

OFFERING MEMORANDUM



INEOS Group Holdings S.A.

**\$678,000,000 6<sup>1</sup>/<sub>8</sub>% Senior Notes due 2018**

**€500,000,000 6<sup>1</sup>/<sub>2</sub>% Senior Notes due 2018**

Guaranteed on a senior and generally unsecured basis by

**INEOS Luxembourg I S.A., INEOS Holdings Limited**

and certain of their subsidiaries

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INEOS Group Holdings S.A. (the “Issuer”) has issued in an offering (the “Offering”) \$678,000,000 aggregate principal amount of its 6<sup>1</sup>/<sub>8</sub>% Senior Notes due 2018 (the “Dollar IGH Notes”) and €500,000,000 aggregate principal amount of its 6<sup>1</sup>/<sub>2</sub>% Senior Notes due 2018 (the “Euro IGH Notes”). The Dollar IGH Notes and the Euro IGH Notes are collectively referred to hereinafter as the “notes.” Interest accrues from May 14, 2013 and is payable semi-annually on each of the Dollar IGH Notes and the Euro IGH Notes on February 15 and August 15 of each year, beginning February 15, 2014.

The Dollar IGH Notes will mature on August 15, 2018. Some or all of the Dollar IGH Notes may be redeemed prior to May 15, 2015, by paying 100% of the principal amount of such notes plus a “make-whole” premium, and at any time on or after May 15, 2015, at the redemption prices set forth in this offering memorandum. In addition, at any time on or prior to May 15, 2015, we may redeem up to 35% of the aggregate principal amount of the Dollar IGH Notes with the net proceeds of certain equity offerings. The Euro IGH Notes will mature on August 15, 2018. Some or all of the Euro IGH Notes may be redeemed prior to May 15, 2015, by paying 100% of the principal amount of such notes plus a “make-whole” premium, and at any time on or after May 15, 2015, at the redemption prices set forth in this offering memorandum. In addition, at any time on or prior to May 15, 2015, we may redeem up to 35% of the aggregate principal amount of the Euro IGH Notes with the net proceeds of certain equity offerings.

Upon the occurrence of certain events constituting a change of control, each holder of the notes may require the Issuer to repurchase all or a portion of its notes. All of the notes may also be redeemed at 100% of their principal amount plus accrued interest if at any time the Issuer or any guarantor becomes obligated to pay withholding taxes as a result of certain changes in law.

The notes are the Issuer’s senior obligations and (i) rank *pari passu* in right of payment with all of the Issuer’s existing and future senior indebtedness that is not subordinated to the notes, including the 2016 IGH Notes; (ii) rank senior to all of the Issuer’s existing and future indebtedness that is expressly subordinated in right of payment to the notes and (iii) are effectively subordinated in right of payment to the existing and future secured indebtedness of the Issuer to the value of the assets securing such indebtedness, including its obligations with respect to the Senior Secured Term Loans, the 2020 Senior Secured Notes, the 2019 Senior Secured Notes and certain hedging and cash management obligations.

The notes are, fully and unconditionally, jointly and severally, guaranteed by the Guarantors. The guarantees are generally unsecured senior subordinated obligations of the subsidiaries and (i) rank *pari passu* with all of the existing and future senior subordinated indebtedness of the guarantors; (ii) rank senior to all existing and future indebtedness of such guarantor that is expressly subordinated in right of payment to such guarantee; (iii) are subordinated in right of payment to any existing and future senior indebtedness of such guarantor, which includes the obligations of such guarantor under the Senior Secured Term Loans, the 2020 Senior Secured Notes and the 2019 Senior Secured Notes and (iv) are subordinated in right of payment to all of its existing and future secured indebtedness of the guarantor to the value of the assets securing such

indebtedness, including the guarantors' obligations under the Senior Secured Term Loans, the 2020 Senior Secured Notes and the 2019 Senior Secured Notes.

Also, the notes (along with the 2016 IGH Notes) are secured on a *pari passu* basis by a second ranking share charge over all of the shares of INEOS Holdings Limited and a second ranking assignment by the Issuer of all its rights in respect of the 2016 IGH Notes Proceeds Loans, the Dollar IGH Notes Proceeds Loan and the Euro IGH Notes Proceeds Loan. The security interests over the shares of INEOS Holdings Limited and the Proceeds Loans rank behind the security interests in such assets which secure certain senior indebtedness, including indebtedness under the Senior Secured Term Loans, the 2020 Senior Secured Notes and the 2019 Senior Secured Notes and *pari passu* with the security interests in such assets which secure the 2016 IGH Notes.

This offering memorandum includes more detailed information on the terms of the notes, the guarantees and the security interests as briefly described above, including redemption and repurchase prices, security, covenants and transfer restrictions and thus, the offering memorandum should be read as a whole by any prospective purchaser in making a determination as to whether to invest in the notes.

Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF market. This offering memorandum constitutes a prospectus for the purpose of Luxembourg law dated July 10, 2005 on prospectuses for securities, as amended.

**Investing in the notes involves risks that are described in the “Risk Factors” section beginning on page 21 of this offering memorandum.**

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Offering price for the Dollar IGH Notes: 100% plus accrued interest from the issue date, if any.

Offering price for the Euro IGH Notes: 100% plus accrued interest from the issue date, if any.

**The notes and the guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any other jurisdiction. The notes are being offered and sold only to (i) qualified institutional buyers in accordance with Rule 144A under the Securities Act and (ii) non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act. For further details about eligible offerees and resale restrictions, please see “Notice to Investors.”**

The Dollar IGH Notes were made available to investors in book-entry form through The Depository Trust Company (“DTC”), and the Euro IGH Notes were made available to investors in book-entry form through Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream”), in each case, on May 14, 2013. Interests in each global note will be exchangeable for the relevant definitive notes only in certain limited circumstances. See “Book-Entry, Delivery and Form.”

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The date of this offering memorandum is June 14, 2013 (also, the “Listing Date”).

You should rely only on the information contained in this offering memorandum. None of the Issuer, the Guarantors or any other members of the Group (each, as defined herein) has authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. None of the Issuer, the Guarantors or any other members of the Group is making an offer of the notes in any jurisdiction where the Offering is not permitted. You should not assume that the information contained in this offering memorandum is accurate at any date other than the date on the front of this offering memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

## TABLE OF CONTENTS

Presentation of Financial and Non-GAAP Information.....	x
Certain Definitions.....	xiii
Exchange Rate Information.....	xix
Forward-Looking Statements.....	xx
Tax Considerations.....	xxii
Trademarks and Trade Names.....	xxii
Historical and Current Market and Industry Data.....	xxii
Summary.....	1
The Offering.....	14
Summary Historical Condensed Consolidated Financial Information and Other Financial Data.....	18
Risk Factors.....	21
The Refining Divestiture.....	47
The Transactions.....	49
Use of Proceeds.....	50
Capitalization.....	51
Selected Consolidated Financial Information.....	52
Operating and Financial Review and Prospects.....	55
Industry and Market Overview.....	80
Business.....	98
The Issuer.....	131
Management.....	132
Principal Shareholders.....	134
Certain Relationships and Related Party Transactions.....	135
Description of Other Indebtedness.....	137
Description of the Notes.....	164
Description of the Collateral and the Guarantees.....	245
Limitations on Validity and Enforceability of the Guarantees and the Security Interests.....	250
Book-Entry; Delivery and Form.....	279
Certain Tax Considerations.....	285
Notice to Investors.....	293
Plan of Distribution.....	297
Legal Matters.....	299
Independent Auditors.....	299
Where You Can Find More Information.....	300
Service of Process and Enforcement of Judgments.....	301
Listing and General Information.....	309
Index to Consolidated Financial Statements.....	F-1
Glossary of Selected Terms.....	G-1

## IMPORTANT INFORMATION

We have prepared this offering memorandum solely for use in connection with the offer of the notes to qualified institutional buyers under Rule 144A under the Securities Act and to non-U.S. persons (within the meaning of Regulation S under the Securities Act) outside the United States in compliance with Regulation S under the Securities Act. We have not authorized its use for any other purpose. Delivery of this offering memorandum to anyone other than such prospective investors is unauthorized, and any reproduction of this offering memorandum, in whole or in part, is prohibited. By accepting delivery of this offering memorandum, you agree to these restrictions. Please see “Notice to Investors.”

This offering memorandum is based on information provided by us and by other sources that we believe are reliable. We cannot assure you that information included herein is accurate or complete. This offering memorandum summarizes certain documents and other information and we refer you to them for a more complete understanding of the discussions in this offering memorandum. We will make copies of certain documents available to you upon request. In making an investment decision, you must rely on your own examination of our company, the terms of the offering and the notes, including the merits and risks involved.

By purchasing the notes, you will be deemed to have made the acknowledgments, representations, warranties and agreements described under the caption “Notice to Investors” in this offering memorandum. You should understand that you may be required to bear the financial risks of your investment for an indefinite period of time.

We are not making any representation to any purchaser of the notes regarding the legality of an investment in the notes by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the notes.

We reserve the right to withdraw the offering of the notes at any time and we reserve the right to reject any commitment to subscribe for the notes in whole or in part and to allot to any prospective purchaser less than the full amount of the notes sought by such purchaser.

You must comply with all applicable laws and regulations in force in any applicable jurisdiction and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the notes under the laws and regulations in force in the jurisdiction to which you are subject or in which you make such purchase, offer or sale, and we will not have any responsibility therefor.

This offering memorandum is not an offer to sell, or a solicitation of an offer to buy, any notes by any person in any jurisdiction in which it is unlawful for such person to make such an offering or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose.

None of the U.S. Securities and Exchange Commission (the “SEC”), any state securities commission or any other regulatory authority has approved or disapproved these securities nor have any of the foregoing authorities passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

We accept responsibility for the information contained in this offering memorandum. We have made all reasonable inquiries and confirm to the best of our knowledge, information and belief that the information contained in this offering memorandum with regard to us and our affiliates and the notes is true and accurate in all material respects, that the opinions and intentions expressed in this offering memorandum are honestly held and that we are not aware of any other facts, the omission of which would make this offering memorandum or any statement contained herein misleading in any material respect.

The information contained under the caption “Exchange Rate Information” includes extracts from information and data publicly released by official and other sources. While we accept responsibility for accurately summarizing the information concerning exchange rate information, we accept no further responsibility in respect of such information. The information set out in relation to sections of this offering memorandum describing clearing and settlement arrangements, including the section entitled “Book-Entry, Delivery and Form,” is subject to change in or reinterpretation of the rules, regulations and procedures of the DTC, Euroclear or Clearstream currently in effect. While we accept responsibility for

accurately summarizing the information concerning DTC, Euroclear and Clearstream, we accept no further responsibility in respect of such information.

The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable securities laws of any other jurisdiction pursuant to registration or exemption therefrom. Prospective purchasers should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. See “Notice to Investors.”

## **STABILIZATION**

IN CONNECTION WITH THE OFFERING, CITIGROUP GLOBAL MARKETS LIMITED (WITH RESPECT TO THE DOLLAR IGH NOTES) AND GOLDMAN SACHS INTERNATIONAL (WITH RESPECT TO THE EURO IGH NOTES), (THE “STABILIZING MANAGERS”) (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGERS) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGERS (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGERS) WILL UNDERTAKE ANY STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

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## **NOTICE TO NEW HAMPSHIRE RESIDENTS**

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES, ANNOTATED 1995, AS AMENDED (THE “RSA”), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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## **NOTICE TO U.S. INVESTORS**

Each purchaser of the notes will be deemed to have made the representations, warranties and acknowledgments that are described in this offering memorandum under the section titled “Notice to Investors.”

The notes and the guarantees have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and are subject to certain restrictions on transfer. Prospective purchasers are hereby notified that the seller of any note may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A thereunder. For a description of certain further restrictions on resale or transfer of the notes, please see “Notice to Investors.”

THE NOTES MAY NOT BE OFFERED TO THE PUBLIC WITHIN ANY JURISDICTION. BY ACCEPTING DELIVERY OF THIS OFFERING MEMORANDUM, YOU AGREE NOT TO OFFER, SELL, RESELL, TRANSFER OR DELIVER, DIRECTLY OR INDIRECTLY, ANY NOTES TO THE PUBLIC.

## NOTICE TO EEA INVESTORS

This offering memorandum is not a prospectus and is being distributed to a limited number of recipients for the sole purpose of assisting such recipients in determining whether to proceed with a further investigation of the purchase of, or subscription for, the notes. This offering memorandum has been prepared on the basis that all offers of the notes will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the European Economic Area (“EEA”), from the requirement to produce a prospectus for offers of securities. Accordingly, any person making or intending to make any offer within the EEA of the notes, which are the subject of the placement contemplated in this offering memorandum, should only do so in circumstances in which no obligation arises for the Issuer to produce a prospectus for such offer. The Issuer has not authorized, nor does it authorize, the making of any offer of the notes through any financial intermediary, other than offers made by the initial purchasers, which constitute the final placement of the notes contemplated in this offering memorandum.

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a “Relevant Member State”), each initial purchaser will be deemed to have represented, acknowledged and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of the notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the notes to the public in the Relevant Member State at any time:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

*provided* that no such offer of the notes shall result in a requirement for the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this restriction, the expression an “offer of the notes to the public” in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, and Directive 2010/78/EU to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

## **NOTICE TO U.K. INVESTORS**

The issue and distribution of this offering memorandum is restricted by law. This offering memorandum is not being distributed by, nor has it been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 by, a person authorized under the Financial Services and Markets Act 2000. This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. No part of this offering memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Issuer. The notes are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the Financial Services and Markets Act 2000.

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## **NOTICE TO LUXEMBOURG RESIDENTS**

The terms and conditions relating to the Offering have not been approved by and will not be submitted for approval to the Luxembourg regulator of the financial sector (*Commission de Surveillance du Secteur Financier*) for purposes of public offering or sale of securities in the Grand Duchy of Luxembourg. Accordingly, the notes may not be offered or sold to the public in Luxembourg directly or indirectly, and neither this offering memorandum nor any other circular, prospectus, form of application, advertisement or other material may be reproduced, distributed, or otherwise made available in or from, or published in Luxembourg, except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Luxembourg Act of July 10, 2005 on prospectuses for securities, nor provided to any person other than the recipient thereof. The notes are offered to a limited number of sophisticated investors in all cases under circumstances designed to preclude a distribution, which would be other than a private placement. All public solicitations are banned and the sale may not be publicly advertised.

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## **NOTICE TO NORWEGIAN INVESTORS**

This offering memorandum has not been and will not be registered with the Norwegian prospectus authority. Accordingly, this offering memorandum may not be made available, nor may the notes otherwise be marketed or offered for sale, in Norway other than in circumstances that are exempted from the prospectus requirements under the Norwegian Securities Trading Act (2007) chapter 7.

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## **NOTICE TO DANISH INVESTORS**

This offering memorandum has not been filed with or approved by any authority in the Kingdom of Denmark. The notes have not been offered or sold and may not be offered, sold or delivered directly or indirectly in the Kingdom of Denmark, unless in compliance with the Danish Act on Trading in Securities (Consolidated Act No. 795 of August 20, 2009, as amended from time to time) and any Orders issued thereunder.



## NOTICE TO DUTCH INVESTORS

The notes are not, will not and may not be, directly or indirectly, offered or acquired in the Netherlands, and this offering memorandum may not be circulated in the Netherlands, as part of an initial distribution or any time thereafter, other than to individuals or legal entities who or which qualify as qualified investors (*gekwalificeerde beleggers*) within the meaning of article 1:1 of the Financial Supervision Act (*Wet op het financieel toezicht*), as amended from time to time.

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## NOTICE TO SWEDISH INVESTORS

This offering memorandum has not been and will not be registered with the Swedish Financial Supervisory Authority (*Sw. Finansinspektionen*). Accordingly, this offering memorandum may not be made available, nor may the notes otherwise be marketed and offered for sale, in Sweden other than in circumstances that are deemed not to be an offer to the public under the Swedish Financial Instruments Trading Act (*Sw. lag (1991:980) om handel med finansiella instrument*).

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## NOTICE TO SWISS INVESTORS

The notes may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland and will not be listed on the SIX Swiss Exchange Ltd. or any other exchange or regulated trading facility in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd., and neither this offering memorandum nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this offering memorandum nor any other offering or marketing material relating to the Offering nor the Issuer nor the notes has been or will be filed with or approved by any Swiss regulatory authority. The notes are not subject to the supervision by any Swiss regulatory authority, e.g. the Swiss Financial Market Supervisory Authority FINMA (“FINMA”), and investors in the notes will not benefit from protection or supervision by such authority.

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## NOTICE TO ITALIAN INVESTORS

The Offering of notes has not been registered pursuant to Italian securities legislation and, accordingly, no notes may be offered, sold or delivered, nor may copies of this offering memorandum or of any other document relating to the notes be distributed in the Republic of Italy, except: (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “Italian Financial Services Act”) and Article 34-ter, first paragraph, letter b) of Regulation No. 11971 of 14 May 1999, as amended from time to time (“Regulation No. 11971”); or (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Services Act and Article 34-ter of Regulation No. 11971. Any offer, sale or delivery of the notes, or distribution of copies of this offering memorandum or any other document relating to the notes in the Republic of Italy under (i) or (ii) above must be: (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Services Act, CONSOB Regulation No. 16190 of 23 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the “Banking Act”); and (b) in compliance with any other applicable laws and regulations, or requirement imposed by CONSOB or any other Italian authority.

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## NOTICE TO SPANISH INVESTORS

The Offering has not been and will not be verified by or registered with the Spanish Securities Market Commission (“*Comisión Nacional del Mercado de Valores*”). The notes may not be offered or sold in the Kingdom of Spain by means of

a public offer as defined and construed by Article 30 bis of Law 24/1988 of 28 July, on the Spanish Securities Market (as amended by Law 37/1998, of 16 November and Royal Decree Law 5/2005, of 11 March, among others), Article 38 of Royal Decree 1310/2005, of 4 November, on admission to listing and public offer of securities, and any other regulations that may be in force from time to time, but the notes may be offered or sold in Spain in circumstances which do not qualify as a public offer or pursuant to an exception in compliance with the requirements of such Law 24/1988 (as amended), Royal Decree 1310/2005, and any regulations related to it which may be in force from time to time.

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### **NOTICE TO FRENCH INVESTORS**

This offering memorandum has not been prepared and is not being distributed in the context of an offer to the public of financial securities in France within the meaning of Article L.411-1 of the French *Code monétaire et financier* and Title 1 of Book II of the *Règlement Général de l’Autorité des Marchés Financiers*, and has not been approved by, registered or filed with the *Autorité des marchés financiers* (the “AMF”). Therefore, the notes may not be, directly or indirectly, offered or sold to the public in France (*offre au public de titres financiers*) and this offering memorandum has not been and will not be released, issued or distributed or cause to be released, issued or distributed to the public in France or used in connection with any offer for subscription or sales of the notes to the public in France. Offers, sales and distributions have only been and shall only be made in France to: (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour le compte de tiers*), (ii) qualified investors (*investisseurs qualifiés*) and/or (iii) a limited group of investors (*cercle restreint d’investisseurs*) acting solely for their own account, all as defined in and in accordance with Articles L.411-2, D.411-1 to D.411-4, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*. Prospective investors are informed that (a) this offering memorandum has not been and will not be submitted for clearance to the AMF, (b) in compliance with Articles L.411-2 and D.411-1 through D.411-4 of the French *Code monétaire et financier*, any investors subscribing for the notes should be acting for their own account and (c) the direct and indirect distribution or sale to the public of the notes acquired by them may only be made in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L. 621-8-3 of the French *Code monétaire et financier*.

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### **NOTICE TO AUSTRIAN INVESTORS**

This offering memorandum has not been or will not be approved and/or published pursuant to the Austrian Capital Markets Act (*Kapitalmarktgesetz*), as amended. Neither this offering memorandum nor any other document connected therewith constitutes a prospectus according to the Austrian Capital Markets Act and neither this offering memorandum nor any other document connected therewith may be distributed, passed on or disclosed to any other person in Austria. No steps may be taken that would constitute a public offering of the notes in Austria and the Offering of the notes may not be advertised in Austria. Any offer of the notes in Austria will only be made in compliance with the provisions of the Austrian Capital Markets Act and all other laws and regulations in Austria applicable to the offer and sale of the notes in Austria.

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### **NOTICE TO IRISH INVESTORS**

The notes are not being offered or sold to any person in Ireland, except in circumstances which will not result in an offer of securities to the public in Ireland within the meaning of Regulation 9 of the Prospectus (Directive 2003/871/EC) Regulations 2005 (as amended, the “Irish Prospectus Regulations”). This offering memorandum does not constitute a prospectus for the purposes of the Irish Prospectus Regulations and has not been approved by the Central Bank of Ireland.

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### **NOTICE TO BELGIAN INVESTORS**

No action has been taken or will be taken in Belgium to permit a public offer of the notes in accordance with the Belgian Act of 16 June 2006 on the public offer of securities and admission of securities to trading on a regulated market (i.e. the Belgian Prospectus Act) and no notes may be offered or sold to persons in Belgium unless either such persons are

qualified investors within the meaning of Article 10 of the Belgian Prospectus Act or one or more other exemptions available under Article 3 of the Belgian Prospectus Act apply.

## PRESENTATION OF FINANCIAL AND NON-GAAP INFORMATION

### Group Restructuring

On January 31, 2011, the Issuer replaced INEOS Group Holdings plc (INEOS Group Holdings Limited since February 2, 2011) as the issuer of the 2016 IGH Notes (as defined herein) and the parent under the 2015 Senior Secured Notes Indenture (as defined herein). Several new Luxembourg, Swiss and UK subsidiaries were formed and integrated into the INEOS structure above INEOS Holdings Limited and INEOS Group Holdings Limited, but below the Issuer. The new subsidiaries acceded to, *inter alia*, the 2015 Senior Secured Notes Indenture and the 2016 IGH Notes Indenture (each as defined herein) as guarantors on January 31, 2011 (see “Summary—Summary Corporate and Financing Structure”).

Prior to January 31, 2011, the reporting entity for the Group’s financial statements was the UK entity, INEOS Group Holdings plc. Effective January 31, 2011, the reporting entity for the Group’s financial statements is the Issuer. As a result of the restructuring, INEOS Group Holdings plc (INEOS Group Holdings Limited since February 2, 2011) became an indirect wholly owned subsidiary of the Issuer, and the financial information of INEOS Group Holdings Limited is now incorporated into the accounts of the Issuer. This internal restructuring did not materially change the financial statements of the Group (beyond the change in structure) or the scope or nature of activities of the Group for the year ended December 31, 2011. The financial information described below reflects this change in the Group’s structure.

### Financial Information

The audited consolidated financial statements of the Issuer included in this offering memorandum for the years ended December 31, 2012 and December 31, 2011 have been audited by PricewaterhouseCoopers, *Société coopérative* in accordance with International Standards of Auditing (“ISAs”). The consolidated financial statements have been prepared in accordance with IFRS (as defined herein). For a complete description of the accounting principles followed in preparing the Issuer’s consolidated financial statements, please see Note 1 “Accounting Policies—Basis of preparation” to the audited consolidated financial statements of the Issuer (audited in accordance with ISAs) included elsewhere in this offering memorandum.

The audited consolidated financial statements of INEOS Group Holdings plc as of and for the year ended December 31, 2010, included in this offering memorandum, have been audited by PricewaterhouseCoopers LLP in accordance with ISAs. The consolidated financial statements have been prepared in accordance with IFRS. For a complete description of the accounting principles followed in preparing INEOS Group Holdings plc’s consolidated financial statements, please see Note 1 “Accounting Policies—Basis of preparation” to the audited consolidated financial statements of INEOS Group Holdings plc (audited in accordance with ISAs) included elsewhere in this offering memorandum.

The unaudited condensed consolidated interim financial statements of the Issuer as of and for the three months ended March 31, 2013, included elsewhere in this offering memorandum, have been prepared in accordance with IFRS. For a complete description of the accounting principles followed in preparing such unaudited condensed consolidated interim financial statements, please see Note 1 “Basis of preparation” and Note 2 “Principal Accounting Policies” to the unaudited condensed consolidated interim financial statements of the Issuer included elsewhere in this offering memorandum.

### Restatement of Certain Financial Information

In the year ended December 31, 2011, the Issuer entered into a corporate restructuring, whereby the Issuer is now the parent company of the Group (previously INEOS Group Holdings plc). The Group has used accounting principles for entities under common control for this restructuring and accordingly the audited consolidated financial statements of the Issuer for the years ended December 31, 2012 and December 31, 2011 present comparable financial statements for the year ended December 31, 2010, as if the Issuer had always been the parent company. In addition, the indirect parent company of INEOS Group Holdings plc, INEOS Limited, and two of INEOS Limited’s subsidiaries are now subsidiaries of the Issuer as a result of the group restructuring. In accordance with the accounting principles for entities under common control, the comparative financial information has been restated such that it has been presented as if such subsidiaries were always part of the consolidated group. For further details and the amount of the impact for each year and for each line item, refer to Note 1 “Accounting Policies—Basis of accounting” of the audited consolidated financial statements of the Issuer as of and for the years ended December 31, 2012 and December 31, 2011.

In addition, during the year ended December 31, 2011, the Issuer approved a plan to dispose of the Refining Business (see “Refining Divestiture”). In accordance with IFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations”, these operations were classified as a disposal group, which resulted in the income statements for the comparative year ending December 31, 2010 being restated so as to present the net profit from the Refining Business as discontinued operations. For further details and the amount of the impact for each year and for each line item, refer to Note 3 “Disposals” of the audited consolidated financial statements of the Issuer as of and for the years ended December 31, 2011 and December 31, 2012.

### **Use of Non-GAAP Financial Measures**

We have presented certain information in this offering memorandum based on non-GAAP measures. As used in this offering memorandum, this information includes “EBITDA before exceptionals.”

EBITDA before exceptionals represents operating profit before depreciation, amortization, impairment and exceptional charges. For the year ended December 31, 2011, the Group changed its definition of EBITDA before exceptionals to exclude share of profit/(loss) from joint ventures. In accordance with IFRS, we use both the first in first out (“FIFO”) and weighted average cost methods of accounting for purposes of determining our inventory cost in connection with the preparation of our audited annual consolidated financial statements. EBITDA before exceptionals is based on the FIFO and weighted average cost methods of accounting for inventory used in connection with the preparation of such financial statements. EBITDA before exceptionals is derived from income statement line items calculated in accordance with IFRS on historical cost basis.

EBITDA before exceptionals is not a measure of financial performance under IFRS. This EBITDA-based measure is a non-GAAP measure. We believe that the presentation of EBITDA before exceptionals enhances an investor’s understanding of our financial performance. However, EBITDA-based measures should not be considered in isolation or viewed as a substitute for operating profit, profit, cash flows from operating activities or other measures of performance as defined by IFRS. EBITDA before exceptionals, as used herein, is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the method of calculation. Our management has used, and expects to use, EBITDA before exceptionals to assess operating performance and to make decisions about allocating resources among our various segments. In assessing our overall performance and the performance of each of our segments, management reviews EBITDA before exceptionals as a general indicator of performance compared to prior periods. Furthermore, management and employee bonuses can be linked to the EBITDA before exceptionals performance of the business and the region in which they work. Our EBITDA before exceptionals excludes items that management does not consider in assessing operating performance. Our management believes it is useful to eliminate such items because it allows management to focus on what it considers to be a more meaningful indicator of operating performance and ability to generate cash flow from operations.

The information presented by EBITDA before exceptionals is unaudited and has not been prepared in accordance with IFRS or any other accounting standards. In addition, the presentation of these measures is not intended to and does not comply with the reporting requirements of the SEC; compliance with its requirements would require us to make changes to the presentation of this information.

We present in this offering memorandum certain pro forma financial data which has been adjusted to give pro forma effect to the Transactions. Please see “Summary—Summary Historical Condensed Consolidated Financial Information and Other Financial Data.” Our historical results may not be indicative of our future results following consummation of the Transactions. The pro forma financial data has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, the Prospectus Directive or any generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting pro forma financial data have been audited or reviewed in accordance with any generally accepted auditing standards.

### **Presentation**

Rounding adjustments have been made in calculating some of the financial information included in this offering memorandum. Figures shown as totals in some tables and elsewhere may not be exact arithmetic aggregations of the figures that precede them.

