 as compared to the same period in 2018, with the ABS and acrylic fibre sectors adversely impacted by weaker market conditions with competition from cotton and polyester and US sanctions on Iran continuing to impact acrylic fibre customers. In addition some production issues at Green Lake and Seal Sands have adversely impacted sales volumes. The Phenol business profitability decreased in the three month period ended March 31, 2019 as compared to the same period in 2018, primarily due to lower margins and lower sales volumes. Demand for the Phenol business was stable during the quarter, although margins were lower in the three month period ended March 31, 2019 as compared to the same period in 2018 primarily due to lower acetone returns. Total sales volumes were approximately 6% lower in the three month period ended March 31, 2019 as compared to the same period in 2018 driven by both lower phenol and acetone volumes.

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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 2020.

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

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

As part of a project at the Group's Koln site to replace part of its incineration or cogeneration unit, the Group has entered into a €120 million loan facility. The facility matures in December 2024.

As of March 31, 2019, the Group had a total of €3,493.4 million Senior Secured Term Loans, €770.0 million Senior Secured Notes due 2023, €1,095.0 million Senior Notes due 2024, €550.0 million Senior Secured Notes due 2025 and €141.0 million Schuldschein Loan 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, 2019 was €212.2 million (€212.0 million in the three months ended March 31, 2018) analysed by business segment as follows:

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	Three-month period ended March 31,	
	2019	2018
	<i>(€ in millions)</i>	
O&P North America	68.4	49.0
O&P Europe	48.4	59.3
Chemical Intermediates	95.4	103.7
	212.2	212.0

The main capital expenditures in the three month period ended March 31, 2019 related to further expenditure within the O&P North America segment on a furnace replacement project, debottleneck on one of the crackers and a number of smaller turnarounds and projects. The main capital expenditures in the O&P Europe segment were at the Koln site on a cogeneration project and new office buildings and jetty, together with a turnaround on a small butadiene unit also at Koln. The main expenditure in the Chemical Intermediates segment was additional growth expenditure by the Oligomers business on the LAO and PAO platforms and a barge dock at Chocolate Bayou, USA. There was also expenditure within the Oxide business at the Antwerp, Belgium site in respect of commissioning the alkox 6 unit and EO storage project which came into operation during the quarter as well as some turnaround costs. The Phenol business also had expenditure on a new cumene unit project. The remaining capital expenditure related primarily to sustenance expenditure.

The main capital expenditures in the three month period ended March 31, 2018 related to expenditure within the O&P North America segment on a furnace replacement project, debottleneck on one of the crackers and a number of smaller turnarounds and projects. The main capital expenditures in the O&P Europe segment were at the Koln site on a cogeneration project, new office buildings and turnarounds on a cracker and LLDPE unit. The main expenditure in the Chemical Intermediates segment was additional growth expenditure by the Oligomers business on the LAO platform at Chocolate Bayou, USA. There was also expenditure within the Oxide business at the Antwerp, Belgium site in respect of EO storage projects. The remaining capital expenditure related primarily to sustenance expenditure.

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, 2019 and 2018, our cash flow was as follows:

	Three-month period ended March 31,	
	2019	2018
	<i>(€ millions)</i>	
Cash flow from operating activities	445.4	396.2
Cash flow from investing activities.....	27.7	(209.5)
Cash flow from financing activities	(1,358.7)	(34.3)

Cash flows from operating activities

Net cash flow from operating activities was an inflow of €445.4 million for the three month period ended March 31, 2019 (inflow of €396.2 million in the three month period ended March 31, 2018). The inflow was due to the profit generated from operations partially offset by working capital outflows

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of €93.4 million in the three month period ended March 31, 2019 (outflow of €207.1 million in the three month period ended March 31, 2018). The working capital outflows in the three month period ended March 31, 2019 primarily reflect the higher working capital levels of the Group as a result of higher raw material costs and higher sales volumes in the period.

Taxation receipts of €17.8 million were received in the three month period ended March 31, 2019 (payments of €15.0 million in the three month period ended March 31, 2018). The receipts in the three month period ended March 31, 2019 primarily reflects contributions received from related parties and a tax refund from the US tax authorities, partially offset by payments made to the tax authorities in Germany, Canada and Switzerland. The payments in the three month period ended March 31, 2018 primarily reflect payments made to the tax authorities in the UK and to a lesser extent Germany, Canada and Norway. In addition there was a tax refund from the US tax authorities in relation to overpayments made in prior years.

Cash flows from investing activities

On March 1, 2019 the Group acquired the INESCO combined heat and power plant from RWE Generation NL B.V for cash consideration of €70.4 million. Cash balances acquired with the business were €41.9 million.

In March 2019 the Group received cash proceeds of €260.5 million (\$296.5 million) following the repayment of the Group's preferential interest in INEOS Investments Partnership following the sale by INEOS Investments Partnership of its assets (shares in PQ Corporation) to INEOS Limited, a related party.

There were no other significant cash flows from investing activities in the three month period ended March 31, 2019 and 2018 other than the acquisition of property, plant and equipment (refer to the "Capital Expenditure" section).

Cash flows from financing activities

Interest payments of €71.0 million were made in the three month period ended March 31, 2019 (€58.2 million in the three month period ended March 31, 2018). The interest payments during the first three months of 2019 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 interest paid on lease liabilities of €11.6 million following the adoption of the new accounting standard *IFRS 16 Leases* (See Note 2). The interest payments during the first three months of 2018 relate primarily to monthly cash payments in respect of the Senior Secured Term Loans and semi-annual interest payments on the Senior Notes due 2024.

In March 2019 the Group entered into a €141 million floating rate loan facility ("Schuldschein Loan"). The facility matures in March 2024. The Group paid associated debt issue costs of €0.9 million in relation to the Schuldschein Loan during the three month period ended March 31, 2019.

As part of the Koln project to replace part of its incineration or cogeneration unit, the Group has entered into a €120 million loan facility. During the three month period ended March 31, 2018 the Group made its first drawdown under the facility of €40.3 million. As at December 31, 2018 the loan facility had been fully drawn.

The Group made a drawdown of €66.7 million on the Securitization Program during the three month period ended March 31, 2019 (drawdown of €0.1 million in the three month period ended March 31, 2018).

The Group made scheduled repayments of €8.8 million on the Senior Secured Term Loans during the three month period ended March 31, 2019 (scheduled repayments of €8.6 million in the three month period ended March 31, 2018). The Group also made scheduled repayments of €6.9 million on the Noretyl Facility during the three month period ended March 31, 2019 (scheduled repayments of €6.9 million in the three month period ended March 31, 2018).

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The Group made 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, 2018. As at December 31, 2018 the loan agreement had been fully paid.

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 loan agreement during the three month period ended March 31, 2019 (scheduled repayments of €0.1 million in the three month period ended March 31, 2018).

During the three month period ended March 2019 the Group made payments of €28.6 million in respect of the capital element of lease liabilities following the adoption of the new accounting standard *IFRS 16 Leases* (See Note 2).

The Group made a dividend payment of €1,450.0 million in the three month period ended March 31, 2019.

Net debt

Total net debt as at March 31, 2019 was €5,355.6 million (December 31, 2018: €4,260.6 million). The Group held net cash balances of €1,202.8 million as at March 31, 2019 (December 31, 2018: €2,071.3 million) which included restricted cash of €216.8 million used as collateral against bank guarantees and letters of credit. The Group had availability under undrawn working capital facilities of €277.1 million as at March 31, 2019.