In this offering memorandum, unless otherwise indicated: all references to the “EU” are to the European Union; all references to “euro” or “€” are to the lawful currency of the European Union; all references to the “U.K.” or the “UK” are to the United Kingdom; all references to “pounds sterling,” “sterling,” “Sterling,” “British pounds” or “£” are to the lawful currency of the United Kingdom; all references to the “United States” or the “U.S.” are to the United States of America; and all references to “U.S.\$,” “U.S. dollars,” “dollars” or “\$” are to the lawful currency of the United States.

## CERTAIN DEFINITIONS

Unless indicated otherwise in this offering memorandum or the context requires otherwise:

- all references to “**INEOS Group**”, “**INEOS**”, “**Group**”, “**we**”, “**us**” or “**our**” are to INEOS Group Holdings S.A. and its consolidated subsidiaries;
- all references to the “**Issuer**”, “**2016 IGH Notes Issuer**”, “**Parent**” or “**IGH**” are to INEOS Group Holdings S.A. and not to any of its subsidiaries;
- all references to “**INEOS AG**” are to INEOS AG, the ultimate parent of IGH, through its controlling interest in the voting share capital of IH;
- all references to “**INEOS Holdings**” or “**IHL**” are to INEOS Holdings Limited, the direct parent company of the 2015, 2019 and 2020 Senior Secured Notes Issuer and an indirect wholly owned subsidiary of the Issuer;
- all references to “**INEOS Capital**” are to INEOS Capital Limited or to INEOS Capital Partners;
- all references to “**IEL**” are to INEOS Europe Limited, which is not part of the Group following the Refining Divestiture but is owned by the Entrepreneurial (Refining) Business JV;
- all references to “**IH**” are to INEOS Holdings AG, an indirect parent company of the Issuer;
- all references to “**U.S. Borrower**” are to INEOS US Finance LLC;
- all references to the “**2015, 2019 and 2020 Senior Secured Notes Issuer**” are to INEOS Finance plc;
- all references to the “**2005 Facilities Agreement**” are to the multicurrency term and revolving facilities agreement, dated December 14, 2005, as subsequently amended, supplemented, varied or restated from time to time, made between, among others, INEOS Holdings, INEOS Group Holdings plc, Barclays Bank PLC and certain Group lenders;
- all references to “**2005 Senior Secured Credit Facilities**” are to the facilities under the 2005 Facilities Agreement, all of which were repaid in full on or before July 1, 2011;
- all references to the “**2010 Senior Facilities Agreement**” are to the multicurrency term and revolving facilities agreement, dated May 12, 2010, as subsequently amended, supplemented, varied or restated from time to time, made between, among others, IGL, IHL, certain subsidiaries of the Issuer, Barclays Bank PLC and certain lenders;
- all references to the “**2010 Senior Secured Credit Facilities**” are to the facilities under the 2010 Senior Facilities Agreement, all of which were repaid in full on or before May 4, 2012;
- all references to the “**2015 Senior Secured Notes Proceeds Loans**” are to the loans advanced under the loan agreement, dated May 12, 2010, between INEOS Finance plc, as lender, and IHL, as borrower, pursuant to which the gross proceeds of the 2015 Senior Secured Notes issuance were advanced to IHL, as amended or partially repaid from time to time;
- all references to the “**2015 Senior Secured Notes Indenture**” are to the indenture dated May 12, 2010, between INEOS Finance plc, as issuer, the guarantors named therein, The Bank of New York Mellon, as trustee, principal paying agent and transfer agent, The Bank of New York Mellon, as U.S. paying agent and transfer agent, The Bank of New York Mellon (Luxembourg) S.A., as registrar, Luxembourg paying agent and Luxembourg Transfer Agent, and Barclays Bank PLC, as security trustee, as supplemented by the supplemental indentures dated as of May 27, 2010, November 9, 2010, January 31, 2011, January 31, 2011, March 15, 2011, April 1, 2011, May 31, 2011 and August 13, 2012, pursuant to which the 2015 Senior Secured Notes were issued;

- all references to the “**2015 Senior Secured Notes**” are to the €300,000,000 aggregate principal amount of 9<sup>1</sup>/<sub>4</sub>% Senior Secured Notes due 2015 and \$570,000,000 aggregate principal amount of 9% Senior Secured Notes due 2015 issued pursuant to the 2015 Senior Secured Notes Indenture;
- all references to the “**2016 IGH Notes Proceeds Loans**” are to the loans advanced under the loan agreement, dated February 7, 2006, between the Issuer, as lender, and IHL, as borrower, pursuant to which the gross proceeds of the 2016 IGH Notes issuance were advanced to IHL, as amended or partially repaid from time to time, including the partial repayment thereof from the proceeds of the Dollar IGH Notes Proceeds Loan and the Euro IGH Notes Proceeds Loan on or about the Issue Date;
- all references to the “**2016 IGH Notes Indenture**” are to the indenture dated February 7, 2006, between the Issuer, as issuer, the guarantors named therein, The Bank of New York Mellon, as trustee, collateral agent, registrar and principal paying agent, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent and Luxembourg transfer agent, as supplemented by supplemental indentures dated as of March 16, 2006, December 20, 2006, December 22, 2006, April 23, 2007, August 31, 2007, June 26, 2008, August 29, 2008, December 19, 2008, March 30, 2009, July 30, 2009, January 14, 2010, and April 6, 2010, May 12, 2010, November 9, 2010, January 31, 2011, January 31, 2011, March 15, 2011, April 1, 2011, May 31, 2011 and August 13, 2012, pursuant to which the 2016 IGH Notes were issued;
- all references to the “**2016 IGH Notes**” are to the €1,750,000,000 aggregate principal amount of 7<sup>7</sup>/<sub>8</sub>% Senior Notes due 2016 and \$750,000,000 aggregate principal amount of 8<sup>1</sup>/<sub>2</sub>% Senior Notes due 2016 issued pursuant to the 2016 IGH Notes Indenture;
- all references to the “**2019 Senior Secured Notes Proceeds Loans**” are to the loan advanced under the loan agreement, dated February 10, 2012, between INEOS Finance plc, as lender, and IHL, as borrower, pursuant to which the gross proceeds of the 2019 Senior Secured Notes issuance were advanced to IHL, as amended or partially repaid from time to time;
- all references to the “**2019 Senior Secured Notes Indenture**” are to the indenture dated February 10, 2012, among INEOS Finance plc, as issuer, the guarantors named therein, The Bank of New York Mellon, as trustee, principal paying agent and transfer agent, The Bank of New York Mellon, as U.S. paying agent and transfer agent, The Bank of New York Mellon (Luxembourg) S.A., as registrar, Luxembourg paying agent and Luxembourg Transfer Agent, and Barclays Bank PLC, as security trustee, as supplemented by the supplemental indentures dated as of March 1, 2012 and August 13, 2012, pursuant to which the 2019 Senior Secured Notes were issued;
- all references to the “**2019 Senior Secured Notes**” are to the €500,000,000 aggregate principal amount of Floating Rate Notes due 2019 and \$1,000,000,000 aggregate principal amount of 8<sup>3</sup>/<sub>8</sub>% Senior Secured Notes due 2019 issued pursuant to the 2019 Senior Secured Notes Indenture;
- all references to the “**2020 Senior Secured Notes Proceeds Loans**” are to the loan advanced under the loan agreement, dated May 4, 2012, between INEOS Finance plc, as lender, and IHL, as borrower, pursuant to which the gross proceeds of the 2020 Senior Secured Notes issuance were advanced to IHL, as amended or partially repaid from time to time;
- all references to the “**2020 Senior Secured Notes Indenture**” are to the indenture dated May 4, 2012, among INEOS Finance plc, as issuer, the guarantors named therein, The Bank of New York Mellon, as trustee, principal paying agent and transfer agent, The Bank of New York Mellon, as U.S. paying agent and transfer agent, the Bank of New York Mellon (Luxembourg) S.A., as registrar, Luxembourg paying agent and Luxembourg transfer agent and Barclays Bank PLC, as security trustee, as supplemented by the supplemental indentures dated as of May 29, 2012 and August 13, 2012, pursuant to which the 2020 Senior Secured Notes were issued;
- all references to the “**2020 Senior Secured Notes**” are to the \$775,000,000 aggregate principal amount 7<sup>1</sup>/<sub>2</sub>% Senior Secured Notes due 2020 issued pursuant to the 2020 Senior Secured Notes Indenture;



- all references to “**Additional Guarantors**” are to the additional subsidiaries of the Issuer that were required to guarantee the notes no later than 30 days after the Issue Date, and which additional subsidiaries granted such guarantees on June 5, 2013. See “Description of the Collateral and the Guarantees—Post-Closing Date”;
- all references to the “**Amendment Agreement**” are to the amendment agreement, dated as of May 8, 2013, as subsequently amended, supplemented, varied, novated, extended or replaced from time to time, among, *inter alios* INEOS Finance plc and INEOS US Finance LLC, as borrowers, certain subsidiaries of the Issuer, Barclays Bank PLC and certain lenders, and pursuant to which the Senior Secured Term Loans Agreement was amended and restated in order to, *inter alia*, (i) decrease the interest rate applicable to all credit facilities made available under the Senior Secured Term Loans Agreement, (ii) add additional euro term loans and dollar term loans and (iii) make other amendments to the Senior Secured Term Loans Agreement, as further described under the captions “The Transactions” and “Description of Other Indebtedness—Senior Secured Term Loans”;
- all references to “**BP**” or “**BP Group**” are to BP p.l.c. and its consolidated subsidiaries;
- all references to the “**BP Credit Documents**” have the meaning ascribed to the term under the Intercreditor Deed;
- all references to the “**BP Creditor Liabilities**” are to all present and future liabilities and obligations owed by certain of the Guarantors to certain members of BP under or in connection with the BP Credit Documents and certain underlying trading agreements with BP, as further described under “Business—Agreements with BP—Related Agreements”;
- all references to the “**BP Receivables**” are to those receivables owing to certain of our subsidiaries which are either owed by any member of BP or guaranteed by any member of BP;
- all references to the “**Collateral**” are to the IHL Pledged Shares and the Proceeds Loans and any future collateral securing the notes;
- all references to the “**Collateral Agent**” are to The Bank of New York Mellon, London Branch, in its capacity as collateral agent under the Indenture;
- all references to the “**Credit Support Deed**” have the meaning ascribed to the term under the caption “Business—Agreements with BP—Related Agreements—The Credit Support Deed”;
- all references to the “**Dollar IGH Notes Proceeds Loan**” are to the loan advanced under the loan agreement dated May 8, 2013, between the Issuer, as lender, and IHL, as borrower, pursuant to which the Issuer advanced the gross proceeds of the Dollar IGH Notes to IHL in order to allow IHL to in part repay the 2016 IGH Notes Proceeds Loans;
- all references to the “**Entrepreneurial (Refining) Business**” are to the entrepreneurial activities related to the Refining Business, which include the sales and distribution of refining products through an entrepreneur business model;
- all references to the “**Entrepreneurial (Refining) Business JV**” are to the joint venture that, following the Refining Divestiture, operates the Entrepreneurial (Refining) Business and is owned by PetroChina (50.1%) and INEOS Investments (49.9%);
- all references to the “**Euro IGH Notes Proceeds Loan**” are to the loan advanced under the loan agreement, dated May 8, 2013, between the Issuer, as lender, and IHL, as borrower, pursuant to which the Issuer advanced the gross proceeds of the Euro IGH Notes to IHL in order to allow IHL to in part repay the 2016 IGH Notes Proceeds Loans;
- all references to the “**Existing Indentures**” are to the 2016 IGH Notes Indenture, the 2019 Senior Secured Notes Indenture and the 2020 Senior Secured Notes Indenture, collectively;

- all references to the “**Existing Notes**” are to the 2016 IGH Notes, the 2019 Senior Secured Notes and the 2020 Senior Secured Notes, collectively;
- all references to the “**Existing Notes Trustees**” are to The Bank of New York Mellon in its capacity as trustee under each of the Existing Indentures;
- all references to the “**Existing Senior Secured Term Loans**” are to the credit facilities which have been made available under the Senior Secured Term Loans Agreement as at May 2, 2013, as further described under the caption “Description of Other Indebtedness—Senior Secured Term Loans”;
- all references to the “**Films Business**” are to the global films business which was sold to the Bilcare group on September 1, 2010;
- references to the “**Fluor CDM Business**” are to the portion of our fluorochemical business that we retained following the sale of our other property and assets used in connection with the fluorochemical business to Mexichem, S.A.B. de C.V. on March 31, 2010;
- all references to the “**Guarantors**” are to the Initial Stage Guarantors and Additional Guarantors, collectively;
- all references to “**IFRS**” are to the International Financial Reporting Standard as adopted by the European Union;
- all references to the “**IHL Pledged Shares**” are to 100% of the capital stock of IHL;
- all references to the “**Indenture**” are to the indenture governing the notes;
- all references to the “**Infrastructure Entity**” are to INEOS Infrastructure (Grangemouth) Limited, an entity that acquired certain infrastructure assets at Grangemouth, Scotland (principally a power station in Grangemouth, Scotland, and a terminal and other facilities), and which, following the Refining Divestiture, is jointly owned by INEOS Investments (50.0%) and the Refining Business JV (50.0%);
- all references to the “**Initial Stage Guarantors**” are to the entities guaranteeing the obligations of the Issuer under the notes on the Issue Date. See “Description of the Collateral and the Guarantees—Issue Date”;
- all references to the “**initial purchasers**” are to Citigroup Global Markets Limited, Goldman Sachs International, UBS Limited, Barclays Bank PLC, ING Bank N.V., London Branch, J.P. Morgan Securities plc, J.P. Morgan Securities LLC, Lloyds Securities Inc. and Merrill Lynch International, collectively;
- all references to “**Innovene**” and the “**Innovene business**” refer to (a) all of BP’s petrochemical operating units for olefins, polymers and other derivatives but excluding BP’s Pasadena LAO operations, the Gelsenkirchen naphtha cracking operations and the Munchmunster olefins operation (“O&D”), (b) two integrated refinery plants in Grangemouth, United Kingdom and Lavéra, France, (c) a gas fractionator located in Hobbs, New Mexico and certain related pipelines and (d) existing O&D strategic joint venture investments other than BP’s joint ventures with SECCO and in Malaysia, prior to giving effect to the Innovene Acquisition;
- all references to the “**Innovene Acquisition**” are to the purchase by the INEOS Group on December 16, 2005 of all of the shares and assets comprising the Innovene business pursuant to the Innovene Acquisition Agreement;
- all references to the “**Innovene Acquisition Agreement**” are to the Share Sale and Purchase Agreement dated October 7, 2005, as amended from time to time, among certain subsidiaries of BP, IHL, certain subsidiaries of IHL and INEOS Group Limited;
- all references to the “**Issue Date**” are to May 14, 2013;
- all references to the “**Intercreditor Deed**” are to the intercreditor deed dated May 12, 2010, as amended and restated on December 23, 2010, as amended on February 18, 2011, February 6, 2012 and May 4, 2012, as

further amended and restated on May 8, 2013, and as subsequently amended, supplemented, varied or restated from time to time, among, *inter alios*, the Issuer, the guarantors acceded thereto, the facility agent under the Senior Secured Term Loans Agreement, Barclays Bank plc, as security trustee, the Existing Notes Trustees and the Trustee;

- all references to the “**INEOS ChlorVinyls Business**” are to the businesses and assets of the INEOS Group engaged in the production of chlor-alkali and PVC, which were split-off in an indirect sale to Kerling on January 22, 2010;
- all references to “**INEOS Investments**” are to INEOS Investments (Jersey) Limited, an entity that is controlled by the principal shareholders of the Issuer, is not a member of the INEOS Group (but in which the INEOS Group holds certain ordinary shares and is and will be consolidated into our financial statements for so long as we retain the majority of the economic benefits of the entity) and, as a result of the Refining Divestiture, owns a 50.1% interest in the Refining Business JV, a 49.9% interest in the Entrepreneurial (Refining) Business JV, a 50.0% direct interest in the Infrastructure Entity and a 25.05% indirect interest in the Infrastructure Entity by virtue of its 50.1% stake in the Refining Business JV;
- all references to “**INEOS Nova JV**” are to the joint venture partnerships in Europe and North America with Nova Chemicals;
- all references to “**Kerling**” are to Kerling plc, an affiliate of ours that is indirectly controlled by our controlling shareholders, and its consolidated subsidiaries;
- all references to the “**LC Facility**” are to the on-demand letter of credit facility entered into by INEOS Treasury (UK) Limited on May 4, 2012, as further described under the caption “Description of Other Indebtedness—Letter of Credit Facility”;
- all references to “**Lux I**” are to INEOS Luxembourg I S.A., which is a direct subsidiary of the Issuer;
- all references to “**Lux II**” are to INEOS Luxembourg II S.A., which is a direct subsidiary of Lux I;
- all references to the “**Master Bilateral Netting Deed**” have the meaning ascribed to the term under the caption “Business—Agreements with BP—Related Agreements—The Master Bilateral Netting Deed”;
- all references to the “**New Senior Secured Term Loans**” are to the additional credit facilities that were made available under the Senior Secured Term Loans Agreement on the Issue Date;
- all references to the “**Offering**” are to the offering of the notes hereby and the use of proceeds received therefrom as further described under the caption “Use of Proceeds”;
- all references to the “**Proceeds Loans**” are to the 2016 IGH Notes Proceeds Loans, the Dollar IGH Notes Proceeds Loan and the Euro IGH Notes Proceeds Loan, collectively, and the agreements in respect thereof;
- all references to “**PetroChina**” are to PetroChina International (London) Company Limited or one or more of its affiliates, as the context may require;
- all references to the “**Refining and Entrepreneurial JVs**” are to the Refining Business JV and the Entrepreneurial (Refining) Business JV, collectively;
- all references to the “**Refining Business**” are to the refining business, consisting principally of the crude oil refining operations carried out at the refineries located at Grangemouth, Scotland, and Lavéra, France, as reported on the historical financial statements of the Issuer under the Refining segment;
- all references to the “**Refining Business JV**” are to the joint venture that, following the Refining Divestiture, operates the Refining Business and is owned by PetroChina (49.9%) and INEOS Investments (50.1%);

- all references to the “**Refining Divestiture**” are to the disposal on July 1, 2011, by subsidiaries of Lux I of (i) the Refining Business and the Entrepreneurial (Refining) Business to joint ventures formed between PetroChina and INEOS Investments and (ii) the Infrastructure Entity to a joint venture formed by INEOS Investments (50.0%) and the Refining Business JV (50.0%);
- all references to the “**Security Assignment**” have the meaning ascribed to the term under the caption “Business—Agreements with BP—Related Agreements—The Security Assignment”;
- all references to “**Securitization Program**” are to the securitization program as further described under the caption “Description of Other Indebtedness—Securitization Program”;
- all references to “**Senior Secured Note Documents**” have the meaning ascribed to the term in the Intercreditor Agreement, including but not limited to the 2019 Senior Secured Notes Indenture and the 2020 Senior Secured Notes Indenture;
- all references to “**Senior Secured Term Loans**” are to the Existing Senior Secured Term Loans and the New Senior Secured Term Loans, collectively;
- all references to the “**Senior Secured Term Loans Agreement**” are to the credit agreement dated as of April 27, 2012, among, *inter alios*, INEOS Finance plc and INEOS US Finance LLC, as borrowers, certain subsidiaries of the Issuer, Barclays Bank PLC and certain lenders, as subsequently amended (including by the Amendment Agreement), supplemented, varied, novated, extended or replaced from time to time under one or more credit facilities;
- all references to “**Styrolution**” are to Styrolution Group GmbH, in which our controlling shareholders (through a joint venture) indirectly own a 50.0% interest, and its consolidated subsidiaries;
- all references to “**subsidiaries**” are to all, whether operating or non-operating, the direct and indirect subsidiaries of the Issuer in the Group;
- all references to the “**Swiss Reorganization**” are to the corporate reorganization as further described under the caption “Summary—Swiss Reorganization”;
- all references to the “**Transactions**” are, collectively, to the issuance of the notes, the repricing of the Existing Senior Secured Term Loans in accordance with the terms of the Amendment Agreement, the borrowing of New Senior Secured Term Loans under the Senior Secured Term Loans Agreement, the redemption of the 2015 Senior Secured Notes with the proceeds of the New Senior Secured Term Loans and the redemption of the U.S. dollar-denominated 2016 IGH Notes and €500 million aggregate principal amount of the euro-denominated 2016 IGH Notes with the proceeds of the Offering, as further described under the captions “Transactions” and “Summary—Recent Developments”; and
- all references to the “**Trustee**” are to the Bank of New York Mellon, London Branch in its capacity as trustee under the Indenture.

**Unless otherwise stated, references to capacities of INEOS’ facilities refer to the “nameplate capacities,” or theoretical maximum production capacity of such facilities; the effective capacity of such facilities may, however, in fact be more or less than the nameplate capacity due to the current operating conditions and asset configuration of each facility.**

All references to “**tonnes**” are to metric tonnes.

We have provided definitions for some of the industry terms used in this offering memorandum in the “Glossary of Selected Terms” beginning on page G-1 of this offering memorandum.

## EXCHANGE RATE INFORMATION

The following table sets forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate (New York) expressed as U.S. dollars per €1.00. The Bloomberg Composite Rate is a “bestmarket” calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. We do not represent that the U.S. dollar amounts referred to below could be or could have been converted into euro at any particular rate indicated or any other rate.

<u>Year</u>	<u>U.S. dollars per €1.00</u>			
	<u>High</u>	<u>Low</u>	<u>Average<sup>(1)</sup></u>	<u>Period end</u>
2008 .....	1.5992	1.2454	1.4710	1.3973
2009 .....	1.5134	1.2531	1.3953	1.4326
2010 .....	1.4513	1.1923	1.3210	1.3387
2011 .....	1.4830	1.2907	1.3982	1.2959
2012 .....	1.3458	1.2061	1.2909	1.3192
<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Average<sup>(2)</sup></u>	<u>Period end</u>
October 2012 .....	1.3118	1.2874	1.2970	1.2960
November 2012 .....	1.2986	1.2704	1.2838	1.2986
December 2012 .....	1.3244	1.2928	1.3127	1.3192
January 2013 .....	1.3577	1.3049	1.3302	1.3577
February 2013 .....	1.3641	1.3056	1.3339	1.3056
March 2013 .....	1.3107	1.2780	1.2957	1.2820
April 2013 .....	1.3177	1.2820	1.3025	1.3168
May 2013 .....	1.3180	1.2839	1.2978	1.2998
June 2013 (through to June 10, 2013) .....	1.3257	1.3076	1.3162	1.3257

(1) The average of the Bloomberg Composite Rates on the last business day of each month during the relevant period.

(2) The average of the exchange rates on each business day during the relevant period.

The Bloomberg Composite Rate of the euro on June 10, 2013, was U.S. \$1.3257 per €1.00.

The above rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this offering memorandum. Our inclusion of these exchange rates is not meant to suggest that the euro amounts actually represent such dollar amounts or that such amounts could have been converted into dollars at any particular rate, if at all. For a discussion of the impact of the exchange rate fluctuations on our financial condition and results of operations, see “Operating and Financial Review and Prospects.”

## FORWARD-LOOKING STATEMENTS

This offering memorandum includes “forward-looking statements,” within the meaning of the U.S. securities laws and certain other jurisdictions, based on our current expectations and projections about future events, including:

- the cyclical and highly competitive nature of our businesses;
- our high degree of leverage and significant debt service obligations, as well as our ability to generate sufficient cash flow to service our debt;
- risks associated with our structure, the Offering and our other indebtedness;
- 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;
- our relationship with our shareholders; and
- our estimates of our results for the quarter ended March 31, 2013.

All statements other than statements of historical facts included in this offering memorandum, including, without limitation, statements regarding our future financial position, risks and uncertainties related to our business, 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, including those identified under the “Risk Factors” section in this offering memorandum. Words such as “believe,” “expect,” “anticipate,” “may,” “assume,” “plan,” “intend,” “will,” “should,” “estimate,” “risk” 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. Any forward-looking statement

speaks only as of the date on which it is made and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this offering memorandum, including those set forth under the section entitled “Risk Factors.”

The risks described in the “Risk Factors” section in this offering memorandum are not exhaustive. Other sections of this offering memorandum describe additional factors that could adversely affect our business, financial condition or results of operations. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results.

## **TAX CONSIDERATIONS**

Prospective purchasers of the notes are advised to consult their own tax advisors as to the consequences of purchasing, holding and disposing of the notes, including, without limitation, the application of U.S. Federal tax laws to their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction, and the consequences of purchasing the notes at a price other than the initial issue price in the Offering. See “Certain Tax Considerations.”

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## **TRADEMARKS AND TRADE NAMES**

We own or have rights to certain trademarks or trade names that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company appearing in this offering memorandum is the property of its respective holder.

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## **HISTORICAL AND CURRENT MARKET AND INDUSTRY DATA**

Historical and current market data used throughout this offering memorandum were obtained from internal company analyses, consultants’ reports and industry publications. In particular, information has been provided by Nexant Limited (“Nexant”) and PCI Acrylonitrile Limited, each company an industry consultant. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of information contained therein is not guaranteed. While we accept responsibility for the accurate extraction and reproduction of this market data, we have not independently verified such data and cannot guarantee its accuracy or completeness. In addition, certain statements in this offering memorandum regarding the petrochemical industry, our position in that industry and our market share are based on internal company estimates, our experience and investigations of market conditions and our review of industry positions. We cannot assure you that any of the assumptions underlying those statements are accurate or correctly reflect our position in the industries. Similarly, internal company analyses, while believed by us to be reliable, have not been verified by any independent sources, and we do not make any representation as to the accuracy of such information. While we are not aware of any misstatements regarding any industry or similar data presented herein, such data involve risks and uncertainties and are subject to change based on various factors, including those discussed under the “Risk Factors” section in this offering memorandum.

This offering memorandum makes reference to certain information taken from reports prepared by Nexant and PCI Acrylonitrile Limited. These reports were generally not prepared specifically for INEOS and in most cases relate to general industry analysis.

Each of Nexant and PCI Acrylonitrile Limited conducted its analysis and prepared its reports utilizing reasonable care and skill in applying methods of analysis consistent with normal industry practice. All results are based on information available at the time of review. Changes in factors upon which the review was based could affect the results. Forecasts are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including the actions of government, individuals, third parties and competitors. There is no implied warranty of merchantability or fitness for a particular purpose to apply.

Some of the information on which the Nexant and PCI Acrylonitrile Limited reports are based has been provided by others. Nexant and PCI Acrylonitrile Limited have utilized such information without verification unless specifically noted otherwise. Nexant and PCI Acrylonitrile Limited accept no liability for errors or inaccuracies in information provided by others.



## SUMMARY

*This summary highlights selected information contained elsewhere in this offering memorandum. It is not complete and does not contain all the information that you should consider before investing in the notes. The following summary should be read in conjunction with and is qualified in its entirety by the more detailed information included elsewhere in this offering memorandum. You should read the entire offering memorandum, including the more detailed information in the financial information and the related notes included elsewhere in this offering memorandum, before making an investment decision. See the section entitled "Risk Factors" for factors that you should consider before investing in the notes and the section entitled "Forward-Looking Statements" for information relating to the statements contained in this offering memorandum that are not historical facts. As described in "Presentation of Financial and Non-GAAP Information", certain line items in the income statement, balance sheet and statement of cash flows for the comparative periods presented in the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2011 were restated to present the Refining Business as a discontinued operation and to reflect the group restructuring.*

### Overview

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 and a strong and stable customer base. 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. We are led by a highly experienced management team with, on a combined basis, over 100 years of experience in the chemical industry. 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.

We operate our business through three segments: Olefins & Polymers Europe, Olefins & Polymers North America and Chemical Intermediates. Prior to the consummation of the Refining Divestiture, we also operated a fourth segment, Refining. See "The Refining Divestiture." The products we manufacture are derived from crude oil and natural gas, and include olefins, polymers and various petrochemical products directly or indirectly derived from olefins. Our products serve a broad and diverse range of end markets, including packaging, construction, automotive, white goods/durables, agrochemicals and pharmaceuticals.

Our highly integrated, world class production facilities and technological know-how allow us to process raw materials into higher value added products. We own five sites integrated with crackers and polymer units, two of which are integrated with the refineries we disposed of in connection with the Refining Divestiture. Typically, these five sites account for approximately 80% of our olefin and polymer volumes. The Refining Divestiture was principally a disposal of the Refining segment of the Issuer, as reported on our financial statements. In connection with the Refining Divestiture, we entered into several contractual arrangements with the Refining and Entrepreneurial JVs and the Infrastructure Entity to ensure our sites continue to benefit from the feedstocks that the refineries provide. See "The Refining Divestiture." In addition, we will continue to benefit from shared utilities and infrastructure assets located at these sites. In Europe, approximately 80% of our ethylene and propylene output is typically sold internally. The polyolefins plants on our four major sites in Europe receive more than 95% of their feedstock supply from our integrated crackers. Similarly, in the United States, much of our olefin feedstock requirements for our polymer business is supplied by either our Chocolate Bayou cracker in Texas or by integrated third party facilities, such as the BP Carson facility in California. We believe that with our highly integrated facilities we are able to capture attractive margins across the value chain, enjoy greater certainty of feedstock supply, reduce logistical costs, improve energy management and optimize our product slate.

We benefit from the cost advantages of operating large-scale, well-invested, highly integrated facilities strategically located near major transportation facilities and customer locations. Since January 1, 2007, we and our predecessors have invested more than €2.3 billion (including investments in divested assets) in our production facilities to ensure that they operate efficiently, resulting in integrated, state-of-the-art production units. We believe these investments allow us to operate at lower cost and higher utilization rates than most of our competitors, and enable us to maintain positive margin and cash flows even during downturns in industry cycles or customer demand. For the year ended December 31, 2012, our revenue was €18.2 billion and our EBITDA before exceptionals was €1.5 billion.

Over the past several years, we have implemented a range of strategic initiatives designed to lower our operating costs, increase our profitability and further enhance our market position. These include fixed asset investments to expand our capacity in higher value products, to enhance productivity at our existing facilities, and to reduce our fixed cost structure

through headcount reductions, production line closures and system upgrades. In addition, we have shifted our product portfolio to focus on more differentiated products, exited low-margin businesses and implemented premium pricing strategies designed to improve our margins. We believe these initiatives provide us with a strong platform to drive growth, create significant operating leverage and position us to benefit from volume recovery in our end markets.

Since April 1998, when INEOS was established with the acquisition of the Belgian “Oxide” assets from Inspec plc, we have significantly expanded, both through a series of strategic acquisitions of businesses and assets from major chemical companies, and through organic growth. The combination of INEOS and Innovene in December 2005 represented a transformational milestone for our company, providing global scale and further upstream integration. During 2007, we acquired the Borealis petrochemical manufacturing business in Norway. In 2008, we acquired the former BP vinyl acetate monomer/ethyl acetate business in Hull, United Kingdom and the former BASF acrylonitrile business in Seal Sands, United Kingdom. In 2009, we transferred certain companies and businesses out of the INEOS Group to INEOS Industries Holdings Ltd. These businesses consumed a significant amount of cash in the three years prior to transfer and were forecast to continue to be a significant drain on cash resources (due to either difficult trading conditions or significant investment requirements over the next two to three years). The transferred businesses comprised the ABS, Styrenics, Melamines, Healthcare, Bio and Films Italia Srl businesses, together with our shareholding in the INEOS Nova JV. In 2010, we sold our ChlorVinyls business, our business associated with fluorochemicals and our global films business. In addition, on January 31, 2011, we completed the Swiss Reorganization, with the Issuer becoming the issuer in respect of the 2016 IGH Notes and the parent under the 2015 Senior Secured Notes Indenture. See “—Swiss Reorganization”.

In connection with the Refining Divestiture, we transferred our Refining Business, our Entrepreneurial (Refining) Business and certain infrastructure assets to three joint ventures, each of which is not a member of the INEOS Group but may be an “Affiliate” under the Indenture because it is owned in part by, and in some cases operated or controlled by, entities controlled by or under common control with the principal shareholders of the Issuer. Please see “The Refining Divestiture” for a further description of the disposal of our Refining Business and Entrepreneurial (Refining) Business.

## Products

The table below sets forth revenue and EBITDA before exceptionals for the year ended December 31, 2012, and the key products for our primary lines of business.

Business	For the year ended December 31, 2012		Key Products	Key End Uses
	Revenue <sup>(1)</sup>	EBITDA before exceptionals		
	(€ in millions)			
<b>O&amp;P Europe</b>	<b>7,889.0</b>	<b>122.2</b>	Benzene Butadiene Ethylene High-density polyethylene Linear low-density polyethylene Low-density polyethylene Polypropylene Propylene	Coatings Films Flexible & rigid packaging Injection molded plastics Petrochemical feedstock
<b>O&amp;P North America</b>	<b>3,443.1</b>	<b>706.0</b>	Ethylene High-density polyethylene Polypropylene Propylene	Coatings Films Flexible & rigid packaging Injection molded plastics Petrochemical feedstock

<b>Chemical Intermediates</b>	<b>9,367.0</b>	<b>688.6</b>	Acetone Acetonitrile Acrylonitrile Alkoxyates Ammonia Barex Resins Cumene Ethanolamines Ethyl acetate Ethylene glycols Ethylene oxide Glycol ether esters Glycol ethers Hydrogen cyanide Linear alpha olefins Nitric acid Oxo alcohols Phenol Poly alpha olefins Polyisobutylene Propylene glycols Propylene oxide Synthetic ethanol Vinyl acetate monomer Technology & license packages Catalyst & additive supply Environmental emission credits	Agrochemicals Automobiles Coolants Electronics Fibers Fuel additives Industrial solvents Medical Metal extraction Nylons Oil & gas processing Packaging Paints Pharmaceuticals Resins Surfactants Synthetics lubricants Water purification  General consumer applications General industrial applications
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(1) Excludes inter-segmental eliminations.

The following table provides an overview of our capacity, global market position and leading market positions with respect to key petrochemical products.

Key products	Full-year capacity as of December 31, 2012  (Kilotonnes)	Selected market positions
Ethylene .....	<b>4,692</b>	#1 in Europe #6 in U.S.
Propylene .....	<b>2,048</b>	#2 in Europe #13 in U.S.
Polyethylene .....	<b>3,046</b>	#2 in Europe #6 in U.S.
Polypropylene .....	<b>1,641</b>	#5 in Europe #6 in U.S.
Ethylene Oxide .....	<b>935</b>	#1 in Europe #8 Globally
Ethanolamines.....	<b>230</b>	#1 in U.S.* #1 Globally* #3 in Europe*
Phenol .....	<b>1,870</b>	#1 Globally #1 in Europe #3 in U.S.
Acetone.....	<b>1,139</b>	#1 Globally #1 in Europe #3 in U.S.
Acrylonitrile.....	<b>1,324</b>	#1 Globally #1 in Europe #1 in U.S.

Linear Alpha Olefins .....	<b>585</b> #3 Globally #1 in Europe #3 in U.S.
Poly Alpha Olefins .....	<b>205</b> #1 Globally #1 in Europe #1 in U.S.
Polyisobutylene.....	<b>80</b> #4 Globally* #2 in Europe*

Sources: Nexant and INEOS

\* Merchant market sales

#### *Olefins & Polymers Europe and Olefins & Polymers North America*

In our olefins and polymers businesses, we produce olefins and a broad range of polyolefin polymers. We are among the largest producers of olefins and polymers in the world. The focus of our olefins business in Europe and North America is on ethylene and propylene, which are the two largest volume olefins globally and are key building blocks for polymers. The olefins we make are primarily used as feedstock for our polymers businesses. In addition, we sell olefins to third-party customers for a variety of industrial and consumer applications, including the manufacture of plastics, rubber and fiber. In our polymers business, we focus on polyethylene and polypropylene.

We operate a total of 14 sites for olefins and polyolefins, including our large integrated olefins cracker and polyolefin facilities at Köln, Germany, Grangemouth, United Kingdom, Lavéra, France, Rafnes, Norway, and Chocolate Bayou, Texas, United States. These facilities support our highly competitive proprietary polyolefin process technologies, which are also marketed and licensed by our INEOS Technologies business in cooperation with our olefins and polymers businesses. The technologies include our cost-effective gas phase polypropylene technology, our specialized technology for high-density polyethylene and our flexible proprietary “swing” technology for both linear low-density and high-density polyethylene.

The North American and European markets for olefins and polyolefins are quite distinct, with separate pricing structures and distribution channels. As a result, each market may experience different rates of growth and levels of return. Therefore, we operate these two businesses separately and report them as two distinct segments—INEOS Olefins & Polymers Europe and INEOS Olefins & Polymers North America. For the year ended December 31, 2012, our Olefins & Polymers Europe and Olefins & Polymers North America businesses contributed €7.9 billion and €3.4 billion of revenue and €122.2 million and €706.0 million of EBITDA before exceptions, respectively, excluding inter-segmental eliminations.

#### *Chemical Intermediates*

Chemical intermediates are higher-value-added chemical products used as key components in a wide variety of consumer and industrial products. In our Chemical Intermediates business, we utilize olefins as key raw materials and produce a wide range of products including phenol, acetone, alpha olefins, synthetic ethanol, ethylene oxide and derivatives and nitriles.

We have four main product groups within our Chemical Intermediates business: INEOS Nitriles, INEOS Oligomers, INEOS Oxide and INEOS Phenol. The activities of INEOS Enterprises and INEOS Technologies are also included within Chemical Intermediates. Together they produce a wide range of products including phenol, acetone, alpha olefins, synthetic ethanol, ethylene oxide and derivatives, acrylonitrile, ammonia and nitric acid. We have a total of 17 manufacturing sites globally, with many of our plants integrated either directly with their key raw materials on-site, or integrated via pipeline connection.

We are the world’s leading producer of phenol, which is an essential starting material for a wide range of applications in the electrical/electronics, automotive, construction and household/furniture industries. Our main product in the nitriles sector is acrylonitrile, which is used in the production of acrylic fibers and acrylonitrile butadiene styrene plastic. We are also among the largest volume suppliers of linear and poly alpha olefins in the world. Additionally, we are the largest producer of ethylene oxide in Europe and have a range of associated products, including ethylene glycol, propylene oxide, propylene glycol and acetate esters.

As referenced above, through INEOS Technologies, we are a leading developer and licensor of technologies to the global petrochemical industry. This not only includes technologies for the manufacturing of polyolefins, but also those for polystyrene, nitriles, maleic anhydride, ethylene dichloride and polyvinyl chloride, and chlor-alkali. In addition, we manufacture and supply high-quality catalysts and additives in support of these technologies to major companies around the world, and also to our own manufacturing assets. For the year ended December 31, 2012, our Chemical Intermediates business contributed €9.4 billion of revenue and €88.6 million of EBITDA before exceptionals, excluding intersegmental eliminations.

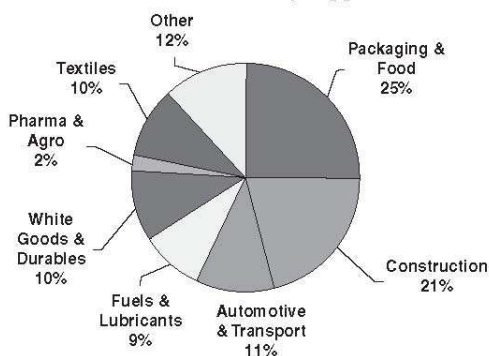
### Our Competitive Strengths

We believe that the factors set forth below provide us with a competitive advantage in the markets in which we compete:

- Diversified Portfolio of Businesses with Leading Market Positions.** We are one of the world’s largest chemical companies. We operate 28 manufacturing sites in 8 countries around the world. These assets have a total production capacity of approximately 25,000 kta as of December 31, 2012. We believe we have a top 3 or better global or regional market position in 11 of our key products, representing more than 50% of our total sales as measured by volume.

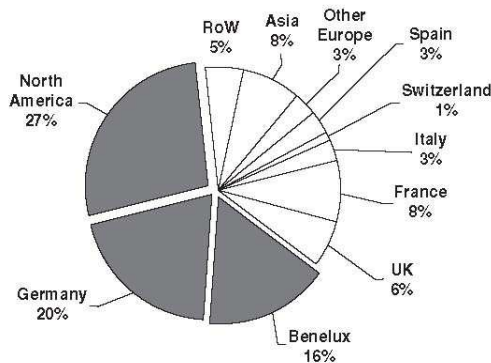
Our petrochemical products are utilized in a wide range of end-market applications. The following diagram sets forth our petrochemicals revenue by end use application in 2012.

**Petrochemicals Revenue by Application 2012**



Our petrochemical products are sold to customers in diverse geographic locations. The following diagram sets forth the group third party revenue by region in 2012.

**Group Third Party Revenue by Region 2012**



We believe that such application and market diversity reduces the effect of industry cyclicality on our results. In addition, we believe that we benefit from the fact that the supply and demand dynamics of the cycles relating to our petrochemical products are fairly independent, which helps mitigate some of the cyclicality in the industry.

- ***Vertically Integrated, World-Scale Producer.*** We have four large-scale petrochemical sites, accounting for approximately 52% of our total petrochemical production capacity. Each of these sites is integrated with a major cracker and/or polymers and derivatives unit, two of which are also integrated with the refineries disposed of in the Refining Divestiture. In connection with the Refining Divestiture, we entered into various contractual arrangements with the Refining and Entrepreneurial JVs and the Infrastructure Entity in order to continue the provision by the Refining and Entrepreneurial JVs of various feedstocks to our business on an ongoing basis. In addition, certain of these agreements provide our businesses with access to certain shared utilities and infrastructure assets located on the sites. See “The Refining Divestiture.”

We operate one of the largest single-site ethylene oxide/ethylene glycol plants in Europe and the two largest phenol plants in Europe, one of which is the largest in the world, as well as the largest single train phenol plant in North America. We operate the largest acrylonitrile facility in the world and one of the largest high-density polyethylene complexes in North America. We believe that our existing plants have sufficient capacity such that as our production volumes increase, we will be able to leverage our fixed cost base and increase our profitability.

Our sites are typically located near raw materials, refineries and associated pipeline infrastructure. We believe our highly integrated facilities provide us with the ability to capture margins across the value chain, enjoy certainty of feedstock supply (particularly for ethylene), reduce logistical costs, improve energy management, adjust the product slate to capture greater value (by selling olefins or, alternatively, by using them internally in the production of polymers or derivatives) and reduce our exposure to margin volatility as a result of changes in raw material prices. We operate large plants that permit us to spread fixed costs over large volumes of production, thereby reducing unit costs and enhancing profits.

- ***Well-Invested, Highly Efficient Production Facilities.*** Our large, well-invested plants benefit from economies of scale and favorable locations. Our acquisition activity has focused on acquiring businesses that complement our existing manufacturing facilities with well-invested physical assets from major chemical companies. In addition, each year we continue to invest in improving and expanding our facilities. Since January 1, 2007, we and our predecessors have invested more than €2.3 billion in our manufacturing assets (including investments in divested assets) to maximize efficiency and create integrated state-of-the-art production units.
- ***Extensive Portfolio of Leading Proprietary Technologies.*** We are a leading developer and licensor of manufacturing technologies for our own use and for the global petrochemical industry. We use our own production technologies for the manufacturing of our key products, and believe that they enable us to be one of the lowest cost producers and provide us with a significant competitive advantage in terms of product quality. Our proprietary technologies, including our gas phase polyethylene, gas phase polypropylene, slurry high-density polyethylene and acrylonitrile technologies, are positioned around our key products. In addition, our technologies are widely licensed to industry participants and they are often integrated into new chemical plant design and construction. For example, we believe that our acrylonitrile technology is used in more than 90% of the world’s acrylonitrile production capacity.

We believe there is significant potential for additional licensing arrangements across our portfolio. We have grown our licensing business market share in all product lines, and, on the basis of market share data, we are the leading licensor of polyethylene, polypropylene, polyvinyl chloride, vinyl chloride monomer and ethylene dichloride technologies. Our technology licensing contracts often lead to ongoing relationships to supply high-quality catalysts and additives, and provide on-site support. INEOS engineers are deployed to provide support and collaborate with our licensees to ensure proper technology deployment and performance quality. We believe that our technology licensing business allows us to generate a stable and recurring income stream, and provides us with substantial visibility on potential capacity additions and new projects in the petrochemical industry.

- ***Experienced Management Team with a Strong Track Record.*** Our senior management team has been operating INEOS and our predecessors for the past 14 years and has a demonstrated track record of achieving

profitable growth in the chemical industry, successfully integrating large acquisitions, dramatically reducing the fixed cost base, and deleveraging the business following such acquisitions. James A. Ratcliffe, our controlling shareholder, and the other existing shareholders have a successful record of investing in the chemical industry. We have completed 19 significant acquisitions since the formation of INEOS in 1998. Each of these acquisitions has been integrated effectively and we have been able to achieve significant cost-savings in the acquired businesses. Our management team has extensive experience in the chemical industry, including with leading companies such as ICI, DuPont, Dow Chemical, Degussa and BP, and a proven ability to increase productivity, reduce costs and control capital expenditures and working capital. We believe the experience of our management team is a distinct competitive advantage.

In addition, our senior management team has demonstrated the ability to streamline our businesses by focusing on core competencies and disposing of non-core businesses. In the past four years, we have disposed of three non-core businesses (our fluorochemicals, Chlor Vinyls and global films businesses), collectively infusing €791 million cash into the Group, thereby increasing the efficiency of our businesses by focusing on core competencies and deleveraging by applying the proceeds to prepay debt outstanding at the time. The Group also disposed of the Refining Business and the Entrepreneurial (Refining) Business in 2011 and received €674.2 million in cash after expenses (excluding a subsequent €16.2 million paid by INEOS out of cash on hand as part of the agreed completion adjustment mechanics) and in connection therewith obtained ordinary shares in INEOS Investments at an aggregate subscription price of \$1.015 billion. The disposal of the Refining Business has also reduced our capital expenditures going forward. For more information, please see Note 3 “Disposals” to the audited consolidated financial statements of INEOS Group Holdings S.A., included elsewhere in this offering memorandum.

- **Access to Advantaged Feedstocks.** Our Chocolate Bayou cracker installation in the U.S. uses natural gas liquids-based feedstocks, such as ethane, as its main feedstocks. This allows us to benefit from the current low-cost supply of ethane resulting from the growth in the supply of shale gas in the U.S. Ethane is also a lower-cost feedstock than naphtha in Europe, where we operate two very efficient gas olefin crackers in Grangemouth and Rafnes. Our other olefin crackers in Europe, at Grangemouth, Köln and Lavéra, are naphtha crackers, but they each have significant gas cracking flexibility. Our ability to use lower cost feedstocks, like ethane, gives us an advantage over our competitors with crackers that cannot accept such a significant mix of gas feedstocks, and must rely on more expensive naphtha. In addition, our Chocolate Bayou crackers and our naphtha crackers in Europe can also use naphtha as a feedstock, allowing us to manage our feedstock mix in response to changes in economic and market conditions and maximize our margins.

## **Our Business Strategy**

In response to challenges resulting from the current macroeconomic environment and as part of our long-term strategic aim, we have maintained and will continue to execute a strategy consisting of the following short- and long-term elements. These are designed to help us improve our capital structure, leverage our key strengths and market opportunities and ensure ongoing cash flow generation and growth:

- **Where and When Appropriate, and Within the Confines of Our Capital Structure, to Pursue Long-term Value-added Growth Opportunities.** As a result of our lean corporate structure, we are able to maintain a level of agility that few organizations our size are able to match. We have a highly disciplined evaluation process and a detailed series of metrics by which we measure the value creation prospects of potential projects. Opportunities for profitable growth are identified and vetted in an efficient, non-bureaucratic format, which, in many cases, we believe enables us to establish a first-mover advantage. We are currently pursuing several projects that we believe provide such opportunities. For example, we intend to pursue options to exploit shale gas in the U.S. through the expansion of our Chocolate Bayou cracker, which we expect to be operational by the end of 2013, and the construction of new U.S. derivatives plants for HDPE, ethylene oxide and ethylene glycol, which are currently in the design phase. Our O&P Europe business has also recently completed 15-year supply and infrastructure agreements to access ethane feedstock from the U.S. for use in its European cracker complexes, and through one of our joint ventures, we plan to invest in the construction of a new ethane tank at the Rafnes site in Norway to be commissioned in 2015. In addition, we recently initialed joint venture agreements with Sinopec Yangzi Petrochemical Company (“Sinopec”) for the design, build and future operation of the largest phenol facility in China, which we expect to be operational by the end of 2015. The partnership will benefit from Sinopec’s local feedstock advantages and cumene technology and INEOS’ proprietary phenol

technology. We are also considering other opportunities in China to meet the needs of that rapidly growing market.

- **Maintain World-Class Health, Safety, Security and Environmental (“HSSE”) Excellence.** We are dedicated to continually improving our HSSE performance. We ensure that all employees receive appropriate training, thereby enabling them to effectively contribute to HSSE performance and HSSE improvement processes. It is our policy to design our processes and manufacture and distribute our products in a responsible manner so that our employees, customers, the public and the environment are protected from avoidable risks. Our strategy is to continue achieving injury and environmental compliance ratings better than world-class benchmarks.
- **Generate Cost Savings and Enhance Efficiency.** We have historically succeeded in reducing costs at our acquired businesses by making rapid reductions in underlying fixed costs and implementing an efficient corporate and management structure. We have achieved significant fixed cost reductions in businesses that we have acquired, delivering on average a reduction of 22% of inherited fixed costs in the four-year period post acquisition. Continuous improvements in the efficiency of our existing sites and opportunities for site consolidation are key aspects of this strategy, as we seek to maintain upper quartile cost positions and world-scale facilities across the majority of our operations. As the economic downturn took effect in the third quarter of 2008, we applied a target of a 10% reduction in fixed costs for all of our businesses for the fourth quarter, which we achieved. In 2009, we targeted a further €200 million reduction on fixed costs for the year, which we surpassed. Overall, fixed costs were reduced by € 44 million between 2006 and 2011. The control of fixed costs will continue to be a key priority for our business.
- **Generate Strong Cash Flow to Reduce Leverage.** We intend to continue our focus on cash flow generation by maximizing the utilization of assets, leveraging existing resources, continuously improving working capital practices and following disciplined and focused capital expenditure and cost reduction plans. We apply when possible the cash flows generated from these initiatives to help reduce our debt.
- **Maximize Utilization of Assets.** As a low-cost focused producer, we believe in operating our facilities at full capacity. We believe this allows us to maintain positive margins and cash flows, even during downturns in industry cycles or customer demand, more readily than some of our competitors who have higher production costs. We intend to achieve growth in production volume by improving utilization rates within the defined availability of an asset, improving availability of an asset by minimizing planned and unplanned facility downtime and improving capacity of an asset through de-bottlenecking projects. We have a strong track record of improving utilization rates of acquired assets.
- **Maintain a Lean Corporate Structure and Incentivize Employees.** We intend to operate our business in a manner that is consistent with the philosophy of our shareholders and maintain a simple and decentralized, flat organizational structure that minimizes corporate bureaucracy, coupled with compensation arrangements that incentivize our employees. We believe that a simple and decentralized organizational structure is cost-effective and will allow each of our management teams the freedom to use their industry knowledge to respond to market opportunities. We believe that we can increase the value of our business when our employees share in the value they create. In the past, we have granted our employees tracking shares with respect to each of our businesses and regions, with management and employee bonuses linked to the EBITDA performance and other factors of the business in which they work.

We also plan to pursue growth opportunities by leveraging our portfolio of leading proprietary technologies through both our own organic operations and highly selective licensing arrangements. We view technology licensing as an effective way of establishing our products in the market and of generating additional income. In addition, we believe that the ability to offer a comprehensive technology package is a substantial advantage in attracting joint venture partners for equity investments in regions characterized by low feedstock costs and high growth, such as the Middle East, North Africa, Russia and China. Our approach to licensing varies from technology to technology to take into account the prevailing market conditions. For example, licensing of acrylonitrile technology is highly selective, whereas our gas phase polyethylene technology is licensed widely.



## **The Refining Divestiture**

On July 1, 2011, we completed the Refining Divestiture, which consisted of the disposal of (i) the Refining Business and the Entrepreneurial (Refining) Business to the Refining and Entrepreneurial JVs formed between PetroChina and INEOS Investments (which is not controlled by the Issuer or any of its subsidiaries but in which the INEOS Group holds certain ordinary shares) and (ii) the Infrastructure Entity to a joint venture formed between INEOS Investments and the Refining Business JV. INEOS Investments, a newly formed entity, whose voting shareholders are James A. Ratcliffe, Andrew Currie and John Reece, holds a 49.9%, a 50.1% and a 50.0% direct interest in the Entrepreneurial JV, the Refining Business JV and the Infrastructure Entity, respectively. INEOS Investments also holds a 25.05% indirect interest in the Infrastructure Entity by virtue of its 50.1% stake in the Refining Business JV. The Refining and Entrepreneurial JVs, the Infrastructure Entity and their respective subsidiaries may be “Affiliates” of the Issuer for the purposes of the Indenture, because they are owned in part, and in some cases operated or controlled by, entities controlled by or under common control with the principal shareholders of the Issuer. The Refining Divestiture was principally a disposal of the Refining segment of the Issuer, as reported on our financial statements.

Following the Refining Divestiture, the Refining Business and we share certain assets and continue to rely on each other for certain goods and services, which include the purchase of feedstock by us from the Refining Business, the sale by us of certain hydrocarbons to the Refining Business and the provision of certain administrative services to each other (such as security, emergency response, accounting, employee relations, procurement and site management). The Infrastructure Entity acquired the related infrastructure assets at the Grangemouth and Lavéra sites and provides certain infrastructure goods and services (such as power and access to terminals) to the INEOS Group and the Refining Business. The Infrastructure Entity was transferred by the INEOS Group as part of the Refining Divestiture and is jointly owned by INEOS Investments and the Refining Business JV. We entered into asset-sharing arrangements with the Refining and Entrepreneurial JVs relating to the assets and services that the Infrastructure Entity provides to us and the Refining and Entrepreneurial JVs.

In addition, we entered into various contractual agreements with the Refining and Entrepreneurial JVs and the Infrastructure Entity in order to continue the provision by the Refining and Entrepreneurial JVs of various feedstocks to our business on an ongoing basis. In addition, certain of these agreements provide us access to certain shared utilities and infrastructure assets located on the sites. See “The Refining Divestiture.”

We received cash proceeds (after expenses) equal to €674.2 million in connection with the Refining Divestiture. On July 29, 2011, we used the net cash proceeds from the Refining Divestiture along with cash on hand to permanently repay €646.1 million of term loans and the associated €307 million of PIK interest under the 2010 Senior Facilities Agreement. Subsequently, in October 2011, we paid our counterparty to the Refining Divestiture an amount equal to €16.2 million out of cash on hand as part of the agreed completion adjustment mechanics. In connection with the Refining Divestiture, we also obtained ordinary shares in INEOS Investments.

## **Swiss Reorganization**

On January 31, 2011, as part of the creation of a new holding company structure for the INEOS Group, several new Luxembourg, Swiss and UK subsidiaries were integrated into the INEOS Group structure above INEOS Holdings Limited and INEOS Group Holdings plc (now INEOS Group Holdings Limited), but below the Issuer. These new subsidiaries acceded to the 2015 Senior Secured Notes Indenture and the 2016 IGH Notes Indenture as guarantors. On the same day, as part of this reorganization of the INEOS Group, the Issuer replaced INEOS Group Holdings plc as the issuer of the 2016 IGH Notes and the parent under the 2015 Senior Secured Notes Indenture. This substitution of INEOS Group Holdings plc as issuer of the 2016 IGH Notes took place to ensure that the structural position of the 2016 IGH Notes was maintained following the reorganization.

## **Recent Developments**

*Repricing of borrowings, and new borrowings, under the Senior Secured Term Loans Agreement; the redemptions of the 2015 Senior Secured Notes, the U.S. dollar- denominated 2016 IGH Notes and a portion of the euro-denominated 2016 IGH Notes*

On May 8, 2013, we entered into the Amendment Agreement in order to, among other things, (i) decrease the interest rates applicable to the Existing Senior Secured Term Loans under the Senior Secured Term Loans Agreement (the “Repricing”) and (ii) make other amendments to the Senior Secured Term Loans Agreement in line with the evolving needs

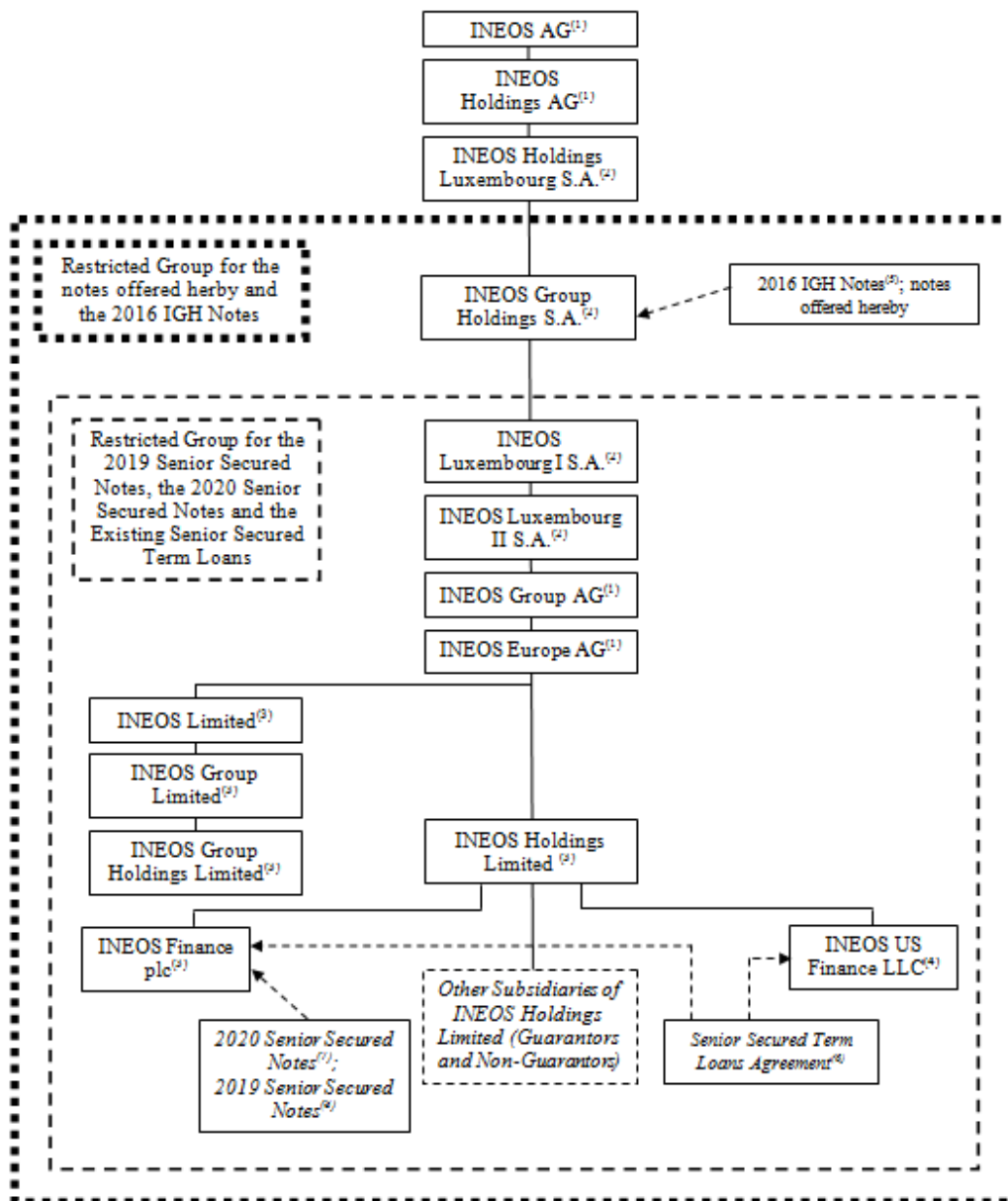
of the Group. On the Issue Date, we borrowed New Senior Secured Term Loans under the amended Senior Secured Term Loans Agreement and used the net proceeds of such borrowings to repurchase all of the outstanding 2015 Senior Secured Notes on May 15, 2013 and to pay the transaction fees and expenses, with the remaining made available for general corporate purposes. In addition, the proceeds of the Offering were used to redeem all of the U.S. dollar-denominated 2016 IGH Notes outstanding on May 15, 2013 and €500 million aggregate principal amount of the euro-denominated 2016 IGH Notes outstanding on June 5, 2013. See “Use of Proceeds”. The redemptions, the Offering and the borrowing of the New Senior Secured Term Loans are collectively referred to herein as the “Refinancing” and, together with the Repricing, the “Transactions.”

*Potential acquisition of remaining 50% interest in the Rafnes cracker*

In connection with the recently announced proposed business combination of our affiliate, Kerling, with a third party, we intend to purchase from Kerling its 50% interest in our Rafnes cracker in Norway, giving us 100% ownership of that cracker. We expect the purchase price for the interest to be between €200 million and €250 million, which we intend to fund using cash on hand. The purchase of the interest in the cracker is subject to successful completion of the transaction by Kerling, which is itself subject to various conditions, including competition approvals. There can be no assurance that the acquisition will be completed. The timing of any such transaction remains uncertain, and we do not expect it to occur before the end of the year.

### Summary Corporate and Financing Structure

The following chart illustrates our simplified corporate structure and principal indebtedness after giving pro forma effect to the Transactions. For a summary of the debt obligations referred to in this chart, see “Description of Other Indebtedness” and “Description of the Notes.”



(1) Incorporated in Switzerland.

(2) Incorporated in Luxembourg. The Issuer guarantees each of the Senior Secured Term Loans, the 2020 Senior Secured Notes and the 2019 Senior Secured Notes.

(3) Incorporated in England and Wales.

- (4) Organized in Delaware, United States.
- (5) Refers to the €1,750,000,000 aggregate principal amount of 7<sup>7</sup>/<sub>8</sub>% Senior Notes due 2016 and \$750,000,000 aggregate principal amount of 8<sup>1</sup>/<sub>2</sub>% Senior Notes due 2016 issued pursuant to the 2016 IGH Notes Indenture of which €1,532,130,000 and \$677,513,000 aggregate principal amounts were outstanding at December 31, 2012, respectively. The proceeds of the Offering were used to redeem all of the outstanding U.S. dollar-denominated 2016 IGH Notes and €500,000,000 aggregate principal amount of the outstanding euro-denominated 2016 IGH Notes. See “Description of Other Indebtedness—IGH Notes due 2016,” “Summary—Recent Developments—Repricing of borrowings, and new borrowings, under the Senior Secured Term Loans Agreement; the redemptions of the 2015 Senior Secured Notes, the U.S. dollar-denominated 2016 IGH Notes and a portion of the euro-denominated 2016 IGH Notes” and “Use of Proceeds.”
- (6) Refers to the Senior Secured Term Loans Agreement, as amended by the Amendment Agreement on May 8, 2013 and funded on the Issue Date, among INEOS Finance plc and INEOS US Finance LLC, as borrowers, certain subsidiaries of the Issuer, Barclays Bank PLC and certain lenders. See “Description of Other Indebtedness—Senior Secured Term Loans Agreement.” On the Issue Date, New Senior Secured Term Loans under the Senior Secured Term Loans Agreement were borrowed and the net proceeds of such borrowings were used to repurchase all of the 2015 Senior Secured Notes outstanding on May 15, 2013 and to pay the transaction fees and expense, with the remaining made available for general corporate purposes. See “Description of Other Indebtedness—Senior Secured Notes due 2015,” “Summary—Recent Developments—Repricing of borrowings, and new borrowings, under the Senior Secured Term Loans Agreement; the redemptions of the 2015 Senior Secured Notes, the U.S. dollar-denominated 2016 IGH Notes and a portion of the euro-denominated 2016 IGH Notes” and “Use of Proceeds.”
- (7) Refers to the \$775,000,000 aggregate principal amount of 7<sup>1</sup>/<sub>2</sub>% Senior Secured Notes due 2020 issued pursuant to the 2020 Senior Secured Notes Indenture of which \$775,000,000 aggregate principal amount was outstanding as at December 31, 2012.
- (8) Refers to the €500,000,000 aggregate principal amount of Floating Rate Senior Secured Notes due 2019 and \$1,000,000,000 aggregate principal amount of 8<sup>3</sup>/<sub>8</sub>% Senior Secured Notes due 2019 issued pursuant to the 2019 Senior Secured Notes Indenture of which €500,000,000 and \$1,000,000,000 aggregate principal amounts were outstanding as at December 31, 2012, respectively. See “Description of Other Indebtedness—Senior Secured Notes due 2019.”

The notes are jointly and severally guaranteed on a senior subordinated basis by Lux I and certain subsidiaries of Lux I that are also guarantors under the Senior Secured Term Loans Agreement (the “Initial Stage Guarantors”), together representing 79.8% of the Issuer’s consolidated EBITDA for the year ended December 31, 2012, and holding 69.7% of the Issuer’s consolidated total assets as of December 31, 2012. No later than 30 days after the Issue Date, certain additional subsidiaries of Lux I that also guarantee the 2016 IGH Notes on a senior subordinated basis were required to guarantee the notes on a senior subordinated basis (the “Additional Guarantors” and, together with the Initial Stage Guarantors, the “Guarantors”). The Additional Guarantors granted such guarantees on June 5, 2013. The Issuer and each Guarantor also guarantees the 2019 Senior Secured Notes, the 2020 Senior Secured Notes and the Senior Secured Term Loans on a senior secured basis (except that INEOS Finance plc is the issuer of the 2019 Senior Secured Notes and the 2020 Senior Secured Notes and the borrower of the euro-denominated Senior Secured Term Loans and INEOS US Finance LLC is the borrower of the U.S. dollar-denominated Senior Secured Term Loans). The Guarantors (upon the Additional Guarantors becoming guarantors under the Indenture on June 5, 2013) represent 90.2% of the Issuer’s consolidated EBITDA for the year ended December 31, 2012, and hold 88.0% of the Issuer’s consolidated total assets as of December 31, 2012. The obligations of each Guarantor will be subject to various limitations. See “Limitations on Validity and Enforceability of the Guarantees and Security Interests” and “Risk Factors—Guarantees and Collateral limitations—The guarantees and pledges of Collateral will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability.”

### **Principal Shareholders and Our Relationships with INEOS AG**

We are a wholly owned subsidiary of INEOS Holdings Luxembourg S.A. INEOS Holdings AG exercises a controlling interest over INEOS Holdings Luxembourg S.A. through its majority interest in the voting share capital. The issued share capital of INEOS Holdings AG is held by INEOS AG. See also “Management” and “Certain Relationships and Related Party Transactions.”

James A. Ratcliffe, Andrew Currie and John Reece control us through shareholdings in INEOS AG, which provides operational management services to us. Messrs. Ratcliffe, Currie and Reece also control Kerling, a producer of chlor-alkali and PVC, INEOS Industries Limited, a portfolio of businesses, including Styrenics, ABS, Melamines and Bio, INEOS Paraform, a manufacturer of formaldehyde-based chemicals, and INEOS Investments, the entity which holds a 49.9%, a 50.1% and a 50.0% direct interest in the Entrepreneurial (Refining) Business JV, the Refining Business JV and the Infrastructure Entity, respectively. INEOS Investments also holds a 25.05% indirect interest in the Infrastructure Entity by virtue of its 50.1% stake in the Refining Business JV. In addition, INEOS Industries Limited holds a 50.0% interest in Styrolution through its wholly owned subsidiary, INEOS Industries Holdings Limited. We have entered into a number of significant transactions and arrangements with Kerling, INEOS Industries Limited, INEOS Paraform, the Entrepreneurial (Refining) Business JV, the Refining Business JV, the Infrastructure Entity and Styrolution in the past, and the Indenture permits us to continue to do so in the future. Please see “Certain Relationships and Related Party Transactions.” In connection with the Refining Divestiture, we have also entered into various arrangements with the Refining and Entrepreneurial JVs and the Infrastructure Entity. Please see “The Refining Divestiture.”

## THE OFFERING

*The following overview of the Offering contains basic information about the notes, the guarantees and the security. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete understanding of the notes, the guarantees and the security including certain definitions of terms used in this overview, please see “Description of the Notes” and “Description of the Collateral and the Guarantees.”*

<b>Issuer</b> .....	INEOS Group Holdings S.A.
<b>Notes Offered</b> .....	<p>\$678,000,000 aggregate principal amount of U.S. dollar-denominated 6<sup>1</sup>/<sub>8</sub>% Senior Notes due 2018 (the “Dollar IGH Notes”).</p> <p>€500,000,000 aggregate principal amount of euro-denominated 6<sup>1</sup>/<sub>2</sub>% Senior Notes due 2018 (the “Euro IGH Notes”).</p> <p>The Dollar IGH Notes and the Euro IGH Notes are collectively referred to herein as the “notes.”</p>
<b>Issue Date</b> .....	May 14, 2013 (the “Issue Date”).
<b>Maturity Date</b> .....	<p>The Dollar IGH Notes will mature on August 15, 2018.</p> <p>The Euro IGH Notes will mature on August 15, 2018.</p>
<b>Interest Rates and Payment Dates..</b>	<p>The interest rate on the Dollar IGH Notes is 6.125%, payable semi-annually in arrears on February 15 and August 15 of each year, commencing February 15, 2014.</p> <p>The interest rate on the Euro IGH Notes is 6.500%, payable semi-annually in arrears on February 15 and August 15 of each year, commencing February 15, 2014.</p> <p>Interest on the notes accrues from the Issue Date.</p>
<b>Denominations</b> .....	<p>Dollar IGH Notes in denominations of \$200,000 and any integral multiple of \$1,000 in excess thereof. Dollar IGH Notes in denominations of less than \$200,000 will not be available.</p> <p>Euro IGH Notes in denominations of €100,000 and any integral multiple of €1,000 in excess thereof. Euro IGH Notes in denominations of less than €100,000 will not be available.</p>
<b>Ranking of the Notes</b> .....	<p>The notes are the general unsubordinated obligations of the Issuer and:</p> <ul style="list-style-type: none"> <li>• are guaranteed on a senior subordinated basis by the Initial Stage Guarantors and the Additional Guarantors;</li> <li>• rank equally in right of payment with all existing and future senior indebtedness of the Issuer, including the 2016 IGH Notes and the guarantees by the Issuer of the 2020 Senior Secured Notes, the 2019 Senior Secured Notes and the Senior Secured Term Loans;</li> <li>• rank effectively senior to all existing and future senior indebtedness, or other liabilities of the Issuer, that are unsecured or secured by liens behind the liens securing the notes to the extent of the value of the Collateral;</li> <li>• rank senior in right of payment to all existing and future obligations of the Issuer that are expressly subordinated in right of payment to the notes; and</li> <li>• are effectively subordinated in right of payment to all of the liabilities of, including trade payables and letters of credit issued by, the Issuer’s subsidiaries that do not guarantee the notes.</li> </ul>
<b>Guarantees</b> .....	<p>The notes are jointly and severally guaranteed (on a senior subordinated basis) by certain subsidiaries that also guarantee the 2016 IGH Notes (on a senior subordinated basis), the 2019 Senior Secured Notes and the 2020 Senior Secured Notes to guarantee the notes (on a senior subordinated basis) (the “Guarantors”). The Guarantors represent 90.2% of our consolidated EBITDA for the year ended December 31, 2012, and hold 88.0% of our consolidated total assets as of December 31, 2012. The Issuer and each Guarantor (other than INEOS Finance plc) also guarantee the 2019 Senior Secured Notes and the 2020 Senior Secured Notes on a senior basis and each Guarantor also guarantees the 2016 IGH Notes on a senior subordinated basis. The obligations of each Guarantor are subject to various limitations. See “Limitations on Validity and Enforcement of the Guarantees and the Security Interests” and “Risk Factors—Guarantees and Collateral limitations—The guarantees and pledges of Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that</p>

<p><b>Ranking of the Guarantees</b> .....</p>	<p>may limit their validity and enforceability.”</p> <p>The guarantee of each Guarantor is the senior subordinated obligation of such Guarantor and:</p> <ul style="list-style-type: none"> <li>• ranks equally in right of payment with all existing and future senior subordinated indebtedness of such Guarantor, including with respect to the guarantee of the notes by each Guarantor, obligations under the 2016 IGH Notes;</li> <li>• ranks senior to all existing and future indebtedness of such Guarantor that is expressly subordinated in right of payment to such guarantee;</li> <li>• is subordinated in right of payment to any existing and future senior indebtedness (including with respect to any second secured liabilities) of such Guarantor, which includes the obligations of such Guarantor under the Senior Secured Term Loans, the 2019 Senior Secured Notes and the 2020 Senior Secured Notes; and</li> <li>• is effectively subordinated to any existing and future secured indebtedness of such Guarantor (including with respect to the Senior Secured Term Loans, the 2020 Senior Secured Notes, the 2019 Senior Secured Notes and certain hedging obligations and certain cash management obligations), to the extent of the value of the assets securing such indebtedness.</li> </ul>
<p><b>Security</b> .....</p>	<p>The notes, together with the 2016 IGH Notes, on a <i>pari passu</i> basis, are secured by a second ranking share charge over 100% of the shares of INEOS Holdings Limited and a second ranking security assignment over the Notes Proceeds Loans. These security interests rank junior to the security interests over these assets securing certain senior indebtedness (including with respect to the Senior Secured Term Loans, the 2020 Senior Secured Notes, the 2019 Senior Secured Notes and certain hedging obligations and certain cash management obligations).</p>
<p><b>Additional Amounts</b>.....</p>	<p>All payments paid by or on behalf of the Issuer, any Guarantor or any surviving entity under or with respect to the notes or any guarantee under the notes will be made free and clear of, and without withholding or deduction for or on account of, any present or future tax, duty, levy, impost, assessment, withholding or other governmental charges (including, without limitation, penalties, interest and other similar liabilities related thereto) of whatever nature imposed or levied by or on behalf of any jurisdiction in which the Issuer, any Guarantor or, if applicable, any surviving entity is incorporated, organized or otherwise subject to Tax or from or through which any of the foregoing makes any payment on the notes or by any taxing authority therein or political subdivision thereof, unless such withholding or deduction is required by law or by the interpretation or administration of law, or by an applicable certification, identification, information or other reporting requirement or agreement, if entering into or complying with such requirement or agreement is required by law of a taxing authority therein or political subdivision thereof as a precondition to relief or exemption from such Tax. If any such withholding or deduction is required, the Issuer, the Guarantor or surviving entity, as the case may be, will pay such additional amounts as may be necessary to ensure that the net amount received by each holder of the notes after such withholding or deduction will be not less than the amount the holder would have received if such Taxes had not been required to be withheld or deducted, subject to certain exceptions. See “Description of the Notes—Payment of Additional Amounts.”</p>
<p><b>Optional Redemption Dollar IGH Notes</b>.....</p>	<p>Prior to May 15, 2015, the Issuer may redeem all or a portion of the Dollar IGH Notes at a redemption price equal to 100% of the principal amount of such Dollar IGH Notes plus the applicable “make-whole” premium set forth in this offering memorandum, plus accrued and unpaid interest to the redemption date.</p> <p>On or after May 15, 2015, the Issuer may redeem all or a portion of the Dollar IGH Notes at the redemption prices set forth in this offering memorandum under the caption “Description of the Notes—Optional Redemption” plus accrued and unpaid interest to the redemption date.</p> <p>In addition, at any time prior to May 15, 2015, the Issuer may redeem up to 35% of the aggregate principal amount of the Dollar IGH Notes with the proceeds of certain equity offerings at 106.125% of the principal amount of the Dollar IGH Notes, plus accrued interest; <i>provided</i> that at least 65% of the originally issued aggregate principal amount of the Dollar IGH Notes remains outstanding immediately after each</p>

<b>Optional Redemption Euro IGH Notes</b> .....	such redemption and each such redemption occurs within 90 days after the date of the relevant equity offering. Please see “Description of the Notes—Optional Redemption.”
<b>Optional Redemption for Taxation Reasons</b> .....	<p>Prior to May 15, 2015, the Issuer may redeem all or a portion of the Euro IGH Notes at a redemption price equal to 100% of the principal amount of such Euro IGH Notes plus the applicable “make-whole” premium set forth in this offering memorandum, plus accrued and unpaid interest to the redemption date.</p> <p>On or after May 15, 2015, the Issuer may redeem all or a portion of the Euro IGH Notes at the redemption prices set forth in this offering memorandum under the caption “Description of the Notes—Optional Redemption” plus accrued and unpaid interest to the redemption date.</p> <p>In addition, at any time prior to May 15, 2015, the Issuer may redeem up to 35% of the aggregate principal amount of the Euro IGH Notes with the proceeds of certain equity offerings at 106.500% of the principal amount of the Euro IGH Notes, plus accrued interest; <i>provided</i> that at least 65% of the originally issued aggregate principal amount of the Euro IGH Notes remains outstanding immediately after each such redemption and each such redemption occurs within 90 days after the date of the relevant equity offering. Please see “Description of the Notes—Optional Redemption.”</p>
<b>Change of Control</b> .....	In the event of certain developments affecting taxation, the Issuer may redeem all, but not less than all, of the notes at 100% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption. Please see “Description of the Notes—Redemption Upon Changes in Withholding Taxes.”
<b>Certain Covenants</b> .....	<p>Upon the occurrence of certain events constituting a “change of control,” the Issuer is required to offer to repurchase all outstanding notes at a purchase price in cash of 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest, if any, to the date of purchase. See “Description of the Notes—Purchase of Notes Upon a Change of Control.”</p> <p>The Indenture contains covenants that, among other things, limit the ability of the Issuer and its restricted subsidiaries to:</p>
<b>Transfer Restrictions</b> .....	<ul style="list-style-type: none"> <li>• incur or guarantee additional indebtedness and issue certain preferred stock;</li> <li>• layer debt;</li> <li>• make restricted payments, including dividends or other distributions;</li> <li>• prepay or redeem subordinated debt or equity;</li> <li>• make certain investments;</li> <li>• create or permit to exist certain liens;</li> <li>• transfer, lease or sell certain assets;</li> <li>• enter into arrangements that impose restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to the Issuer;</li> <li>• engage in certain transactions with affiliates;</li> <li>• consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis;</li> <li>• impair the security interests for the benefit of the holders of the notes; and</li> <li>• amend certain documents.</li> </ul> <p>Each of these covenants is subject to a number of important limitations and exceptions as described under “Description of the Notes—Certain Covenants.”</p>
<b>Use of Proceeds</b> .....	The notes and the guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction and may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. We have not agreed to, or otherwise undertaken to, register the notes (including by way of an exchange offer).
<b>No Established Market for the Notes</b> .....	The proceeds from the sale of the notes were used to redeem all of the outstanding U.S. dollar-denominated 2016 IGH Notes and €500,000,000 aggregate principal amount of the outstanding euro-denominated 2016 IGH Notes. Please see “Use of Proceeds.”
<b>No Established Market for the Notes</b> .....	The notes are new securities for which, on the Issue Date, there was no existing market. Although the initial purchasers of the notes have informed us that they intend to make a market in the notes, they are not obligated to do so and they may



discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the notes will develop or be maintained.

**Listing** ..... Application has been made to have the notes admitted for trading on the Euro MTF, and to list the notes on the Official List of the Luxembourg Stock Exchange.

**Governing Law**..... The Indenture, the notes and the guarantees are governed by the laws of the State of New York. The Intercreditor Deed and security document in respect of the Proceeds Loans and the shares of INEOS Holdings Limited are governed by English Law. The application of the provisions of articles 86 to 94-8, 96 and 97 of the Luxembourg law of 10 August 1915 on commercial companies, as amended is hereby expressly excluded.

**Trustee** ..... The Bank of New York Mellon, London Branch.

**U.S. Paying Agent and Transfer**

**Agent** ..... The Bank of New York Mellon, London Branch.

**Registrar, Luxembourg Transfer**

**Agent, Paying Agent and Listing**

**Agent** ..... The Bank of New York Mellon (Luxembourg) S.A.

**Collateral Agent** ..... The Bank of New York Mellon, London Branch.

**Risk Factors**

Investing in the notes involves substantial risks. You should consider carefully all the information in this offering memorandum and, in particular, you should evaluate the specific risk factors set forth in the “Risk Factors” section of this offering memorandum before making a decision whether to invest in the notes.

**SUMMARY HISTORICAL CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION AND OTHER FINANCIAL DATA**

The tables set forth below present:

- The summary financial information and other financial data of INEOS Group Holdings S.A. as of and for the years ended December 31, 2012, 2011 and 2010, which has been extracted from the audited consolidated financial statements of INEOS Group Holdings S.A. for the year ended December 31, 2012, included elsewhere in this offering memorandum.
- The summary unaudited consolidated condensed interim financial information of INEOS Group Holdings S.A. as of and for the three-month period ended March 31, 2013, included elsewhere in this offering memorandum.

As described in “Presentation of Financial and Non-GAAP Information,” certain line items in the income statement, balance sheet and statement of cash flows for the comparative periods presented in the audited consolidated financial statements of INEOS Group Holdings S.A. as of and for the year ended December 31, 2011 were restated to present the Refining Business as a discontinued operation and to reflect the group restructuring.

You should read the information summarized below in conjunction with the information contained in “Use of Proceeds,” “Operating and Financial Review and Prospects,” and the historical financial statements and notes to the financial statements included elsewhere in this offering memorandum.

	As of or for the three months ended March 31, 2013	For the year ended December 31,		
	2013	2012	2011	2010 (as restated)
(€ in millions)				
<b>Income Statement:</b>				
Revenue .....	4,468.8	18,188.2	17,586.4	16,007.8
Cost of sales .....	(4,030.2)	(17,233.1)	(15,844.5)	(14,354.9)
Gross profit .....	438.6	955.1	1,741.9	1,652.9
Distribution costs .....	(59.5)	(228.4)	(240.6)	(257.4)
Administrative expenses .....	(58.5)	(234.4)	(277.1)	(246.6)
Operating profit .....	320.6	492.3	1,224.2	1,148.9
Total share of profit/(loss) of associates and jointly controlled entities using the equity accounting method .....	6.5	(14.7)	(67.8)	10.0
Profit on disposal of fixed assets .....	—	—	3.5	—
Loss on disposal of businesses .....	—	—	(2.1)	(74.7)
Profit before net finance costs .....	327.1	477.6	1,157.8	1,084.2
Net finance costs .....	(147.6)	(594.6)	(687.7)	(818.9)
Profit/(loss) before tax from continuing operations .....	179.5	(117.0)	470.1	265.3
Tax (charge)/credit .....	(86.5)	(158.5)	(234.4)	(243.6)
Profit/(loss) for the year from continuing operations .....	93.0	(275.5)	235.7	21.7
Profit/(loss) from discontinued operations, net of tax .....	—	(11.0)	140.7	(78.2)
Profit/(loss) for the period / year .....	93.0	(286.5)	376.4	(56.5)

	As of or for the three months ended March 31, 2013	As of and for the year ended December 31,		
	2013	2012	2011	2010 (as restated)
(€ in millions)				
<b>Statement of Cash Flows:</b>				
Cash flows provided by/(used in):				
Operating activities .....	136.7	1,129.9	1,164.3	1,055.1
Investing activities .....	(157.9)	(452.5)	294.1	83.2
Financing activities .....	(174.2)	(22.0)	(1,478.4)	(1,208.4)
<b>Statement of Financial Position:</b>				
Property, plant and equipment .....	3,195.2	3,093.8	3,566.3	4,402.3
Cash and cash equivalents .....	1,034.3	1,235.4	582.4	599.2
Working capital <sup>(1)</sup> .....	2,455.8	2,437.9	1,541.8	1,130.8
Total assets .....	9,921.3	9,626.1	9,287.9	11,402.3
Total equity <sup>(2)</sup> .....	(717.5)	(758.0)	(322.5)	(592.9)
Total interest-bearing loans and borrowings <sup>(3)</sup> .....	7,436.0	7,288.9	6,593.3	7,342.8
Total indebtedness <sup>(4)</sup> .....	7,539.9	7,399.5	6,666.8	7,450.6
Net debt <sup>(5)</sup> .....	6,505.6	6,164.1	6,084.4	6,851.4
<b>Other Financial Data:</b>				
EBITDA before exceptionals <sup>(6)</sup> .....	415.1	1,516.8	1,713.5	1,654.8
Depreciation, amortization and impairment .....	94.5	1,009.9	453.5	484.7
Net cash interest expense <sup>(7)</sup> .....	133.2	548.7	584.1	703.7
Capital expenditures <sup>(8)</sup> .....	159.8	461.1	396.2	344.3
Pro forma net debt <sup>(9)(10)</sup> .....	—	6,249.1		
Pro forma net cash interest expense <sup>(10)(11)</sup> .....	—	421.7		
Ratio of pro forma net debt to EBITDA before exceptionals <sup>(6)(9)(10)</sup> .....	—	4.1x		

(1) Working capital represents net current assets (current assets less current liabilities).

(2) Total equity excludes non-controlling interests.

(3) Total interest-bearing loans and borrowings represents net loans and borrowings after deducting debt issuance costs as presented in each of (i) note 19 to the audited consolidated financial statements of INEOS Group Holdings S.A. as of and for the year ended December 31, 2012 and (ii) note 7 to the unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2013, each of which is included elsewhere in this offering memorandum.

(4) Total indebtedness represents long-term debt plus short-term debt, including finance lease obligations before deduction of unamortized debt issuance costs. Under IFRS, debt issuance costs are deducted from the related debt amounts for the purposes of balance sheet presentation and are amortized over the life of the debt.

(5) Net debt represents total indebtedness less cash and cash equivalents.

(6) EBITDA before exceptionals represents operating profit before depreciation, amortization, impairment and exceptional charges. In accordance with IFRS, we use both the FIFO and weighted average cost methods of accounting for purposes of determining our inventory cost in connection with the preparation of our audited annual consolidated financial information and unaudited condensed consolidated interim financial statements. EBITDA before exceptionals is based on the FIFO and weighted average cost methods of accounting for inventory used in connection with the preparation of such financial information. EBITDA before exceptionals is derived from income statement line items calculated in accordance with IFRS on a historical cost basis. Although our EBITDA-based measures should not be considered a substitute measure for operating profit, profit, cash flows from operating activities or other measures of performance as defined by IFRS, we believe that they provide useful information regarding our ability to meet future debt service requirements. The EBITDA measure presented may not be comparable to similarly titled measures used by other companies. See "Presentation of Financial and Non-GAAP Information."

The reconciliation of INEOS' operating profit to EBITDA before exceptionals is as follows:

	As of or for the three months ended March 31, 2013			
	Year ended December 31,			2010 (as restated)
	2013	2012	2011	
	(€ in millions)			
Operating profit .....	320.6	492.3	1,224.2	1,148.9
Depreciation and amortization.....	94.5	491.5	453.5	484.7
Exceptional impairment charges .....	—	518.4	—	—
Exceptional administrative expenses.....	—	14.6	35.8	11.2
Share of profit/(loss) of associates and jointly controlled entities .....	—	—	—	10.0
EBITDA before exceptionals.....	415.1	1,516.8	1,713.5	1,654.8

For the year ended December 31, 2011 the Group changed its definition of EBITDA before exceptionals to exclude share of profit/(loss) of associates and jointly controlled entities. The results of 2010 have not been restated for this change in definition since there is no material impact on the results presented.

- (7) Net cash interest expense comprises interest income on bank balances, less interest payable on senior notes; interest payable on bank loans and overdrafts; interest payable on securitization and interest payable on finance leases (see note 8 to the audited consolidated financial statements of INEOS Group Holdings S.A. as of and for the year ended December 31, 2012 and note 4 to the unaudited condensed consolidated interim financial statements of INEOS Group Holdings S.A. as of and for the three months ended March 31, 2013, each of which is included elsewhere in this offering memorandum).
- (8) Capital expenditures represent payments to acquire property, plant and equipment as recorded on the consolidated cash flow statements. Included within the capital expenditures are nil (2011: €548 million, 2010: €130.2 million) relating to the discontinued Refining business.
- (9) Pro forma net debt represents total indebtedness less cash and cash equivalents as adjusted for the Transactions.
- (10) Gives pro forma effect to the Transactions as if the Transactions took place, with regards to pro forma net debt, on December 31, 2012, and with regards to pro forma cash interest expense, on January 1, 2012. For presentational purposes, euro equivalents of dollar-denominated indebtedness have been converted using an exchange rate of \$1.3223 per €1.00 which was the rate used for our financial statements for the year ended December 31, 2012. This exchange rate differs from the Bloomberg Composite Rate as of December 31, 2012, which was \$1.3192 = €1.00. Also, for the three months ended March 31, 2013, euro equivalents of dollar-denominated indebtedness have been converted using an exchange rate of \$1.2781 per €1.00 which was the rate used for our unaudited consolidated interim financial statements for the three months ended March 31, 2013. This exchange rate differs from the Bloomberg Composite Rate as of March 31, 2013, which was \$1.2806 = €1.00. The Bloomberg Composite Rate as on June 10, 2013 is \$1.3257 = €1.00. The unaudited consolidated pro forma financial data has been prepared for illustrative purposes only and does not purport to represent what the actual consolidated financial position would have been if the Transactions had occurred on December 31, 2012, with respect to pro forma net debt, or January 1, 2012, with respect to pro forma cash interest expense, nor does it purport to project our consolidated financial position at any future date. See “Capitalization” and “Use of Proceeds.”
- (11) Pro forma net cash interest expense comprises cash interest paid on pro forma debt balances assuming that the Transactions took place on January 1, 2012. Pro forma cash interest expense is calculated as follows:

	(€ in millions)
Net cash interest expense .....	548.7
Add: Estimated cash interest expense on notes offered hereby .....	63.9
Add: Cash interest expense on new bank borrowings .....	34.2
Add: Cash interest expense on repriced existing bank borrowings .....	87.2
Less: Cash interest expense on prepayment of 2015 Senior Secured Notes .....	(67.7)
Less: Cash interest expense on prepayment of portion of U.S. dollar-denominated 2016 IGH Notes.....	(44.2)
Less: Cash interest expense on prepayment of portion of euro-denominated 2016 IGH Notes .....	(39.4)
Less: Cash interest expense on existing borrowings.....	(161.0)
Pro forma net cash interest expense .....	421.7

## RISK FACTORS

### Risks Relating to Our Businesses and Industries

***Cyclicality of the petrochemical industry—Changing market demands and prices may negatively affect our operating margins and impair our cash flows, which, in turn, could affect our ability to make payments on our debt or to make further investments in our businesses.***

Cyclicality and volatility in supply and demand in the petrochemical industry may affect our prices and may negatively impact our operating margins and cash flows and cause us to incur losses. For example, if industry margins in the petrochemical industry were to return to their 2001 or fourth quarter of 2008 levels or decline more significantly than they have in the past, then this may result in a material adverse effect on our business, results of operations and cash flow. Any cyclical downturn may affect our prices and may negatively impact our operating margins and cash flows and cause us to incur losses. Furthermore, increased volatility in industry margins could have a significant impact on our short-term results. In such cases, we would have to absorb any losses or borrow additional funds. If we experience significant margin volatility or if we generate losses over a prolonged period and are unable to obtain additional funds, our liquidity could be materially adversely affected and our ability to make debt payments would be impaired.

The relationship between supply and demand in the petrochemical industry in general, and in our various petrochemical segments historically, has been highly cyclical. This is primarily because product supply is driven by alternating periods of substantial capacity additions and periods in which no or limited capacity is added. Historically, the markets for some of our products have tended to follow trends in economic growth and have experienced alternating periods of constrained supply, causing prices and margins to increase, followed by periods of capacity additions, resulting in oversupply and declining prices and margins. In response, companies typically reduce capacity or limit further capacity additions, eventually causing the market to be relatively undersupplied. Any slowdown in growth for any reason could have a disproportionately negative effect on industry margins for our petrochemical products. For a discussion of the current market environment, see “Industry—Olefins & Polyolefins—Market Environment” and “Industry—Chemical Intermediates—Market Environment.”

Historically, margins in the petrochemical industry have been volatile due to a number of factors, most of which are beyond our control. These factors include:

- short-term utilization rate fluctuations due to planned and unplanned plant outages;
- political and economic conditions, which drive rapid changes in prices for our key feedstocks, including the price of crude oil, gas and naphtha;
- customers’ inventory management policies; and
- exchange rate fluctuations.

In addition, we and other petrochemical companies with large asset bases in Europe face pressures due to the fact that many of our key customers in Europe are subject to competition with low-cost producers in Asia. If our European customers are unable to successfully compete with Asian manufacturers, they could reduce their volume of purchases, including from us, or cease making such purchases altogether. To a lesser extent we are also exposed to the risk of our customers in North America being unable to compete in the global marketplace. Each of these risks could materially adversely affect our business, results of operations and financial condition.

***Raw materials and suppliers—If we are unable to pass on increases in raw material prices, or to retain or replace our key suppliers, our results of operations may be negatively affected.***

Our margins are largely a function of the relationship between the prices that we are able to charge for our products and the costs of the feedstocks we require to make these products. The prices for a large portion of our raw materials are cyclical. Prices fell significantly at the end of 2008, before gradually increasing during 2009 and 2010. Prices continued to increase throughout 2011 before remaining at these levels in 2012.

While we attempt to match raw material price increases with corresponding product price increases, our ability to pass on increases in the cost of raw materials to our customers is, to a large extent, dependent upon our contractual arrangements and market conditions. There may be periods of time during which we are not able to recover increases in the cost of raw materials due to our contractual arrangements or to weakness in demand for, or oversupply of, our products. Specifically, timing differences in pricing between raw material prices, which may change daily, and product prices, which in many cases are negotiated only monthly or less often, sometimes with an additional lag in effective dates for increases, have had and may continue to have a negative effect on profitability. Even in periods during which raw material prices decline, we may suffer decreasing profits if raw material price reductions occur at a slower rate than decreases in the selling prices of our products. In addition, when raw material costs decrease, customers may seek relief in the form of lower sales prices. Furthermore, some of our customers take advantage of fluctuating prices by building inventories when they expect product prices to increase and reducing inventories when they expect product prices to decrease.

Further, volatility in costs and pricing can result in commercial disputes with customers and suppliers with respect to interpretations of complex contractual arrangements. Significant adverse resolution of any such disputes could also reduce our profitability.

We obtain a significant portion of our raw materials from selected key suppliers. If any of these suppliers is unable to meet its obligations under present supply agreements, we may be forced to pay higher prices to obtain the necessary raw materials and we may not be able to increase prices for our finished products. Therefore, volatility in raw material prices or interruptions in supply could place increased pressure on our margins and reduce our cash flow, which could impair our ability to make debt payments or make further investments in our business. For example, the closure of the Elgin gas field in the North Sea in 2012 after the discovery of a gas leak forced our O&P Europe business to utilize more expensive imported feedstocks for its gas cracker in Grangemouth. Although production at this gas field has resumed, it is not expected to return to pre-closure levels until 2015. The closure of the Elgin gas field and the current lower production levels have adversely impacted our margins.

If we fail to maintain our relationships with our current suppliers, our suppliers offer pricing and other terms that are not satisfactory to us or a supplier fails to supply raw materials that meet our quality, quantity and cost requirements, we may be unable to fill our customers' orders on a timely and cost-effective basis or in the required quantities, which could result in order cancellations, decreased revenues or loss of market share and damage to our reputation.

***Global economy—Our industry is affected by global economic factors including risks associated with a recession and our customers' access to credit.***

We face risks attendant to changes in consumer demand for goods that incorporate our products, economic environments, changes in interest rates and instability in securities markets around the world, among other factors. In particular, a worsening economic climate can result in decreased industrial output and decreased consumer demand for products including automobiles, consumer goods and building materials, all of which incorporate our products. Adverse economic conditions can affect consumer and business spending generally, which would result in decreased demand for goods that incorporate our products and have an adverse affect on our results of operations.

Our financial results are substantially dependent upon the overall economic conditions in the United States, the European Union and Asia. An extended recession in any of these locations or globally—or public perceptions that result in declining economic conditions—could substantially decrease the demand for our products and adversely affect our business. For example, as a result of an economic downturn, in 2008 and 2009, we experienced decreased demand for many of our products. Moreover, many of our customers rely on access to credit to adequately fund their operations. The inability of our customers to access credit facilities may adversely affect our business by reducing our sales, increasing our exposure to accounts receivable bad debts and reducing our profitability.

***Currency fluctuations—We are exposed to currency fluctuation risks in several countries that could adversely affect our profitability.***

Although we report our results in euro, we conduct a significant portion of our business in countries that use currencies other than the euro, and we are subject to risks associated with currency fluctuations.

Our results of operations may be affected by both the transaction effects and the translation effects of foreign currency exchange rate fluctuations. We are exposed to transaction effects when one of our subsidiaries incurs costs or earns

revenue in a currency different from its functional currency. Fluctuations in exchange rates may also affect the relative competitive position of our manufacturing facilities, as well as our ability to market our products successfully in other markets. We are exposed to currency fluctuation when we convert currencies that we may receive for our products into currencies required to pay our debt, or into currencies in which we purchase raw materials, meet our fixed costs or pay for services, which could result in a gain or loss depending on fluctuations in exchange rates. In particular, a large proportion of our manufacturing costs and our selling, general and administrative expenses are incurred in currencies other than the euro, principally the U.S. dollar and the British pound, reflecting the location of our sites and corporate and business support centers. At the same time, although many of our sales are invoiced in currencies other than the euro, our consolidated revenues are reported in euro. Therefore, our financial results in any given period are materially affected by fluctuations in the value of the euro relative to the U.S. dollar, British pound and other relevant currencies. If the value of the euro declines against currencies in which our obligations are denominated or increases against currencies in which our revenues are denominated, our results of operations and financial condition could be materially affected.

***International operations—We are exposed to risks related to conducting operations in several different countries.***

We currently have manufacturing facilities located in the United Kingdom, France, the United States, Germany, Belgium, Norway, Canada and Italy. Notwithstanding the benefits of geographic diversification, our business is subject to risks related to the differing legal, political, social and regulatory requirements and economic conditions of many jurisdictions. Risks inherent in international operations include the following:

- general economic, social or political conditions in the countries in which we operate could have an adverse effect on our earnings from operations in those countries;
- compliance with a variety of laws and regulations in various jurisdictions may be burdensome;
- unexpected or adverse changes in laws or regulatory requirements in various jurisdictions may occur;
- the imposition of withholding taxes or other taxes or royalties on our income, or the adoption of other restrictions on foreign trade or investment, including currency exchange controls;
- adverse changes in export duties, quotas and tariffs and difficulties in obtaining export licenses;
- intellectual property rights may be more difficult to enforce;
- transportation and other shipping costs may increase;
- staffing difficulties, national or regional labor strikes or other labor disputes;
- the imposition of any price controls; and
- difficulties in enforcing agreements and collecting receivables.

***Competition—We face significant competition in our industries, whether through efforts of new or current competitors or through consolidation of existing customers, which may adversely affect our competitive position, sales and overall operations.***

The markets for most of our products are highly competitive. We are exposed to the competitive characteristics of several different geographic markets and industries. Competition in most of our industries is based primarily on price and, to a lesser extent, on product performance, product quality, product deliverability and customer service. Our principal competitors vary from business to business and range from large global petrochemical companies to numerous smaller regional companies. Some of our competitors are larger and more vertically integrated than we are and therefore may be able to manufacture products more economically than we can. In addition, some of our competitors have greater financial, technical, research and technology and marketing resources than we do. Furthermore, some of our competitors are fully or partially state owned and could have broader goals than maximizing profits, such as investing in the economies of their respective countries and providing local employment and therefore may continue to provide capacity and products even at unprofitable price points creating downward pricing pressure on our products. As the markets for our products expand, we expect that existing competitors may commit more resources to the markets in which we operate, further enhancing

competition. All of the above could hinder our ability to compete effectively in the markets in which we operate in the future and our competitive position and results of operations may suffer as a result. For example, in the petrochemical industry in Europe, where the majority of our petrochemical assets are concentrated, and, to a lesser extent, in North America, we face competitive pressures from companies with facilities in the Middle East, which enjoy substantial cost advantages due to access to low-cost gas feedstock available in this region. In addition, our export business in Europe faces competitive pressures from export businesses in North America (including our own North American operations) due to the abundance and use of low cost ethane in North America. These cost advantages are particularly significant when oil prices are high, as has sometimes been the case in recent years. The competitive pressure we experience could be exacerbated if the Chinese economy fails to grow as expected, in which case more of the product manufactured in the Middle East to meet the growth expected in China could be redirected to Europe and North America, potentially resulting in greater supply to these markets and corresponding downward pricing pressure.

In addition, a number of our customers are participants in industries that are undergoing consolidation. We could lose these customers to competitors if they are acquired by, or consolidate with, other companies that have relationships with our competitors.

***Customers—We are subject to the risk of loss resulting from nonpayment or nonperformance by our customers.***

Our credit procedures and policies may not be adequate to minimize or mitigate customer credit risk. Our customers may experience financial difficulties, including bankruptcies, restructurings and liquidations. These and other financial problems that may be experienced by our customers, as well as potential financial weakness in our industry, may increase our risk in extending trade credit to customers. A significant adverse change in a customer relationship or in a customer's financial position could cause us to limit or discontinue business with that customer, require us to assume more credit risk relating to that customer's receivables or limit our ability to collect accounts receivable from that customer, all of which could have a material adverse effect on our business, results of operations, financial condition and liquidity.

***Refining Divestiture—We are dependent on contractual arrangements with the Refining and Entrepreneurial JVs and the Infrastructure Entity, and if we are unable to obtain the requisite feedstocks, services or utilities from these entities, our businesses could be adversely affected.***

On July 1, 2011, we disposed of the Refining Business and the Entrepreneurial (Refining) Business to the Refining and Entrepreneurial JVs. In addition, we disposed of the Infrastructure Entity to the Refining Business JV (50.0%) and INEOS Investments (50.0%). See "The Refining Divestiture" for a more detailed discussion of the Refining Divestiture.

The Refining Business JV provides feedstocks that are used in our petrochemical plants in the productions of olefins. The olefins in turn are feedstocks that are used in the Chemical Intermediates segment of our business. If we are unable to continue to receive the feedstocks required by our businesses from the Refining Business JV, which owns the Refining Business, our businesses may be adversely affected.

In addition, the Entrepreneurial (Refining) Business JV provides our businesses with certain entrepreneurial activities disposed of in connection with the Refining Divestiture, which are still used by our businesses. In the event that we are unable to continue to receive the benefit of these entrepreneurial activities, our businesses may be adversely affected.

The Infrastructure Entity supplies our businesses located at Grangemouth with steam, power and other minor utilities. The utilities are a necessary component in the operation of our businesses and facilities, and if we are unable to continue to receive utilities from the Infrastructure Entity, our businesses may be adversely affected.

We have entered into several contractual arrangements with the Refining and Entrepreneurial JVs and the Infrastructure Entity to allow the INEOS Group to continue to receive the requisite feedstocks and access to entrepreneurial activities and utilities services. However, there is no guarantee that (i) the Refining and Entrepreneurial JVs and the Infrastructure Entity will deliver the requisite feedstocks or access to entrepreneurial activities or utilities services, set forth in the contractual arrangements, (ii) we will be able to find other suppliers to cover any shortfalls in the feedstock supplies, entrepreneurial activities or utilities services that we require and (iii) any agreements we enter into with other suppliers will be on terms as favorable as those under the agreements that have been executed with the Refining and Entrepreneurial JVs and the Infrastructure Entity. See "The Refining Divestiture."



***Inability to maximize utilization of assets—We may be adversely affected if we are unable to implement our strategy to maximize utilization of assets.***

Our results of operations are materially influenced by the degree to which we utilize our assets in order to achieve maximum production volumes. We cannot guarantee that we will be able to implement our strategy of maximizing utilization of assets in accordance with our plans or at all. For example, the number and length of turnarounds (scheduled outages of a unit in order to perform necessary inspections, tests to comply with industry regulations and any maintenance activities that may be necessary) and unplanned outages have had, and may in the future have, an impact on our operating results, even if such outages are covered by insurance.

***Joint ventures—Several of our petrochemical facilities are owned and operated in joint ventures with third parties. We do not control these joint ventures, and actions taken by our joint venture partners in respect of these joint ventures could materially adversely affect our business.***

Several of our petrochemical facilities are owned and operated in whole or part by joint ventures with one or more third parties. These facilities include portions of the facility in Lavéra, France, various units of which are operated by joint ventures with Total, S.A. (“Total”), and the facility in Cedar Bayou, Texas, which is operated by Chevron Phillips Chemical Company LLC (“Chevron Phillips”) in a 50/50 joint venture with Chevron Phillips. The cracker facility in Rafnes, Norway, is operated by a joint venture between us and INEOS Norge AS, a company held under common control. While we have a certain amount of influence over each of these joint ventures, we do not control them and are therefore dependent on our respective joint venture partners to cooperate with us in making decisions regarding the relevant joint venture. Moreover, the day-to-day operation of the relevant facilities is the responsibility of the management team of the joint venture or our joint venture partner. Therefore, our ability to influence these operations on a day-to-day basis is limited and we may be unable to prevent actions that we believe are not in the best interests of our joint ventures or our company as a whole. Any such actions could materially adversely affect our business, results of operations and financial condition.

***Climate change—Existing and proposed regulations to address climate change by limiting greenhouse gas emissions may cause us to incur significant additional operating and capital expenses.***

Our operations result in emissions of greenhouse gases (“GHG”), such as carbon dioxide and methane. Growing concern about the sources and impacts of global climate change has led to a number of national and supranational legislative and administrative measures, both proposed and enacted, to monitor, regulate and limit carbon dioxide and other GHG emissions. In the EU, our emissions are regulated under the European Union Emissions Trading Scheme (“EU ETS”), an EU-wide trading system for industrial GHG emissions. The EU ETS is anticipated to become progressively more stringent over time, including by reducing the number of allowances to emit GHG that EU member states will allocate without charge to industrial facilities. Such measures could result in increased costs for us to: (i) operate and maintain our facilities; (ii) install new emission controls; (iii) purchase or otherwise obtain allowances to emit GHGs; and (iv) administer and manage our GHG emissions program.

In the United States, we are required, as of January 2010, to monitor and report to the U.S. Environmental Protection Agency (“EPA”) annual GHG emissions from certain of our U.S. facilities. In addition, EPA is moving forward with efforts to regulate GHG emissions under the Clean Air Act (“CAA”) and other existing legislation as comprehensive climate change legislation has not yet been enacted by the U.S. Congress. EPA promulgated regulations which, as of January 2011, subject the GHG emissions of certain newly constructed or modified facilities to pre-construction and operating program requirements. Pursuant to these requirements, newly constructed or modified facilities with the potential to emit certain quantities of GHGs are required to implement “best available control technology,” which could include carbon efficiency standards, GHG emission concentration limits, specific technology requirements or other measures.

On April 17, 2012, EPA approved final regulations under the CAA that establish new air emission controls for oil and natural gas production and natural gas processing operations. Specifically, EPA’s rule package includes New Source Performance Standards to address emissions of sulfur dioxide and volatile organic compounds, or VOCs, and a separate set of emission standards to address hazardous air pollutants frequently associated with oil and natural gas production and processing activities. However, EPA’s continued implementation of GHG regulations is clouded by numerous judicial challenges. In light of the legislative and judicial challenges to EPA action, and given that EPA is engaged in additional GHG rulemakings, significant uncertainty exists as to how GHG regulations will in the future impact large stationary sources, such as our facilities in the United States, and what costs or operational changes these regulations may require. We continue to monitor the situation closely.

At the international level, in December 2009, more than 27 nations, including the United States and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce GHG emissions. The international community is continuing to negotiate a binding treaty that would require reductions in GHG emissions by developed countries. In addition, the U.S. Congress has from time to time considered adopting legislation to reduce emissions of GHGs and almost one-half of U.S. states have already taken legal measures to reduce emissions of GHGs primarily through the planned development of GHG emission inventories and or/regional GHG gas cap-and-trade programs. Although the U.S. Congress has not adopted such legislation at this time, it may do so in the future, along with other countries (in addition to the EU), and we cannot yet predict the form such regulation will take (such as a cap-and-trade program, technology mandate, emissions tax or other regulatory mechanism) or, consequently, estimate any costs that we may be required to incur in respect of such requirements, for example, to install emissions control equipment, purchase emissions allowances, administer and manage our GHG emissions program, or address other regulatory obligations. Such requirements could also adversely affect our energy supply, or the costs (and types) of raw materials we use for fuel. Regulations controlling or limiting GHG emissions could have a material adverse impact on our business, financial condition or results of operations, including by reducing demand for our products.

***Environmental matters—We will have ongoing costs and may have substantial obligations and liabilities arising from health, safety, security and environmental (“HSSE”) laws, regulations and permits applicable to our operations.***

Our businesses are subject to a wide range of HSSE laws and regulations in all of the jurisdictions in which we operate. These requirements govern our facilities and our operations, including the manufacture, storage, handling, treatment, transportation and disposal of hazardous substances and wastes, wastewater discharges, air emissions (including GHG emissions), noise emissions, operation and closure of landfills, human health and safety, process safety and risk management and the clean up of contaminated sites. Many of our operations require permits and controls to monitor or prevent pollution, and these permits are subject to modification, renewal and revocation by issuing authorities. We have incurred, and will continue to incur, substantial ongoing capital and operating expenditures to ensure compliance with current and future HSSE laws, regulations and permits or the more stringent enforcement of such requirements.

We expect that our operations will be subject in the future to new and increasingly stringent HSSE laws, regulations and permits and that substantial costs will be incurred by us to ensure continued compliance. We anticipate that these laws, regulations and permits will continue to require us to incur substantial costs and impose additional obligations. If we do not predict accurately the amount or timing of costs of any future compliance, remediation requirements or private claims, our environmental provisions may be inadequate and the related impact on our business, financial condition or results of operations in any period in which such costs need to be incurred could be material. Given the nature of our business, violations of HSSE requirements, whether currently alleged or arising in the future, may result in substantial fines or penalties, the imposition of other civil or criminal sanctions, cleanup costs, claims for personal injury or property damages, the installation of costly pollution control equipment, or restrictions on, or the suspension of, our operating permits or activities.

At certain sites where we operate, regulators have alleged or we have otherwise learned that these sites may be in noncompliance with HSSE laws and/or the permits which authorize operations at these sites. Some of these allegations or instances of noncompliance are ongoing, and substantial amounts may need to be spent to attain and/or maintain compliance. In addition, we have in the past paid, and in the future may pay, penalties to resolve such matters. Our businesses and facilities have experienced, and in certain cases, are in the process of investigating or remediating, hazardous materials in the soil and groundwater at locations where we operate and/or adjacent properties and/or natural resources at public and private lands not owned by us.

Many of our sites have an extended history of industrial chemical processing, storage and related activities, and may currently be subject to engineering or institutional controls or restrictions or may become subject to such controls or restrictions in the future. We are currently, and from time to time have been or may be, required to investigate and remediate releases of hazardous materials or contamination at or migrating from certain of these sites, as well as properties we formerly owned, leased or operated. We are, and in the future may be, responsible for investigating and cleaning up contamination at off-site locations where we or our predecessors disposed of or arranged for the disposal or treatment of hazardous wastes. Under some environmental laws, including the U.S. Comprehensive Environmental Response, Compensation and Liability Act, commonly referred to as “Superfund,” liability can be imposed retroactively, without regard to fault or knowledge, and on a joint and several basis. In addition, we also could be subject to claims by government authorities, individuals and other third parties seeking damages for alleged personal injury or property or natural resource damages resulting from environmental contamination or hazardous exposure caused by our operations, facilities or products. The discovery of

previously unknown contamination, or the imposition of new obligations to investigate or remediate contamination at our facilities, could result in substantial unanticipated costs. We could be required to establish or substantially increase financial reserves for such obligations or liabilities and, if we fail to accurately predict the amount or timing of such costs, the related impact on our business, financial condition or results of operations in any period in which such costs need to be incurred could be material. In addition, HSSE laws and regulations can impose various financial responsibility requirements on us, and pursuant to these requirements we may be required to post bonds, create trust funds or provide other assurances that we will be able to remediate contamination at our sites and comply with our decommissioning obligations once our facilities reach the end of their useful lives.

Our operations involve the intensive use of hazardous materials and we have been from time to time subject to claims made for damage to property or injury, including adverse health effects, to employees and other persons, resulting from the HSSE impacts of our operations. There can be no assurance that claims made in the future will not have a material adverse effect on our reputation, business, financial condition or results of operations.

Our financial results may be adversely affected if environmental liability arises for which we are not adequately indemnified or from a disposal of assets or businesses for which we provided a seller's indemnification in respect thereof. Although we believe that the indemnities given by the selling parties from whom we have acquired assets or businesses will help defray the costs associated with pre-acquisition environmental liabilities, our financial results may still be adversely affected to the extent that:

- the sellers do not fulfill their respective indemnification obligations;
- we breach our obligations not to undertake certain activities that may aggravate existing conditions or to mitigate associated losses;
- we do not fulfill our indemnification obligations for other environmental liabilities owed as part of certain disposals of assets or businesses; or
- we incur significant costs for pre-acquisition conditions that are not covered by the indemnities.

***Potential hazards—Our operations are subject to hazards which could result in significant liability to us.***

Our operations are subject to hazards associated with chemical manufacturing and the related use, storage, transportation and disposal of raw materials, products and wastes. These hazards include explosions, fires, severe weather (including but not limited to hurricanes on the U.S. Gulf Coast or other adverse weather that some believe is increasing as a result of climate change) and natural disasters, accidents, mechanical failures, discharges or releases of toxic or hazardous substances or gases, transportation interruptions, human error, pipeline leaks and ruptures and terrorist activities. These hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment as well as environmental damage, and may result in suspension of operations and the imposition of civil and criminal liabilities, including penalties and damage awards. While we believe our insurance policies are in accordance with customary industry practices, such insurance may not cover all risks associated with the hazards of our business and is subject to limitations, including deductibles and maximum liabilities covered. We may incur losses beyond the limits, or outside the coverage, of our insurance policies, including liabilities for environmental violations and contamination. In addition, from time to time, various types of insurance for companies in our industries have not been available on commercially acceptable terms or, in some cases, have not been available at all. In the future, we may not be able to obtain coverage at current levels, and our premiums may increase significantly on coverage that we maintain. Costs associated with unanticipated events in excess of our insurance coverage could have a material adverse effect on our business, competitive or financial position or our ongoing results of operations. For additional related disclosure, see "Business—Health, Safety, Security and the Environment."

***Third parties—Our business and operations are subject to business interruption risks due to the actions of third parties, which could have a material adverse effect on our business, reputation, financial condition and results of operations.***

Due to the nature of our business, we are at risk of business interruption due to the actions of third parties. For example, many of our vendors and subcontractors have operations that are also subject to HSSE risks associated with the use of hazardous materials. Any future HSSE-related incidents affecting our vendors and subcontractors may result in significant regulatory actions, fines and other penalties, including restrictions, prohibitions or sanctions on their operations, and could impair their ability to perform their contracts with us or could otherwise subject us to liability, all of which could have a

material adverse effect on our business, reputation, financial condition and results of operations. In addition, if any facilities experience damage due to any number of hazards caused by third parties, our reputation, business and results of operations may be adversely affected.

***Product stewardship regulation—Our business could be adversely affected by chemical safety regulation of our products and raw materials.***

We use and manufacture hazardous chemicals that are subject to regulation by the EU and by many national, provincial and local governmental authorities in the countries in which we operate. In order to obtain regulatory approval of certain new products and production processes, we must, among other things, demonstrate to the relevant authorities that the product is safe for its intended uses and that we are capable of manufacturing the product in accordance with applicable regulations. The process of seeking approvals can be time-consuming and subject to unanticipated and significant delays. Approvals may not be granted to us on a timely basis, or at all. Any delay in obtaining, or any failure to obtain or maintain, these approvals would adversely affect our ability to introduce new products, to continue distributing existing products and to generate revenue from those products, which could have a material adverse effect on our business and prospects. New laws and regulations may be introduced in the future that could result in additional compliance costs, confiscation, recall or monetary fines, any of which could prevent or inhibit the development, distribution and sale of our products.

In addition, some of our products (including our raw materials) are subject to extensive environmental and industrial hygiene regulations governing the registration and safety analysis of their component substances. For example, in connection with the EU's Registration, Evaluation and Authorization of Chemicals ("REACH") Regulation or the new EU Classification, Labelling and Packaging ("CLP") Regulation, any key raw material, chemical or substance, including our products, could be classified as having a toxicological or health-related impact on the environment, users of our products, or our employees.

In Ontario, Canada, the Toxics Reduction Act requires reduction in the use of toxic substances. Among other things, this regulation requires tracking, public toxic substance reduction plans and reporting. Similar regulations are being considered in other jurisdictions, including the United States, which could result in additional requirements, including testing and record-keeping obligations, on our operations.

For example, butadiene is a known carcinogen in laboratory animals at high doses and is being studied for its potential adverse human health effects. The U.S. Occupational Safety and Health Administration currently limits the permissible employee exposure to butadiene. If studies on the health effects of butadiene result in additional regulations in the United States or new regulations in Europe that further restrict or prohibit the use of, and exposure to, butadiene, we could be required to change our operations, which could affect the quality of our products and increase our costs.

The regulation or reclassification of any of our raw materials or products could adversely affect the availability or marketability of such products, result in a ban on its import, purchase or sale, or require us to incur increased costs to comply with notification, labeling or handling requirements, each of which could result in a material adverse effect on our business, financial condition and results of operations.

***Litigation—We are subject to certain risks related to litigation filed by or against us, and adverse results may harm our business.***

We cannot predict with certainty the cost of defense, the cost of prosecution or the ultimate outcome of litigation and other proceedings filed by or against us, including remedies or damage awards, and adverse results in any litigation and other proceedings may materially harm our business. Litigation and other proceedings may include, but are not limited to, actions relating to intellectual property, commercial arrangements, environmental, health and safety, joint venture agreements, labor and employment or other harms resulting from the actions of individuals or entities outside of our control. In the case of intellectual property litigation and proceedings, adverse outcomes could include the cancellation, invalidation or other loss of material intellectual property rights used in our business and injunctions prohibiting our use of business processes or technology that are subject to third-party patents or other third-party intellectual property rights. Litigation based on environmental matters or exposure to hazardous substances in the workplace or from our products could result in significant liability for us. Adverse outcomes could have a material adverse effect on our business.

***Product liability—We may be liable for damages based on product liability claims.***

The sale of our products involves the risk of product liability claims arising out of the use of, or exposure to, our products or the chemicals in them. While most of our products have some hazardous properties, some of them, such as acrylonitrile, require specialized handling procedures due to their acute and chronic toxicity. Furthermore, our polymer products have widespread end uses in a variety of consumer industries, including food packaging and medical applications. A successful product liability claim or series of claims against us in excess of our insurance coverage for payments for which we are not otherwise indemnified or have not otherwise provided could have a material adverse effect on our business, financial condition or results of operations and cash flows. In particular, we could be required to increase our debt or divert resources from other investments in our business in order to discharge any such claims.

In addition, we license our polyethylene, polypropylene, polystyrene, polyvinylchloride, vinyl chloride monomer, ethylene dichloride and acrylonitrile technologies to third parties. Generally, our licensing agreements provide that any liability arising from the implementation of such technology is retained by us during the first 18 months of the agreements. As a result, we are liable for any damages arising from the implementation by our licensees of our technology during this period.

***Key personnel—Our success depends on the continued service of certain key personnel.***

Our success depends in significant part upon the continued service of our directors and senior management, including James A. Ratcliffe, Andrew Currie, John Reece and Jim Dawson and the executive officers at each of our business divisions. In addition, our future growth and success also depends on our ability to attract, train, retain and motivate skilled managerial, sales, administration, operating and technical personnel. We generally do not have employment agreements with, and we do not maintain any “key man” life insurance for, any member of our senior management. The loss of one or more of our key management or operating personnel, or the failure to attract and retain additional key personnel, could have a material adverse impact on our business, financial condition and results of operations.

***Employee relations—We depend on good relations with our workforce, and any significant disruption could adversely affect us.***

As of December 31, 2012, we employed over 7,000 people (measured as full-time equivalents (“FTEs”)) in our operations around the world, not including employees of our joint ventures. The majority of our employees are unionized. In addition, a majority of our employees reside in countries in which employment laws provide greater bargaining or other rights to employees than the laws of the United States. These employment rights may require us to expend greater time and expenses in altering or amending employees’ terms of employment or making staff reductions. For example, most of our employees in Europe are represented by works councils which generally must approve changes in conditions of employment, including salaries and benefits. Further, a labor disturbance or work stoppage at any of our facilities as a result of any changes to our employment terms and conditions or for any other reason could have a material adverse effect on that facility’s operations and, potentially, on our business, results of operations and financial condition.

***Intellectual property—The failure of our patents, trademarks and confidentiality agreements to protect our intellectual property could adversely affect our business.***

Proprietary protection of our processes, apparatuses and other technology is important to our business, including both our manufacturing and our licensing activities. Our actions to protect our proprietary rights may be insufficient to prevent others from developing similar products to ours. In addition, the laws of many foreign countries do not protect our intellectual property rights to the same extent as the laws of the United States and the United Kingdom. Furthermore, any pending patent application filed by us may not result in an issued patent, or if patents are issued to us, such patents may not provide meaningful protection against competitors or against competitive technologies. You should be aware that the expiration of a patent or the failure of our patents to protect our formulations, processes, apparatuses, technology or proprietary know-how could result in intense competition, with consequent erosion of profit margins. In addition, our competitors and any other third parties may obtain patents that restrict or preclude our ability to lawfully manufacture and market our products in a competitive manner, which could materially adversely affect our business, results of operations and financial condition.

We also rely upon unpatented proprietary know-how and continuing technological innovation and other trade secrets to develop and maintain our competitive position. While it is our policy to enter into confidentiality agreements with our employees and third parties to protect our intellectual property, there can be no assurances that:

- our confidentiality agreements will not be breached;
- such agreements will provide meaningful protection for our trade secrets or proprietary know-how; or
- adequate remedies will be available in the event of an unauthorized use or disclosure of these trade secrets and know-how.

In addition, there can be no assurances that others will not obtain knowledge of these trade secrets through independent development or other access by legal means.

In the past we have received communications asserting that our products or their applications infringe on a third party's proprietary rights. Currently, there is no material pending litigation against us regarding any intellectual property claim but we cannot assure you that there will not be future claims. Such claims, regardless of merit, could subject us to costly litigation and divert our technical and management personnel from their regular responsibilities. Furthermore, if such claims are adversely determined against us, we could be forced to suspend the manufacture of products using the contested intellectual property and our business, financial condition and operating results could be adversely affected if any such products are material to our business.

We may also initiate lawsuits to defend the ownership of our inventions and our intellectual property. Like defending against litigation, initiating litigation relating to intellectual property rights is costly and may divert technical and management personnel from their normal responsibilities. Furthermore, we may not prevail in any such litigation or proceeding. A determination in an intellectual property litigation or proceeding that results in a finding of a non-infringement by others to our intellectual property or an invalidation of our patents may result in the use by competitors of our technologies or processes and sale by competitors of products that resemble our products, which may adversely affect our ability to compete as well as create increased supply and corresponding downward pricing pressure.

***Internal controls—If we fail to maintain an effective system of internal controls over financial reporting, we may not be able to accurately report our financial results or prevent fraud.***

We have designed and continue to design our internal controls with the objective of providing reasonable assurance that (1) our transactions are properly authorized; (2) our assets are safeguarded against unauthorized or improper use; and (3) our transactions are properly recorded and reported, all to permit the preparation of our consolidated financial information in conformity with applicable accounting principles. We design our internal controls through the use of internal resources, external consultants and, as the case may be, with joint venture partners.

Any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Any failure to maintain adequate internal controls or to be able to produce accurate consolidated financial information on a timely basis could increase our operating costs and materially impair our ability to operate our business.

***Feedstock supply from BP—BP provides us with a substantial proportion of our feedstock requirements, and several of our sites depend entirely on BP for their supply of raw materials.***

BP accounts for a substantial proportion of our petrochemical feedstock requirements. While the substantial majority of these feedstocks are secured by long-term contracts (as generally described in the section entitled "Business—Agreements with BP"), BP may terminate each of these agreements for cause or, after the initial terms, notice of one to three years. If we lose BP as a supplier or if, as a result of operational problems at any of its facilities, BP is unable or unwilling to supply us with raw materials in the required quantities or at all, we could experience disruptions that could force us to shut down facilities. In addition, we could experience substantial delays in finding suitable replacement feedstocks on commercially viable terms. At sites that are deeply integrated with BP's facilities and therefore depend entirely on BP for the supply of raw materials, we may be unable to find a suitable alternative supplier. For example, our facilities in Carson, California and Texas

City, Texas depend on raw materials from the BP refineries located on the same sites and have no convenient access to alternative supply channels. If BP fails to supply us with raw materials at any of these sites, we may be forced to close the affected facilities, either temporarily or permanently. If any of these risks materialize, our business, results of operations and financial condition could be materially adversely affected.

***Credit Support Deed—The credit support we may be required to provide under our Credit Support Deed with BP may be substantial.***

In connection with the Innovene Acquisition, we entered into a series of arrangements with BP, including a number of commercial and transitional support agreements, among them, the Credit Support Deed. See “Business—Agreements with BP—Related Agreements—The Credit Support Deed.”

Under the Credit Support Deed, IHL and BP agreed to provide reciprocal credit support for trade obligations under any agreement between such parties or their affiliates. Further, each of BP and IHL has agreed to guarantee the payment obligations (with gross-ups for any required withholding or deduction) of BP or IHL (and their respective affiliates), as the case may be, under any trading agreement between such parties. In addition, our obligations to BP are guaranteed by each of the guarantors under the Existing Indentures, the Indenture and the Senior Secured Term Loans Agreement. As of December 31, 2012, the aggregate principal amount of our net trade obligations to BP was \$172.1 million. This number could increase or decrease significantly because it will vary in accordance with the amount of feedstock purchased or sold between the parties.

The additional credit support required of INEOS under the Credit Support Deed could be substantial. Any failure to provide such credit support under the Credit Support Deed would constitute a default under the Credit Support Deed. The Credit Support Deed provides that in the event we fail to comply with any provision of the Credit Support Deed, we default on indebtedness of \$250 million owed to third parties (or \$50 million or more owed to BP) when due or we experience certain bankruptcy events (each, a “default”), BP may suspend performance of its obligations under any agreement between us and BP and, if such default is not remedied within specific time period, BP may terminate all such agreements.

***Senior Secured Term Loans Agreement, the Existing Indentures and the Indenture—Our Senior Secured Term Loans Agreement and the Existing Indentures impose, and the Indenture will impose, significant operating and financial restrictions, which may prevent us from capitalizing on business opportunities and taking certain actions.***

Our Senior Secured Term Loans Agreement and the Existing Indentures impose, and the Indenture will impose, significant operating and financial restrictions on us. These restrictions include limitations on our ability to:

- make investments and other restricted payments, including dividends;
- incur additional indebtedness;
- sell our assets or consolidate or merge with or into other companies;
- enter into joint ventures; and
- make capital expenditures.

Our Senior Secured Term Loans Agreement and the Existing Indentures contain, and the Indenture will contain, covenants that may adversely affect our ability to finance our future operations and capital needs and to pursue available business opportunities. A breach of any of these covenants could result in a default in respect of the related debt. If a default were to occur, the relevant holders or the relevant lenders (as applicable) of such debt could elect to declare the debt, together with accrued interest and other fees, immediately due and payable and, subject to certain limitations, proceed against any collateral securing that debt. Refer to “Description of Other Indebtedness” for further information.

***Future acquisitions—Any future acquisitions may prove difficult for us to consummate.***

We have a history of making acquisitions and in the future we may acquire companies or assets engaged in similar or complementary businesses to our own if we identify appropriate acquisition targets. However, restrictions in the Senior Secured Term Loans Agreement, the Existing Indentures and the Indenture may limit or preclude our ability to make certain

acquisitions or capital expenditures. Further, we may use debt financing for any permitted acquisitions, which would increase our debt service requirements. In order to manage any acquisitions we successfully complete, we will need to expand and continue to improve our operational, financial and management information systems. If making acquisitions or integrating any acquired business diverts too much management attention from the operations or our core businesses, this could adversely affect our financial condition and results of operations. Any acquisition that we make could be subject to a number of risks, including:

- problems with effective integration of operations;
- the inability to maintain key pre-acquisition business relationships;
- increased operating costs;
- costs related to achieving or maintaining compliance with laws, rules or regulations;
- the loss of key employees of the acquired company;
- exposure to unanticipated liabilities; and
- difficulties in realizing projected efficiencies, synergies and cost savings.

We cannot assure you that any acquisition we consummate will ultimately provide the benefits we originally anticipate. Furthermore, we may not succeed in identifying attractive acquisition candidates or financing and completing potential acquisitions on favorable terms.

***Credit and capital market conditions—Adverse conditions in the credit and capital markets may limit or prevent our ability to borrow or raise capital.***

While we believe we have facilities in place that should allow us to borrow or otherwise raise funds as needed, adverse conditions in the credit and financial markets could prevent us from obtaining financing, if the need arises. We have a significant amount of debt obligations maturing prior to the maturity date of the notes. Our ability to invest in our businesses and refinance maturing debt obligations could require access to the credit and capital markets and sufficient bank credit lines to support cash requirements. If we are unable to access the credit and capital markets, we could experience a material adverse effect on our financial position or results of operations.

***Pension plans—Significant changes in pension fund investment performance or assumptions relating to pension costs may adversely affect the valuation of pension obligations, the funded status of pension plans, and our pension cost.***

Our funding policy for pension plans is to accumulate plan assets that, over the long run, will approximate the present value of projected benefit obligations. Our pension cost is materially affected by the discount rate used to measure pension obligations, the level of plan assets available to fund those obligations at the measurement date and the expected long-term rate of return on plan assets. Significant changes in investment performance or a change in the portfolio mix of invested assets may result in corresponding increases and decreases in the valuation of plan assets, particularly equity securities, or in a change of the expected rate of return on plan assets. Any change in key actuarial assumptions, such as the discount rate, would impact the valuation of pension obligations, affecting the reported funded status of our pension plans as well as the net periodic pension cost in the following fiscal years. Any declines in the fair values of the pension plans' assets could require additional payments by us in order to maintain specified funding levels. Our pension plans are subject to legislative and regulatory requirements of applicable jurisdictions.

***Eurozone—Market perceptions concerning the instability of the euro, the potential re-introduction of individual currencies within the eurozone, or the potential dissolution of the euro entirely, could have adverse consequences for us with respect to our outstanding debt obligations that are euro-denominated.***

As a result of the credit crisis in Europe, in particular in Greece, Italy, Ireland, Portugal and Spain, the European Commission created the European Financial Stability Facility (the "EFSF") and the European Financial Stability Mechanism (the "EFSM") to provide funding to eurozone countries in financial difficulties that seek such support. In March 2011, the European Council agreed on the need for eurozone countries to establish a permanent stability mechanism, the European



Stability Mechanism (the “ESM”), to be activated by mutual agreement and to assume the role of the EFSF and the EFSM in providing external financial assistance to eurozone countries after June 2013. In December 2011, the European Council and each eurozone country agreed to a package of measures designed to restore confidence and address the continued tensions in financial markets, including (i) bringing forward implementation of the ESM from June 2013 to as soon as Member States representing 90% of the capital commitments to the ESM have ratified the ESM Treaty, which occurred on September 27, 2012, and (ii) a new fiscal compact between all 17 eurozone countries and, subject to parliamentary vote, all other non-eurozone countries (except the United Kingdom) to put deficit restrictions on Member State budgets, with associated sanctions for those Member States who violate the specified limits. Despite these measures, concerns persist regarding the debt burden of certain eurozone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Member States. These and other concerns could lead to the re-introduction of individual currencies in one or more Member States, or, in particularly dire circumstances, the possible dissolution of the euro entirely. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations and for parties subject to other contractual provisions referencing the euro such as supply contracts would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the Euro IGH Notes and could have adverse consequences for us with respect to our outstanding debt obligations that are euro-denominated, and, as we have a substantial amount of debt denominated in euro, our financial condition may be materially affected. Furthermore, the Senior Secured Term Loans Agreement, the Indenture and the Existing Indentures contain covenants restricting our and our subsidiaries’ corporate activities. See “—Restrictive covenants in our debt instruments—We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.” Certain of such covenants impose limitations based on euro amounts (e.g., the amount of additional indebtedness we or our subsidiaries may incur). As such, if the euro were to significantly decrease in value, the restrictions imposed by these covenants would become tighter, further restricting our ability to finance our operations and conduct our day-to-day business.

## **Risks Relating to the Notes and Our Capital Structure**

***Significant indebtedness—Our level of indebtedness could adversely affect our ability to react to changes in our business, and we may be limited in our ability to fulfill our obligations with respect to the notes, and to use debt to fund future capital needs.***

We are, and after the issuance of the notes will continue to be, highly leveraged and as of December 31, 2012, after giving pro forma effect to the Transactions, we would have had total consolidated loans and borrowings of €7,502.7 million as compared to total equity of negative €(758.0) million. In addition, we would have had €200 million available for future borrowings under the unused portion of our Securitization Program. Our substantial indebtedness could have important consequences to holders of the notes by adversely affecting our financial position including, but not limited to:

- requiring us to dedicate all of our cash flow from operations (after the payment of operating expenses) to payments with respect to our indebtedness, thereby reducing the availability of our cash flow for working capital, capital expenditures, acquisitions, joint ventures, product research and development, and other general corporate expenditures;
- increasing our vulnerability to, and reducing our flexibility to respond to, adverse general economic or industry conditions;
- limiting our flexibility in planning for, or reacting to, competition or changes in our business or industry;
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing;
- restricting us from making strategic acquisitions or exploring business opportunities; and
- placing us at a competitive disadvantage relative to competitors that have less debt or greater financial resources.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including with respect to the notes. Our ability to make payments on and refinance our indebtedness will depend on our ability to generate cash from our operations. Our ability to generate cash from operations is subject, in large part, to

general economic, competitive, legislative and regulatory factors and other factors that are beyond our control. We may not be able to generate enough cash flow from operations nor obtain enough capital to service our debt or fund our planned capital expenditures.

A portion of our debt (including the floating rate portion of our 2019 Senior Secured Notes and debt under the Senior Secured Term Loans Agreement) bears or will bear interest at a variable rate which is based on EURIBOR or LIBOR, as applicable, plus an agreed margin and certain additional costs. Fluctuations in our borrowing costs may increase our overall debt obligations and could have a material adverse effect on our ability to service our debt obligations, including with respect to the notes.

In addition, we may be able to incur substantial additional debt in the future, including indebtedness in connection with any future acquisition. The terms of the Indenture, the Existing Indentures and the Senior Secured Term Loans Agreement permit our subsidiaries to do so, in each case, subject to certain limitations. If new debt is added to our current debt levels, the risks that we now face could intensify. Moreover, some of the debt we may incur in the future could be structurally senior to the notes, and may be secured by collateral that does not secure the notes.

For further information regarding our substantial leverage and for more information about our outstanding indebtedness, see also “Operating and Financial Review and Prospects” and “Description of Other Indebtedness”.

***Restrictive covenants in our debt instruments—We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities. If we default under these covenants, we will not be able to meet our payment obligations.***

The Senior Secured Term Loans Agreement, the Indenture and the Existing Indentures contain a number of significant covenants that restrict some of our and our subsidiaries’ corporate activities, including our and their ability to:

- incur or guarantee additional debt and issue certain preferred stock;
- make restricted payments, including paying dividends or making other distributions and prepaying or redeeming subordinated debt or equity;
- create or incur certain liens;
- sell, lease or transfer certain assets;
- enter into arrangements that restrict dividends or other payments to us;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances and on the transfer of assets;
- engage in certain transactions with affiliates;
- create unrestricted subsidiaries; and
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

All of these limitations are or will be subject to significant exceptions and qualifications. See “Description of the Notes—Certain Covenants.” The covenants to which we are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.

Also, the Senior Secured Term Loans Agreement requires us and some of our subsidiaries to comply with certain affirmative covenants. See “Description of Other Indebtedness—Senior Secured Term Loans.”

Our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the Senior Secured Term Loans Agreement. This would permit the lenders to take certain actions,

including declaring all amounts that we have borrowed under the Senior Secured Term Loans Agreement to be due and payable, together with accrued and unpaid interest. A failure to pay such amounts would also result in an event of default under the Existing Indentures and the Indenture. If we are unable to repay our debt to the lenders, they could proceed against the Collateral that secures the debt under the Senior Secured Term Loans Agreement, the Existing Notes, certain hedging liabilities and certain cash management liabilities and the notes. If the debt under our Senior Secured Term Loans Agreement, the Existing Notes or any other material financing arrangement that we enter into were to be accelerated, our assets may be insufficient to repay in full the notes and our other debt.

***Securitization Program—We use the Securitization Program to meet some of our liquidity requirements, and are subject to various covenants under the Securitization Program, which, if we are unable to comply with them, could result in the acceleration of our debt.***

Unless the maturity date of the Securitization Program is extended, the Securitization Program will mature in December 2014. We satisfy a significant amount of our short-term liquidity needs with amounts available under the Securitization Program. While we have in principle agreed to terms with our securitization providers, our ability to refinance the Securitization Program could be affected by a number of factors, including volatility in the financial markets, contractions in the availability of credit, including in interbank lending, and changes in investment markets, including changes in interest rates, exchange rates and returns from equity, property and other investments. Our liquidity will be adversely affected if we are unable to refinance the Securitization Program on acceptable terms or at all, and we can provide no assurance we will be able to do so.

The availability under the Securitization Program varies depending on the underlying receivables. For a more detailed discussion, please see “Description of Other Indebtedness—Securitization Program.” In addition, the Securitization Program contains various covenants, and if we fail to comply with these covenants, a default may occur under the Securitization Program. If a default occurs under the Securitization Program, we may need to fund our working capital requirements from other sources.

***No Revolving Credit Facility—We do not have a revolving credit facility, which may adversely affect our short-term liquidity.***

In addition to our Securitization Program, we have historically relied upon a revolving credit facility to meet our short-term liquidity needs. We no longer have a revolving credit facility. While we believe we have sufficient cash on our balance sheet to meet our working capital needs, such amounts may not be sufficient. Should we require cash in an amount exceeding the cash available for cash collateralized letters of credit, our short-term liquidity will be adversely affected.

***Ability to repay and service debt—To repay or refinance and service our debt, we will require a significant amount of cash.***

Our ability to make principal or interest payments when due on our indebtedness, including the notes, the Senior Secured Term Loans Agreement and the Existing Notes, will depend upon our future performance and our ability to generate cash. Our ability to generate cash depends on many factors beyond our control. The ability of our subsidiaries to transfer monies upstream to us, as well as to pay operating expenses and to fund planned capital expenditures, any future acquisitions and research and development efforts, will depend on our businesses’ ability to generate cash in the future, as well as limitations that may be imposed under applicable law. This, to an extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors, including those factors discussed in this “Risk Factors” section or elsewhere in this offering memorandum, many of which are beyond our and our subsidiaries’ control. Please see “Selected Consolidated Financial Information” and “Operating and Financial Review and Prospects.” If we sustain losses in the future, our ability to repay and service our debt may be materially impaired.

If we are unable to generate sufficient cash flow to meet our payment obligations, we may be forced to reduce or delay planned expansions or capital expenditures, sell significant assets, discontinue specified operations, obtain additional funding in the form of debt or equity capital or attempt to restructure or refinance all or a portion of our debt on or before maturity. We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on commercially reasonable terms, if at all. In addition, the terms of our debt, including the Senior Secured Term Loans Agreement, the Existing Indentures and the Indenture, will limit our ability to pursue any of these alternatives. If we are unsuccessful in any of these efforts, we may not have sufficient cash to meet our obligations.

***Financing a change of control offer—We may not be able to raise the funds necessary to finance a change of control offer required by the Indenture and, if this occurs, we would be in default under the Indenture.***

Under the terms of the Existing Indentures and the Indenture, we will be required to offer to repurchase the Existing Notes or the notes, as applicable, if certain events constituting a change of control occur. Our obligations under the Senior Secured Term Loans Agreement could also be accelerated upon the occurrence of a change of control under the Existing Indentures or the Indenture or other change of control events. It is possible that we may not have sufficient funds at the time of a change of control to repurchase any or all of the Existing Notes or the notes, or repay our outstanding obligations under the Senior Secured Term Loans Agreement. We expect that we would require third party financing to make an offer to purchase the Existing Notes and the notes or to repay our outstanding obligations under the Senior Secured Term Loans Agreement upon a change of control. We cannot assure you that we would be able to obtain such financing. Our failure to repurchase any or all of the Existing Notes and the notes would be an event of default under the Existing Indentures and the Indenture, respectively, and would cause a cross default under the Senior Secured Term Loans Agreement. You should read the section titled “Description of the Notes—Purchase of the Notes upon a Change of Control” for further information regarding the change of control provisions.

The change of control provisions contained in the Indenture may not protect you in the event of highly leveraged transactions and other important corporate events, including reorganizations, restructurings or mergers that may adversely affect you, because these transactions may not involve a change in voting power or beneficial interest of the magnitude required to trigger the change of control provisions or, even if they do, may not constitute a “Change of Control” as defined in the Indenture.

Except as described under “Description of the Notes—Change of Control,” the Indenture does not contain provisions that would require us to offer to repurchase or redeem the Existing Notes or the notes, as applicable, in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of “Change of Control” under the Indenture includes a disposition to any person of “all or substantially all” of the assets of the Issuer and its restricted subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase “all or substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the assets of the Issuer and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the notes.

***Holding company Issuer—The Issuer is a holding company with no independent operations and is dependent on payments under the Proceeds Loans and from its operating subsidiaries in order to provide it with funds to meet its obligations.***

The notes and guarantees will be the obligations of the Issuer and the Guarantors, respectively, and not of any of our other subsidiaries. The Issuer is a holding company that does not directly conduct any business operations. The only significant assets of the Issuer are (i) its rights under each of the Proceeds Loans, which are loans made by it to IHL and (ii) its ownership of 100% of the shares of Lux I (Lux I itself being a holding company and whose only assets are its indirect interest in the shares of our operating subsidiaries). The Issuer’s material liabilities will include the notes, the 2016 IGH Notes and the guarantee of obligations under the Senior Secured Term Loans Agreement, the BP Creditor Liabilities, the 2019 Senior Secured Notes, the 2020 Senior Secured Notes and any additional debt it may incur in the future.

As such, the Issuer is dependent upon payments from IHL in connection with each of the 2016 IGH Notes Proceeds Loans, the Dollar IGH Notes Proceeds Loan or the Euro IGH Notes Proceeds Loan, respectively, in order to make payments under each of the 2016 IGH Notes, the Dollar IGH Notes or the Euro IGH Notes, respectively. If IHL fails to make scheduled payments on the proceeds loans, it is not expected that the Issuer will have any other sources of funds that would allow it to make payments on such proceeds loans. In addition, IHL is a holding company that does not conduct any independent business operation.

The ability of our subsidiaries to make payments to IHL to fund payments on the proceeds loans, and the ability of the subsidiaries to make upstream payments in general, will depend upon their cash flows and earnings which, in turn, will be affected by all of the factors discussed in these “Risk Factors” and elsewhere in this offering memorandum.

The payment of dividends and the making, or repayment, of loans and advances to IHL by IHL's direct subsidiaries and such payments by its indirect subsidiaries to their respective parent entities are subject to various restrictions. Existing and future debt of certain of these subsidiaries may prohibit the payment of dividends or the making, or repayment, of loans or advances to IHL or its parent entities. The terms of the Intercreditor Deed also restrict certain intra-group payments. In addition, the ability of any of IHL's direct or indirect subsidiaries to make certain distributions may be limited by the laws of the relevant jurisdiction in which the subsidiaries are organized or located, including financial assistance rules, corporate benefit laws and other legal restrictions which, if violated, might require the recipient to refund unlawful payments.

Although the Indenture, the Existing Indentures and the Senior Secured Term Loans Agreement limit the ability of IHL's subsidiaries to enter into future consensual restrictions on their ability to pay dividends and make other payments to IHL, there are significant qualifications and exceptions to these limitations. We cannot assure you that arrangements with IHL's subsidiaries and the funding permitted by the agreements governing existing and future indebtedness of IHL's subsidiaries will provide IHL with sufficient dividends, distributions or loans to fund upstream payments, including payments on the Proceeds Loans when due. See "Description of Other Indebtedness." and "Description of the Notes".

***Limited guarantees—The notes will only benefit from limited guarantees.***

The notes are guaranteed by the Guarantors, which represent 90.2% of our consolidated EBITDA for the year ended December 31, 2012. See also "Description of Notes—Guarantees" and "Summary Corporate and Financing Structure—the Offering—Guarantees", "Description of the Collateral and the Guarantees", "Limitation on Validity and Enforceability of the Guarantees and the Security Interests" and "Guarantees and Collateral limitations—The guarantees and pledges of Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity".

***Second ranking security interests—The notes are secured only by second ranking security interests over certain of our assets, which are subject to limitations and are not secured by any assets of our Guarantors other than the shares of IHL, and the lenders under the Senior Secured Term Loans Agreement, the holders of the 2019 Senior Secured Notes and the 2020 Senior Secured Notes and the BP Creditors are entitled to remedies available to a secured lender, which gives them priority over you to collect amounts due to them.***

The notes, together with the 2016 IGH Notes on a *pari passu* basis, are secured only by a second ranking charge over 100% of the shares of IHL and a second ranking assignment over the Proceeds Loans, and the notes and the guarantees will not be secured by any other assets. Our obligations under the Senior Secured Term Loans Agreement, the 2019 Senior Secured Notes, the 2020 Senior Secured Notes and the BP Creditor Liabilities are secured by, among other things, first ranking security over substantially all of our assets (including intellectual property rights) and substantially all of the assets of certain of the Guarantors. Furthermore, the Indenture will permit us to incur additional debt that can be secured by liens on such assets, as well as on the Collateral that rank senior to, or equally with, the liens on Collateral that secure the notes. If we become insolvent or are liquidated, or if payment under the Senior Secured Term Loans Agreement, the 2019 Senior Secured Notes or the 2020 Senior Secured Notes or in respect of any other secured indebtedness is accelerated, the lenders under the Senior Secured Term Loans Agreement or holders of the 2019 Senior Secured Notes or the 2020 Senior Secured Notes or other secured indebtedness will, subject to the terms of the Intercreditor Deed, be entitled to exercise the remedies available to a secured lender under applicable law (in addition to any remedies that may be available under documents pertaining to the Senior Secured Term Loans Agreement, the 2019 Senior Secured Notes, the 2020 Senior Secured Notes or other senior debt).

Upon the occurrence of any default under the Senior Secured Term Loans Agreement (and even without accelerating the indebtedness under the Senior Secured Term Loans Agreement), the 2019 Senior Secured Notes Indenture or the 2020 Senior Secured Notes Indenture, the Senior Facility Agent (as defined in the Intercreditor Deed) and/or the relevant Senior Secured Notes Trustee (as defined in the Intercreditor Deed), as applicable, holding more than 50% of our outstanding senior secured debt, may be able to prohibit the payment of the notes and guarantees, either by limiting our ability to access our cash flow or under the subordination provisions contained in the Intercreditor Deed. In addition, second ranking security over the assets securing the notes may be released in certain circumstances without any action by the Trustee or the holders of the notes. See "Description of Notes". In addition, the value of the Collateral securing the notes may be difficult to realize and/or not be sufficient to satisfy the obligations under the notes. See the risk factors entitled "Realization of Collateral—It may be difficult to realize the value of the Collateral securing the notes", "Sufficiency of the Collateral—The Collateral may not be sufficient to secure the obligations under the notes" and "Value of Collateral—The Collateral is subject to casualty risks".

***Realization of Collateral—It may be difficult to realize the value of the Collateral securing the notes.***

The Collateral securing the notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral securing the notes as well as the ability of the Trustee to realize or foreclose on such Collateral.

The security interests of the Collateral Agent are subject to practical problems generally associated with the realization of security interests in the Collateral securing the notes. For example, the Trustee or the Collateral Agent may need to obtain the consent of a third party to enforce a security interest. We cannot assure you that the Trustee will be able to obtain any such consents. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Trustee or the Collateral Agent may not have the ability to foreclose upon those assets and the value of the Collateral securing the notes may significantly decrease.

Furthermore, under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The liens in the Collateral securing the notes may not be perfected with respect to the claims of the notes if we or the Trustee or the Collateral Agent fails or is unable to take the actions we are or it is required, as the case may be, to take to perfect any of these liens.

***Sufficiency of the Collateral—The Collateral may not be sufficient to secure the obligations under the notes***

The notes will be secured by security interests with respect to the Collateral, which collateral also secures, (i) on a prior ranking basis, (aa) obligations under the Senior Secured Term Loans Agreement, (bb) certain hedging liabilities and cash management liabilities and (cc) the 2019 Senior Secured Notes and the 2020 Senior Secured Notes and each of the guarantees granted in connection therewith and (ii) on *pari passu* basis, obligations under the 2016 IGH Notes. The Collateral may also secure additional debt to the extent permitted by the terms of the Indenture, Senior Secured Term Loans Agreement, the Existing Indentures and the Intercreditor Deed, including certain hedging obligations and cash management arrangements. Your rights as a holder of the notes to the Collateral would be diluted by any increase in the debt secured by the relevant Collateral or a reduction of the Collateral securing the notes.

The value of the Collateral and the amount to be received upon a sale of such Collateral will depend upon many factors, including, among others, the ability to sell the Collateral in an orderly sale, the condition of the economies in which operations are located and the availability of buyers. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the Collateral may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that there will be a market for the sale of the Collateral, or, if such a market exists, that there will not be a substantial delay in its liquidation. In addition, the share pledges of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceedings. The Collateral will be released in connection with an enforcement sale pursuant to the Intercreditor Deed.

***Limitations on the value of the Collateral—The notes will be secured only to the extent of the value of the assets that have been granted as security for the notes.***

To the extent that the claims of the holders of the notes exceed the value of the assets securing those notes and other obligations, those claims will rank equally with the claims of the holders of all other existing and future senior unsecured indebtedness ranking *pari passu* with the notes. As a result, if the value of the assets pledged as security for the notes is less than the value of the claims of the holders of the notes, those claims may not be satisfied in full before the claims of certain unsecured creditors are paid.

***Challenges to Collateral—The grant of Collateral to secure the notes might be challenged or voidable in an insolvency proceeding.***

The grant of Collateral in favor of the Collateral Agent may be voidable by the grantor or by an insolvency trustee, liquidator, receiver or administrator or by other creditors, or may be otherwise set aside by a court, or be unenforceable if certain events or circumstances exist or occur, including, among others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to receive a greater recovery than if the grant had not been given and an

insolvency proceeding in respect of the grantor is commenced within a legally specified “clawback” period following the grant.

For example, if certain collateral was secured after the Issue Date and the grantor of such security interest were to become subject to a bankruptcy or winding up proceeding after the Issue Date, then any mortgage or security interest in collateral delivered after the Issue Date would face a greater risk than security interests in place on the Issue Date of being avoided by the grantor or by its trustee, receiver, liquidator, administrator or similar authority, or otherwise set aside by a court, as a preference under insolvency law. To the extent that the grant of any security interest is voided, you would lose the benefit of the security interest. See “Limitations on Validity and Enforceability of the Guarantees and the Security Interests”.

***Structural subordination—The notes and each guarantee will be structurally subordinated to the liabilities and any preferred stock of the non-guarantor subsidiaries.***

Some, but not all, of our subsidiaries guarantee the notes. Unless a subsidiary is a guarantor of such obligations, our subsidiaries do not have any obligation to pay amounts due on the notes or to make funds available for that purpose. Accordingly, you and the holders should only rely on the guarantees of the notes to provide credit support in respect of payments of principal or interest on the notes.

Our operating subsidiaries are separate and distinct legal entities and those of our subsidiaries that do not guarantee the notes have no obligation, contingent or otherwise, to pay any amounts due pursuant to the notes or to make any funds available therefor, whether by dividends, loans, distributions or other payments, and do not guarantee the payment of interest on, or principal of, the notes. Generally, claims of creditors of a non-guarantor subsidiary, including trade creditors, and claims of any preferred stockholders of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims against IHL by the Issuer under the Dollar IGH Notes Proceeds Loan or the Euro IGH Notes Proceeds Loan and by noteholders under the guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of our non-guarantor subsidiaries, the creditors of the guarantors (including the holders of the notes) will have no right to proceed against such subsidiary’s assets and holders of their indebtedness and their trade creditors will generally be entitled to payment in full of their claims from the assets of those subsidiaries before any guarantor, as direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary. As such, the notes and each guarantee, the Dollar IGH Notes Proceeds Loan and the Euro IGH Notes Proceeds Loan are each structurally subordinated to the creditors (including trade creditors) and any preferred stockholders of our non-guarantor subsidiaries.

***Contractual subordination—Your rights to receive payments on the guarantees will be junior to the guarantors’ obligations under the Senior Secured Term Loans Agreement, the 2019 Senior Secured Notes, the 2020 Senior Secured Notes and their obligations under the BP Creditor Liabilities.***

The notes will be guaranteed by IHL and certain of our other subsidiaries. These guarantees rank behind, and are subordinated to, all of the Guarantors’ existing and future obligations under the Senior Secured Term Loans Agreement, certain hedging liabilities and certain cash management liabilities, the 2019 Senior Secured Notes, the 2020 Senior Secured Notes, the BP Creditor Liabilities and any other Designated Senior Indebtedness (as defined under the caption “Description of the Notes—Certain Definitions”) of the Guarantors. These guarantees will also rank behind any guarantees of debt that we or IHL are permitted by the Indenture to incur in the future that is secured by liens on all or substantially all of the assets securing the obligations under the Senior Secured Term Loans Agreement, the 2019 Senior Secured Notes and the 2020 Senior Secured Notes and guaranteed by all or substantially all of our subsidiaries that guarantee obligations under Senior Secured Term Loans Agreement, the 2019 Senior Secured Notes and the 2020 Senior Secured Notes. Pursuant to the Intercreditor Deed, the guarantees will not become due until 179 days after an event of default under the notes has occurred or earlier, in limited circumstances. In addition, the guarantees may be released in certain circumstances without any action by the Trustee or the holder of the notes.

All payments on the guarantees, the Dollar IGH Notes Proceeds Loan and the Euro IGH Notes Proceeds Loan will also effectively be prohibited by the terms of the guarantees and the Intercreditor Deed, respectively, if a specified payment event of default occurs under either the Senior Secured Term Loans Agreement, the 2019 Senior Secured Notes Indenture, the 2020 Senior Secured Notes Indenture or the BP Credit Documents until the default has been remedied or waived and notice is served on INEOS Holdings Limited by the facility agent under the Senior Secured Term Loans Agreement or the trustees under the 2019 Senior Secured Notes Indenture, the 2020 Senior Secured Notes Indenture or representatives of

certain future debt, as applicable, in the event that certain other events of default occur. See “Description of Other Indebtedness—Intercreditor Deed”.

***Release of Collateral and Guarantees—There are circumstances other than repayment or discharge of the notes under which the Collateral securing the notes and the guarantees will be released automatically and under which the guarantees will be released automatically, without your consent or the consent of the Trustee.***

Under various circumstances, Collateral securing the notes will be automatically and unconditionally released, including:

- in connection with any sale of the property or assets to a Person that is not the Issuer or a Restricted Subsidiary (as defined under “Description of the Notes—Certain Definitions”), if the sale or other disposition does not violate the requirements of the covenant set forth under the caption “Description of the Notes—Certain Covenants—Limitation on Sales of Assets,” or is otherwise permitted in accordance with the Indenture (other than with respect to the IHL Pledged Shares and the Proceeds Loans);
- if such Collateral is an asset of a Guarantor or any of its subsidiaries, in connection with any sale or other disposition of capital stock of that Guarantor to a person that is not the Issuer or a Restricted Subsidiary that does not violate the requirements of the covenant set forth under the caption “Description of the Notes—Certain Covenants—Limitation on Sales of Assets” (other than with respect to the IHL Pledged Shares and the Proceeds Loans);
- in the case of a Guarantor that is released from its guarantee pursuant to the terms of the Indenture, the security document or the Intercreditor Deed or any additional intercreditor deed (which release shall be of the liens on the property and assets, and capital stock, of such Guarantor) (other than with respect to the IHL Pledged Shares and the Proceeds Loans);
- if the Issuer designates any Restricted Subsidiary to be an “Unrestricted Subsidiary” in accordance with the applicable provisions of the Indenture (which release shall be of the liens on the property and assets, and capital stock, of such subsidiary) (other than with respect to the IHL Pledged Shares and the Proceeds Loans);
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided under the caption “Description of the Notes—Defeasance or Covenant Defeasance of the Indenture” and “—Satisfaction and Discharge”;
- as described under the caption “Description of the Notes—Modifications and Amendments”;
- in connection with an enforcement sale pursuant to or other sales contemplated and permitted by the Intercreditor Deed;
- with respect to liens on the Proceeds Loans, upon the payment in full or other discharge of such loans; and
- to release and/or re-take any lien on any Collateral to the extent otherwise permitted by the terms of the Indenture, the security documents governing the Collateral or the Intercreditor Deed or any additional intercreditor agreement.

Under various circumstances, guarantees will be automatically and unconditionally released, including:

- in connection with any sale or other disposition (including any transfer to certain joint ventures) of all or substantially all of the assets of such Guarantor (including by way of merger or consolidation) (including, for the avoidance of doubt, after giving effect to any substantially concurrent sales or other dispositions to the Issuer, a Guarantor or a Restricted Subsidiary) to a person that is not (either before or after giving effect to such transaction) the Issuer, a Guarantor or a Restricted Subsidiary, if the sale or other disposition does not violate the requirements of the covenant set forth under the caption “Description of the Notes—Certain Covenants—Limitation on Sale of Assets”;



- in connection with any other sale or other disposition (including any transfer to certain joint ventures) of all or substantially all of the capital stock (or the shares of any holding company of such Guarantor) of such Guarantor to a person that is not (either before or after giving effect to such transaction) the Issuer, a Guarantor or a Restricted Subsidiary, if the sale or other disposition does not violate the requirements of the covenant set forth under the caption “Description of the Notes—Certain Covenants—Limitation on Sale of Assets”;
- if the Issuer designates such Guarantor to be an “Unrestricted Subsidiary” in accordance with the applicable provisions of the Indenture;
- upon covenant defeasance as provided below under the caption “Description of the Notes—Defeasance or Covenant Defeasance of the Indenture”;
- upon legal defeasance or satisfaction and discharge of the Indenture as provided below under the caption “Description of the Notes—Defeasance or Covenant Defeasance of the Indenture” and “—Satisfaction and Discharge”;
- so long as no event of default has occurred and is continuing under the Indenture and such Guarantor is unconditionally released and discharged from its liability with respect to Indebtedness in connection with which such guarantee was executed pursuant to the covenant described under the caption “Description of the Notes—Certain Covenants—Limitation on Issuance of Guarantees of Indebtedness by Restricted Subsidiaries”;
- as described under the caption “Description of the Notes—Consolidation, Merger, Sale of Assets” and “—Modifications and Amendments”;
- with respect to a Guarantor that is an Immaterial Subsidiary (as defined under the caption “Description of the Notes—Certain Definitions”), so long as no Event of Default has occurred and is continuing under the Indenture, to the extent that such Guarantor (i) is unconditionally released and discharged from its liability with respect to the Senior Secured Term Loans Agreement, the 2020 Senior Secured Notes and the 2019 Senior Secured Notes and (ii) does not guarantee any other credit facility or public debt; and
- in connection with an enforcement sale pursuant to or other sales contemplated by the Intercreditor Deed.

***Post-petition interest—The value of the Collateral securing the notes may not be sufficient to secure post-petition interest in the United States.***

In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding against us in the United States, holders of the notes will only be entitled to post-petition interest under the United States Bankruptcy Code to the extent that the value of their security interest in the Collateral is greater than their pre-bankruptcy claim. Holders of the notes that have a security interest in Collateral with a value equal or less than their pre-bankruptcy claim will not be entitled to post-petition interest under the United States Bankruptcy Code. No appraisal of the fair market value of the Collateral has been prepared in connection with this Offering and therefore the value of the noteholders’ interest in the Collateral may not equal or exceed the principal amount of the notes.

***Controlling shareholders—The interests of our principal shareholders may conflict with your interests.***

Messrs. Ratcliffe, Currie and Reece own INEOS AG, our ultimate parent holding company. Mr. Ratcliffe controls INEOS AG. Our controlling shareholder has power to elect all of the directors of our companies, to change their management, to approve any changes to their organizational documents and to approve any acquisitions or dispositions. As a result, his actions can affect our strategic decisions, our legal and capital structure and our day-to-day operations. In addition, our principal shareholders may have an interest in pursuing acquisitions, divestitures or other transactions that, in their judgment, could enhance their equity investment, even though these transactions might involve risks to you. In the event of a conflict of interest between you and our principal shareholders, their actions could affect our ability to meet our payment obligations to you.

***Enforcement in multiple jurisdictions—Enforcing your rights as a noteholder or under the guarantees across multiple jurisdictions may prove difficult.***

The notes were issued by the Issuer, a company incorporated under the laws of the Grand Duchy of Luxembourg, and are guaranteed by the Guarantors. The Guarantors are incorporated or organized under the laws of Belgium, Canada, England and Wales, Germany, Ireland, Jersey, Luxembourg, Malta, Norway, Singapore, Switzerland and certain states in the United States. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in Belgium, Canada, England and Wales, Germany, Ireland, Jersey, Luxembourg, Malta, Norway, Singapore, Switzerland and certain states in the United States. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. Your rights under the notes and the guarantees will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex, multiple bankruptcy, insolvency or similar proceedings.

In addition, the bankruptcy, insolvency, administrative and other laws of the Guarantors' jurisdictions of organization may be materially different from, or in conflict with, each other and those of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's law should apply, adversely affect your ability to enforce your rights under the notes, the guarantees and the security in those jurisdictions or limit any amounts that you may receive. See "Limitations on Validity and Enforceability of Guarantees and the Security Interests" with respect to certain of the jurisdictions mentioned above.

The laws of certain of the jurisdictions in which the Guarantors are organized limit the ability of these subsidiaries to guarantee debt of, or provide security for, other companies. See "Limitations on Validity and Enforceability of Guarantees and the Security Interests."

***Perfection of security interests—Your rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.***

Under applicable law, a security interest in certain tangible and intangible assets will only be properly perfected, and its priority retained, through certain actions undertaken by the secured party or the grantor, as applicable, of the security. The liens in the Collateral securing the notes may not be perfected with respect to the claims of the notes if we or the Collateral Agent fails or is unable to take the actions we are or it is required, as the case may be, to take to perfect any of these liens. In addition, applicable law requires that certain property and rights acquired after the grant of a general security interest, such as real property, equipment subject to a certificate and certain proceeds, can only be perfected at or promptly following the time such property and rights are acquired and identified.

The Trustee or the Collateral Agent for the notes may not monitor, or we may not comply with our obligations to inform the Trustee or Collateral Agent of, any future acquisition of property and rights by us, and the necessary action may not be taken to properly perfect the security interest in such after-acquired property or rights. Such failure may result in the invalidity of the security interest in the Collateral or adversely affect the priority of the security interest in favor of the notes against third parties. Neither the Trustee nor the Collateral Agent for the notes has any obligation to monitor the acquisition of additional property or rights by us or the perfection of any security interest.

***Guarantees and Collateral limitations—The guarantees and pledges of Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.***

The Indenture provides that certain guarantees will be limited to the maximum amount that can be guaranteed by the relevant guarantor without rendering the relevant guarantee voidable or otherwise ineffective under applicable law and enforcement of each guarantee would be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, fraudulent transfer or conveyance, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally. See "Limitation on Validity and Enforceability of the Guarantees and the Security Interests."

Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, a court could subordinate or void the guarantees and, if payment had already been made under a guarantee, require that the recipient return the payment to the relevant Guarantor, if the court found that:

- the relevant guarantee was incurred with actual intent to hinder, delay or defraud creditors or shareholders of the Guarantor or, in certain jurisdictions, even when the recipient was simply aware that the Guarantor was insolvent when it granted the relevant guarantee;
- the guarantor did not receive fair consideration or reasonably equivalent value for the relevant guarantee and the Guarantor was: (i) insolvent or rendered insolvent because of the relevant guarantee; (ii) undercapitalized or became undercapitalized because of the relevant guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the relevant guarantees were held to exceed the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor; or
- the amount paid or payable under the relevant guarantee was in excess of the maximum amount permitted under applicable law.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon applicable governing law. Generally, an entity would be considered insolvent if, at the time it incurred indebtedness:

- the sum of its debts, including contingent liabilities, is greater than the fair value of all its assets;
- the present fair saleable value of its assets is less than the amount required to pay the probable liability on its existing debts and liabilities, including contingent liabilities, as they become due; or
- it cannot pay its debts as they become due.

If a court were to find that the issuance of the notes or a guarantee of the notes was a fraudulent conveyance or held it unenforceable for any other reason, the court could hold that the payment obligations under the notes or such guarantee are ineffective, or require the holders of the notes to repay any amounts received with respect to the notes or such guarantee. In the event of a finding that a fraudulent conveyance occurred, you may cease to have any claim in respect of the relevant Guarantor and would be a creditor solely of the Issuer and, if applicable, of the other Guarantors under any guarantees which have not been declared void.

Additionally, any future pledge of Collateral in favor of the Collateral Agent, including pursuant to security documents delivered after the date of the Indenture, might be avoidable by the pledgor (as debtor-in-possession) or by its trustee in bankruptcy if certain events or circumstances exist or occur, including, among others, if the pledgor is insolvent at the time of the pledge, the pledge permits the holders of the notes to receive a greater recovery than if the pledge had not been given and a bankruptcy proceeding in respect of the pledgor is commenced within 90 days following the pledge, or in certain circumstances, a longer period.

In addition, under the terms of the Indenture, we will be permitted in the future to incur additional indebtedness and other obligations that may share in the liens on the Collateral securing the notes and the liens on the collateral securing our other secured debt. The granting of new security interests may require the releasing and retaking of security or otherwise create new hardening periods in certain jurisdictions. The applicable hardening period for these new security interests will run from the moment each new security interest has been granted or perfected. At each time, if the security interest granted or recreated were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void or ineffective or it may not be possible to enforce it. Further, certain security documents governing security interests granted by the Guarantors will provide that the amounts guaranteed by such security interests will be limited to the extent of the amount guaranteed by such Guarantor. Therefore, limitations in the guarantees will also serve to limit the amounts guaranteed by the pledges of Collateral.

***Insolvency laws—Relevant insolvency laws in Luxembourg and other jurisdictions may provide you with less protection than U.S. bankruptcy law.***

We and certain of the Guarantors are incorporated under the laws of Luxembourg. Therefore, any insolvency proceedings by or against us or such Guarantors would likely be based on Luxembourg insolvency laws. The other Guarantors are incorporated or organized or have assets located in Belgium, Canada, England and Wales, Germany, Ireland, Jersey, Malta, Norway, Singapore, Switzerland and the United States. See “Limitation on Validity and Enforceability of the Guarantees and the Security Interests” for a description of the insolvency laws in Luxembourg, Belgium, Canada, England and Wales, Germany, Ireland, Jersey, Malta, Norway, Singapore, Switzerland and the United States, which could limit the enforceability of the guarantees and the security interests.

In the event that any one or more of the Issuer, the Guarantors, any future Guarantors, if any, or any other of our subsidiaries experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Guarantees and security provided by entities organized in jurisdictions not discussed in this offering memorandum are also subject to material limitations pursuant to their terms, by statute or otherwise. Any enforcement of the guarantees or security after bankruptcy or an insolvency event in such other jurisdictions will be subject to the insolvency laws of the relevant entity’s jurisdiction of organization or other jurisdictions. The insolvency and other laws of each of these jurisdictions may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction’s laws should apply, adversely affect your ability to enforce your rights under the guarantees or the security in these jurisdictions and limit any amounts that you may receive.

***Enforcement of civil liabilities—You may not be able to recover in civil proceedings for U.S. securities law violations.***

We and most of the Guarantors are companies incorporated outside the United States. Most of our directors and executive officers and the directors and executive officers of the Guarantors are non-residents of the United States. Although we and the Guarantors have submitted to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on our directors and executive officers or the directors and executive officers of the Guarantors. In addition, as most of our assets and those of our directors and executive officers are located outside of the United States, you may be unable to enforce against them judgments obtained in the U.S. courts predicated upon civil liability provisions of the Federal securities laws of the United States. In addition, we have been informed that it is questionable whether an English court would accept jurisdiction and impose civil liability if proceedings were commenced in England predicated solely upon U.S. Federal securities laws. See “Service of Process and Enforcement of Judgments.”

***Audit report limitations—The audit report of PricewaterhouseCoopers LLP included in this offering memorandum include statements purporting to limit the persons that may rely on such reports and the opinions contained therein.***

The audit report of PricewaterhouseCoopers LLP for the year ended December 31, 2010, which is included in this offering memorandum, includes a statement to the effect that PricewaterhouseCoopers LLP does not assume responsibility to anyone other than the members of INEOS Group Holdings plc for its audit report or the opinions it has formed.

The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the Securities Act or in a report filed under the Exchange Act. If a court were to give effect to such limiting language, the recourse that investors in the notes may have against the independent auditor based on its report or the consolidated financial statements to which it relates could be limited.

***Lack of public market—There may not be an active trading market for the notes, in which case your ability to sell your notes may be limited.***

There is no existing market for the notes. We cannot assure you as to:

- the liquidity of any market in the notes;
- your ability to sell your notes; or

- the prices at which you would be able to sell your notes.

The initial purchasers of the notes have informed us that they intend to make a market in the notes after completing this Offering. However, the initial purchasers are not obligated to make a market in the notes and may cease market-making at any time. In addition, changes in the overall market for high yield securities and changes in our financial performance or in the markets where we operate may adversely affect the liquidity of the trading market in these notes and the market price quoted for these notes. As a result, we cannot assure you that an active trading market will actually develop for these notes.

Historically, the markets for non-investment grade debt such as the notes have been subject to disruptions that have caused substantial volatility in their prices. Future trading prices for the notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. The market, if any, for the notes may be subject to similar disruptions. Any disruptions may have an adverse effect on the holders of the notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the notes. If no active trading market develops, you may not be able to resell your holding of the notes at a fair value, if at all.

Although an application has been made for the notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF, we cannot assure you that the notes will remain listed. Although no assurance is made as to the liquidity of the notes as a result of the admission to trading on the Euro MTF, delisting of the notes from the Official List may have a material effect on a holder's ability to resell the notes, as applicable in the secondary market.

In addition, the Indenture allows the Issuer to issue additional notes in the future which could adversely impact the liquidity of the notes.

***Transfer of the notes—The transfer of the notes is restricted.***

The notes and the guarantees thereof have not been registered under the Securities Act or the securities laws of any jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See "Notice to Investors." We have not agreed to or otherwise undertaken to register the notes, and neither we nor the Issuer have any intention to do so.

***Book-entry interests—Certain considerations relating to book-entry interests.***

Unless and until notes in definitive registered form, or Definitive Registered Notes, are issued in exchange for book-entry interests, owners of book-entry interests will not be considered owners or holders of the notes. The custodian for DTC (or its nominee) will be the sole holder of the global notes representing the Dollar IGH Notes and the common depository for Euroclear and Clearstream (or its nominee) will be the sole holder of the global notes representing the Euro IGH Notes. After payment to the custodian or the common depository (as the case may be), the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of DTC, Euroclear or Clearstream, as applicable, and if you are not a participant in DTC, Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights of a holder under the Indenture. See "Book-Entry, Delivery and Form."

Unlike the holders of the notes themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from DTC, Euroclear or Clearstream. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any request actions on a timely basis.

Similarly, upon the occurrence of an Event of Default under the Indenture, unless and until Definitive Registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through DTC, Euroclear or Clearstream. The Issuer cannot assure you that the procedures to be implemented through DTC, Euroclear or Clearstream will be adequate to ensure the timely exercise of rights under the notes. See "Book-Entry, Delivery and Form."

***Foreign currency exchange risks—You may face currency exchange risks by investing in the notes.***

The Euro IGH Notes are denominated and payable in euro and the Dollar IGH Notes are denominated and payable in dollars. If you measure your investment returns by reference to a currency other than the currency in which your notes are denominated, investment in such notes entails foreign currency exchange-related risks due to, among other factors, possible significant changes in the value of the dollar or the euro, as applicable, relative to the currency you use to measure your investment returns, caused by economic, political and other factors which affect exchange rates and over which we have no control. Depreciation of the dollar or the euro, as applicable, against the currency by reference to which you measure your investment returns would cause a decrease in the effective yield of the notes below their stated coupon rates and could result in a loss to you when the return on the notes is translated into the currency by reference to which you measure your investment returns. There may be tax consequences for you as a result of any foreign currency exchange gains or losses resulting from your investment in the notes. You should consult your tax advisor concerning the tax consequences to you of acquiring, holding and disposing of the notes.

***Interest rate risks—Certain of our borrowings bear interest at floating rates that could rise significantly, increasing our interest cost and reducing cash flow.***

A substantial part of our indebtedness, including borrowings under the Senior Secured Term Loans Agreement and the 2019 Senior Secured Notes, bears or will bear interest at per annum rates equal to EURIBOR, LIBOR and similar benchmarks, in each case adjusted periodically, plus a spread. These interest rates could rise significantly in the future, thereby increasing our interest expenses associated with these obligations, reducing cash flow available for capital expenditures and hindering the Issuer's ability to make payments on the notes.

## THE REFINING DIVESTITURE

*This section contains a summary description of the transactions entered in connection with the Refining Divestiture. It is a summary only and does not purport to describe all of the terms and conditions of the Refining Divestiture, and is subject to, and qualified in its entirety by reference to, the underlying documents.*

On July 1, 2011, subsidiaries of Lux I disposed of (i) the Refining Business and the Entrepreneurial (Refining) Business to joint ventures formed between PetroChina and INEOS Investments and (ii) the Infrastructure Entity to a joint venture owned by INEOS Investments (50.0%) and the Refining Business JV (50.0%), herein referred to as the “Refining Divestiture.” The disposal of the Refining Business, the Entrepreneurial (Refining) Business and the Infrastructure Entity was principally a disposal of the Refining segment of the INEOS Group as reported on the financial statements of the Issuer. It is expected that the Refining Divestiture will create a strong strategic partnership for the Refining Business, which is anticipated in turn will improve the long-term sustainability of the refineries, enhance security of supply for customers and secure jobs and skills in both the United Kingdom and France.

The Refining Business and the Entrepreneurial (Refining) Business disposed of in connection with the Refining Divestiture consist principally of the crude oil refining operations carried out at the refineries located at Grangemouth, Scotland, and Lavéra, France, and related entrepreneurial activities, as reported on the historical financial statements of the Issuer under the Refining segment. The Refining Divestiture also involved the transfer to the Infrastructure Entity of certain related infrastructure assets (principally a power station in Grangemouth, Scotland, and a terminal and other facilities). Following the Refining Divestiture, the INEOS Group and the Refining Business share certain assets and will continue to rely on each other for certain goods and services, which include the purchase of feedstock by the INEOS Group from the Refining Business JV, the sale by the INEOS Group of certain hydrocarbons to the Refining Business JV and the provision of certain administrative services to each other (such as security, emergency response, accounting, employee relations, procurement and site management). The Infrastructure Entity acquired the related infrastructure assets and provides certain infrastructure goods and services (such as power and access to terminals) to the INEOS Group and the Refining Business JV. The Infrastructure Entity was transferred by the INEOS Group as part of the Refining Divestiture and is jointly owned by INEOS Investments and the Refining Business JV. Upon the consummation of the Refining Divestiture, service and asset-sharing arrangements were executed to govern the ongoing use of the shared infrastructure and services.

As a result of the Refining Divestiture and related transactions, on July 1, 2011, we received cash proceeds (after expenses) equal to €674.2 million and 400 shares in INEOS Investments, subscribed for at an aggregate subscription price of \$1.015 billion. For more information, please see Note 3 “Disposals” to the audited consolidated financial statements of INEOS Group Holdings S.A. included elsewhere in this offering memorandum. Subsequently, in October 2011, we paid our counterparty to the Refining Divestiture an amount equal to €16.2 million out of cash on hand as part of the agreed completion adjustment mechanics. For so long as any of the 2016 IGH Notes are outstanding, the ordinary shares will have the right to receive an amount equal to all amounts received by INEOS Investments (net of a good faith estimate of its audit, company secretarial and other administrative expenses, as determined by the directors of INEOS Investments) in respect of its investments, including its equity interest in the Refining and Entrepreneurial JVs and the Infrastructure Entity, and INEOS Investments shall be obliged to distribute to the INEOS Group, subject to applicable legal requirements, in the form of dividends or as a return of capital, all amounts received by it in respect of such investments, less such audit, company secretarial and other administrative expenses. For so long as any of the 2016 IGH Notes are outstanding, a holder of the ordinary shares will be entitled to receive all returns of capital made by INEOS Investments, including upon a merger, sale or similar transaction involving, or a winding-up or liquidation of, INEOS Investments. While we do not have voting control of INEOS Investments, the INEOS Group does retain the majority of the current economic benefits of the entity as we are entitled to receive the foregoing amounts through the ordinary shares we hold. By virtue of the Group’s retained economic interest in INEOS Investments, the INEOS Group consolidates INEOS Investments as a subsidiary in its consolidated financial statements. The investments in the Refining Business held by INEOS Investments are therefore accounted for as investments in joint ventures in the consolidated financial statements of the INEOS Group. Once the 2016 IGH Notes have been redeemed or repaid, on a return of capital or on a winding up of INEOS Investments (or otherwise), the holders of the ordinary shares shall be entitled to, in priority to any payment to holders of any other class of shares, \$1.015 billion of the total capital returned to the voting shareholders. The ordinary shares are unsecured equity interests. Subject to applicable law, the ordinary shares do not carry voting rights other than class voting rights in relation to changes in the Articles of Association of INEOS Investments that would affect the rights of the ordinary shares, including the issuance of shares ranking *pari passu* or prior to the ordinary shares, or in relation to any proposal to wind-up INEOS Investments. Except with respect to the limited class voting rights of the ordinary shares, the voting shares of the principal shareholders of the Issuer have 100% of the voting rights of INEOS Investments.

On July 29, 2011, we used the net cash proceeds from the Refining Divestiture along with cash on hand to permanently repay €646.1 million of term loans and the associated €30.7 million of PIK interest under the 2010 Senior Facilities Agreement. In connection with the Refining Divestiture, on July 1, 2011, the INEOS Group also repaid the 2005 Senior Secured Credit Facilities with cash on hand.

As described in “Presentation of Financial and Non-GAAP Information,” certain line items in the income statement, balance sheet and statement of cash flows for the 2010 comparative period presented in the audited consolidated financial statements of the Issuer were restated to reflect the Refining Business as a discontinued operation and to reflect the group restructuring.

The refineries are integrated to INEOS-owned and JV petrochemical assets at the Grangemouth and Lavéra sites. This integration allows maximization of the value from hydrocarbon flows between refining and petrochemicals, as well as to leverage the sites’ infrastructure, energy management, shared services and workforce. Upon the consummation of the Refining Divestiture, service and asset-sharing arrangements were executed to govern the ongoing use of the shared infrastructure and services. We do not anticipate any interruption to these services or the provision of feedstocks that flow into our remaining three business segments, as discussed further under the caption “Refining Divestiture—Contractual Arrangements with the Refining and Entrepreneurial JVs”.



## THE TRANSACTIONS

On May 8, 2013, we entered into the Amendment Agreement in order to, among other things, (i) decrease the interest rates applicable to the Existing Senior Secured Term Loans under the Senior Secured Term Loans Agreement (the “Repricing”) and (ii) make other amendments to the Senior Secured Term Loans Agreement in line with the evolving needs of the Group. On the Issue Date, we borrowed New Senior Secured Term Loans under the amended Senior Secured Term Loans Agreement and used the net proceeds of such borrowings to repurchase all of the outstanding 2015 Senior Secured Notes on May 15, 2013 and to pay the transaction fees and expenses, with the remaining made available for general corporate purposes. In addition, the proceeds of the Offering were used to redeem all of the U.S. dollar-denominated 2016 IGH Notes outstanding on May 15, 2013 and €500 million aggregate principal amount of the euro-denominated 2016 IGH Notes outstanding on June 5, 2013. See “Use of Proceeds”. The redemptions, the Offering and the borrowing of the New Senior Secured Term Loans are collectively referred to herein as the “Refinancing” and, together with the Repricing, the “Transactions.”

We are carrying out the Transactions in order to extend our debt maturity profile and improve our liquidity. Please see “Description of Other Indebtedness”.

## USE OF PROCEEDS

The gross proceeds from the sale of the Dollar IGH Notes were \$678 million. The gross proceeds from the sale of the Euro IGH Notes were €500 million. The proceeds of the notes were applied in permanent repayment of all the U.S. dollar-denominated 2016 IGH Notes and €500 million aggregate principal amount of the euro-denominated 2016 IGH Notes.

The gross proceeds from the borrowing of New Senior Secured Term Loans under the amended Senior Secured Term Loans Agreement were, in respect of the dollar term loan, \$640 million (the “Dollar Term Loan”) and, in respect of the euro term loan, €350 million (the “Euro Term Loan”) The proceeds of the Dollar Term Loan (less fees, costs and expenses relating to the Transactions) were applied in permanent repayment of all outstanding dollar-denominated 2015 Senior Secured Notes. The proceeds of the Euro Term Loan (less fees, costs and expenses relating to the Transactions) were applied in permanent repayment of all outstanding euro-denominated 2015 Senior Secured Notes. The remaining amounts of the proceeds were made available for general corporate purposes.

### Sources and Uses

The following table sets forth the sources and uses of funds for the Transactions:

<u>Sources of Funds</u>	<u>(€ in millions)<sup>(1)</sup></u>	<u>Uses of Funds</u>	<u>(€ in millions)<sup>(1)</sup></u>
Notes offered hereby <sup>(2)</sup> .....		Prepayment of the U.S. dollar-denominated 2016 IGH Notes <sup>(4)</sup> ...	512.4
	1,012.7	Prepayment of the euro-denominated 2016 IGH Notes .....	500.0
New Senior Secured Term Loans <sup>(3)</sup> .....		Prepayment of the 2015 Senior Secured Notes <sup>(5)</sup> .....	731.1
	834.0	General corporate purposes.....	18.2
		Estimated transaction fees and expenses .....	85.0
Total sources.....	<u>1,846.7</u>	Total uses .....	<u>1,846.7</u>

(1) Unless otherwise indicated, euro equivalents of U.S. dollar amounts are translated at an exchange rate of \$1.3223 = €1.00, which is the exchange rate used for our balance sheet as of December 31, 2012. The exchange rate of the euro on June 10, 2013, was \$1.3257 = €1.00.

(2) Represents \$678 million principal amount of Dollar IGH Notes, translated at an exchange rate of \$1.3223 = €1.00 and €500 million principal amount of Euro IGH Notes.

(3) Represents €350 million principal amount of euro-denominated loans and \$640 million principal amount of dollar-denominated term loans, translated at an exchange rate of \$1.3223 = €1.00.

(4) Represents \$677.5 million principal amount of the U.S. dollar denominated 2016 IGH Notes, translated at an exchange rate of \$1.3223 = €1.00.

(5) Represents €300 million of euro-denominated 2015 Senior Secured Notes and \$570 million of U.S. dollar denominated 2015 Senior Secured Notes, translated at an exchange rate of \$1.3223 = €1.00.

## CAPITALIZATION

The following table sets forth our cash and cash equivalents and consolidated capitalization as of December 31, 2012, and on an adjusted basis after giving pro forma effect to the Transactions, as if they occurred on December 31, 2012. This table should be read in conjunction with “Use of Proceeds,” “Operating and Financial Review and Prospects,” “Description of Other Indebtedness” and our audited consolidated financial statements and related notes thereto included elsewhere in this offering memorandum.

Actual amounts may vary from estimated amounts depending on several factors, including differences from our estimate of fees and expenses, fluctuations in cash on hand between December 31, 2012, and the Issue Date and fluctuations in applicable exchange rates.

	At December 31, 2012	
	Actual <sup>(1)</sup>	As Adjusted <sup>(1)</sup>
	(€ in millions)	
<b>Cash and cash equivalents</b> <sup>(2)</sup> .....	1,235.4	1,253.6
<b>Loans and borrowings</b> <sup>(3)</sup>		
Senior Secured Term Loans .....	2,278.9	3,112.9
2015 Senior Secured Notes .....	731.1	—
2016 IGH Notes .....	2,044.5	1,032.1
2019 Senior Secured Notes .....	1,256.2	1,256.2
2020 Senior Secured Notes .....	586.1	586.1
Notes offered hereby <sup>(4)</sup> .....	—	1,012.7
Securitization Program .....	492.0	492.0
Other <sup>(5)</sup> .....	10.7	10.7
<b>Total loans and borrowings</b> .....	7,399.5	7,502.7
<b>Total equity</b> .....	(758.0)	(758.0)
<b>Total capitalization</b> .....	6,641.5	6,744.7

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- (1) Unless otherwise indicated, euro equivalents of U.S. dollar amounts are translated at an exchange rate of \$1.3223 = €1.00, which is the exchange rate used for our balance sheet as of December 31, 2012. This exchange rate differs from the Bloomberg Composite Rate as of December 31, 2012, which was \$1.3192 = €1.00. The Bloomberg Composite Rate on June 10, 2013, was \$1.3257 = €1.00.
- (2) Includes cash to be used to cash collateralize letters of credit, guarantees, performance bonds and indemnities (or similar obligations). As of December 31, 2012, the outstanding amount of such obligations was €218.8 million.
- (3) For purposes of this table, amounts presented are gross of unamortized debt issuance costs.
- (4) Represents \$678 million principal amount of Dollar IGH Notes, translated at an exchange rate of \$1.3223 = €1.00 and €500 million principal amount of Euro IGH Notes.
- (5) Reflects finance lease liabilities and other loans.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

The tables set forth below present:

- The summary financial information and other financial data of INEOS Group Holdings S.A. as of and for the years ended December 31, 2012, 2011 and 2010 have been extracted from the audited consolidated financial statements of INEOS Group Holdings S.A. for the year ended December 31, 2012, included elsewhere in this offering memorandum.
- The summary unaudited consolidated condensed interim financial information of INEOS Group Holdings S.A. as of and for the three-month period ended March 31, 2013, which is derived from the unaudited condensed consolidated interim financial information of INEOS Group Holdings S.A., included elsewhere in this offering memorandum. Such information was prepared in accordance with IFRS.

As described in “Presentation of Financial and Non-GAAP Information,” certain line items in the income statement, balance sheet and statement of cash flows for the comparative periods presented in the audited consolidated financial statements of INEOS Group Holdings S.A. as of and for the year ended December 31, 2011 were restated to present the Refining Business as a discontinued operation and to reflect the group restructuring.

You should read the information summarized below in conjunction with the information contained in “Use of Proceeds,” “Operating and Financial Review and Prospects,” and the historical financial statements and notes to the financial statements included elsewhere in this offering memorandum.

	As of or for the three months ended March 31, 2013	For the year ended December 31,		
	2013	2012	2011	2010 (as restated)
(€ in millions)				
<b>Income Statement:</b>				
Revenue .....	4,468.8	18,188.2	17,586.4	16,007.8
Cost of sales .....	(4,030.2)	(17,233.1)	(15,844.5)	(14,354.9)
Gross profit .....	438.6	955.1	1,741.9	1,652.9
Distribution costs .....	(59.5)	(228.4)	(240.6)	(257.4)
Administrative expenses .....	(58.5)	(234.4)	(277.1)	(246.6)
Operating profit .....	320.6	492.3	1,224.2	1,148.9
Total share of profit/(loss) of associates and jointly controlled entities using the equity accounting method .....	6.5	(14.7)	(67.8)	10.0
Profit on disposal of fixed assets .....	—	—	3.5	—
Loss on disposal of businesses .....	—	—	(2.1)	(74.7)
Profit before net finance costs .....	327.1	477.6	1,157.8	1,084.2
Net finance costs .....	(147.6)	(594.6)	(687.7)	(818.9)
Profit/(loss) before tax from continuing operations .....	179.5	(117.0)	470.1	265.3
Tax (charge)/credit .....	(86.5)	(158.5)	(234.4)	(243.6)
Profit/(loss) for the year from continuing operations .....	93.0	(275.5)	235.7	21.7
Profit/(loss) from discontinued operations, net of tax .....	—	(11.0)	140.7	(78.2)
Profit/(loss) for the year .....	93.0	(286.5)	376.4	(56.5)

	As of or for the three months ended March 31, 2013	As of and for the year ended December 31,		
	2013	2012	2011	2010 (as restated)
(€ in millions)				
<b>Statement of Cash Flows:</b>				
Cash flows provided by/(used in):				
Operating activities .....	136.7	1,129.9	1,164.3	1,055.1
Investing activities .....	(157.9)	(452.5)	294.1	83.2
Financing activities .....	(174.2)	(22.0)	(1,478.4)	(1,208.4)
<b>Statement of Financial Position:</b>				
Property, plant and equipment .....	3,195.2	3,093.8	3,566.3	4,402.3
Cash and cash equivalents .....	1,034.3	1,235.4	582.4	599.2
Working capital <sup>(1)</sup> .....	2,455.8	2,437.9	1,541.8	1,130.8
Total assets .....	9,921.3	9,626.1	9,287.9	11,402.3
Total equity <sup>(2)</sup> .....	(717.5)	(758.0)	(322.5)	(592.9)
Total interest-bearing loans and borrowings <sup>(3)</sup> .....	7,436.0	7,288.9	6,593.3	7,342.8
Total indebtedness <sup>(4)</sup> .....	7,539.9	7,399.5	6,666.8	7,450.6
Net debt <sup>(5)</sup> .....	6,505.6	6,164.1	6,084.4	6,851.4
<b>Other Financial Data:</b>				
EBITDA before exceptionals <sup>(6)</sup> .....	415.1	1,516.8	1,713.5	1,654.8
Depreciation, amortization and impairment .....	94.5	1,009.9	453.5	484.7
Capital expenditures <sup>(7)</sup> .....	159.7	461.1	396.2	344.3

(1) Working capital represents net current assets (current assets less current liabilities).

(2) Total equity excludes non-controlling interests.

(3) Total interest-bearing loans and borrowings represents net loans and borrowings after deducting debt issuance costs as presented in note 19 to the audited consolidated financial statements of INEOS Group Holdings S.A. as of and for the year ended December 31, 2012 and note 7 to the unaudited condensed consolidated interim financial statements of INEOS Group Holdings S.A. as of and for the year ended March 31, 2013, each included elsewhere in this offering memorandum.

(4) Total indebtedness represents long-term debt plus short-term debt, including finance lease obligations before deduction of unamortized debt issuance costs. Under IFRS, debt issuance costs are deducted from the related debt amounts for the purposes of balance sheet presentation and are amortized over the life of the debt.

(5) Net debt represents total indebtedness less cash and cash equivalents.

(6) EBITDA before exceptionals represents operating profit before depreciation, amortization, impairment and exceptional charges. In accordance with IFRS, we use both the FIFO and weighted average cost methods of accounting for purposes of determining our inventory cost in connection with the preparation of our audited annual consolidated financial information and unaudited condensed consolidated interim financial statements. EBITDA before exceptionals is based on the FIFO and weighted average cost methods of accounting for inventory used in connection with the preparation of such financial information. EBITDA before exceptionals is derived from income statement line items calculated in accordance with IFRS on a historical cost basis. Although our EBITDA-based measures should not be considered a substitute measure for operating profit, profit, cash flows from operating activities or other measures of performance as defined by IFRS, we believe that they provide useful information regarding our ability to meet future debt service requirements. The EBITDA measure presented may not be comparable to similarly titled measures used by other companies. See "Presentation of Financial and Non-GAAP Information."

The reconciliation of INEOS' operating profit to EBITDA before exceptionals is as follows:

	<b>As of or for the three months ended March 31, 2013</b>	<b>Year ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010 (as restated)</b>
	<b>(€ in millions)</b>		<b>(€ in millions)</b>	
Operating profit .....	320.6	492.3	1,224.2	1,148.9
Depreciation and amortization.....	94.5	491.5	453.5	484.7
Exceptional impairment charges .....	—	518.4	—	—
Exceptional administrative expenses.....	—	14.6	35.8	11.2
Share of profit/(loss) of associates and jointly controlled entities .....	—	—	—	10.0
EBITDA before exceptionals.....	<u>415.1</u>	<u>1,516.8</u>	<u>1,713.5</u>	<u>1,654.8</u>

For the year ended December 31, 2011 the Group changed its definition of EBITDA before exceptionals to exclude share of profit/(loss) of associates and jointly controlled entities. The results of 2010 have not been restated for this change in definition since there is no material impact on the results presented.

- (7) Capital expenditures represent payments to acquire property, plant and equipment as recorded on the consolidated cash flow statements. Included within the capital expenditures are nil (2011: €548 million and 2010: €130.2 million) relating to the discontinued Refining business.

## OPERATING AND FINANCIAL REVIEW AND PROSPECTS

*The following discussion is based upon the consolidated financial statements of INEOS and should be read in conjunction with the consolidated financial statements of INEOS and the notes thereto included elsewhere in this offering memorandum. The consolidated financial statements of INEOS has been prepared in accordance with IFRS. As described in “Presentation of Financial and Non-GAAP Information”, certain line items in the income statement, balance sheet and statement of cash flows for the comparative periods presented in the audited consolidated financial statements of the Issuer as of and for the year ended December 31, 2011 were restated to present the Refining Business as a discontinued operation and to reflect the group restructuring. The consolidated financial statements of the Issuer as of and for the years ended December 31, 2012 and December 31, 2011 have been audited by PricewaterhouseCoopers, Société coopérative, independent auditors (réviseur d’entreprises agréé) whilst the consolidated financial statements for December 31, 2010 have been audited by PricewaterhouseCoopers LLP, independent auditors. The consolidated condensed interim financial statements of INEOS as of and for the three months ended March 31, 2013, have not been audited and have been derived from our unaudited financial statements and the notes thereto, included elsewhere in this offering memorandum. 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. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this offering memorandum, particularly in “Risk Factors” and “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 and a strong and stable customer base. 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. We are led by a highly experienced management team with, on a combined basis, over 100 years of experience in the chemical industry. 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.

We operate our business through three segments: Olefins & Polymers Europe, Olefins & Polymers North America and Chemical Intermediates. Prior to the consummation of the Refining Divestiture, we also operated a fourth segment, Refining. See “The Refining Divestiture.” The products we manufacture are derived from crude oil and natural gas, and include olefins, polymers and various petrochemical products directly or indirectly derived from olefins. Our products serve a broad and diverse range of end markets, including packaging, construction, automotive, white goods/durables, agrochemicals and pharmaceuticals.

Our highly integrated, world class production facilities and technological know-how allow us to process raw materials into higher value-added products. We own five sites integrated with crackers and polymer units, two of which are integrated with the refineries we disposed of in connection with the Refining Divestiture. Typically, these five sites account for approximately 80% of our olefin and polymer volumes. The Refining Divestiture was principally a disposal of the Refining segment of the Issuer, as reported on our financial statements. In connection with the Refining Divestiture, we entered into several contractual arrangements with the Refining and Entrepreneurial JVs and the Infrastructure Entity to ensure our sites continue to benefit from the feedstocks that the refineries provide. See “The Refining Divestiture.” In addition, we will continue to benefit from shared utilities and infrastructure assets located at these sites. In Europe, approximately 80% of our ethylene and propylene output is typically sold internally. The polyolefins plants on our four major sites in Europe receive more than 95% of their feedstock supply from our integrated crackers. Similarly, in the United States, much of our olefin feedstock requirements for our polymer business is supplied by either our Chocolate Bayou cracker in Texas or by integrated third-party facilities, such as the BP Carson facility in California. We believe that with our highly integrated facilities we are able to capture attractive margins across the value chain, enjoy greater certainty of feedstock supply, reduce logistical costs, improve energy management and optimize our product slate.

We benefit from the cost advantages of operating large-scale, well-invested, highly integrated facilities strategically located near major transportation facilities and customer locations. Since January 1, 2007, we and our predecessors have invested more than €2.3 billion (including investments in divested assets) in our production facilities to ensure that they operate efficiently, resulting in integrated, state-of-the-art production units. We believe these investments allow us to operate

at lower cost and higher utilization rates than most of our competitors, and enable us to maintain positive margin and cash flows even during downturns in industry cycles or customer demand. For the year ended December 31, 2012, our revenue was €18.2 billion and our EBITDA before exceptional was €1.5 billion.

Over the past several years, we have implemented a range of strategic initiatives designed to lower our operating costs, increase our profitability and further enhance our market position. These include fixed asset investments to expand our capacity in higher value products, to enhance productivity at our existing facilities, and to reduce our fixed cost structure through headcount reductions, production line closures and system upgrades. In addition, we have shifted our product portfolio to focus on more differentiated products, exited low-margin businesses and implemented premium pricing strategies designed to improve our margins. We believe these initiatives provide us with a strong platform to drive growth, create significant operating leverage and position us to benefit from volume recovery in our end markets.

Since April 1998, when INEOS was established with the acquisition of the Belgian “Oxide” assets from Inspec plc, we have significantly expanded, both through a series of strategic acquisitions of businesses and assets from major chemical companies, and through organic growth. The combination of INEOS and Innovene in December 2005 represented a transformational milestone for our company, providing global scale and further upstream integration. During 2007, we acquired the Borealis petrochemical manufacturing business in Norway. In 2008, we acquired the former BP vinyl acetate monomer/ethyl acetate business in Hull, United Kingdom and the former BASF acrylonitrile business in Seal Sands, United Kingdom. In 2009, we transferred certain companies and businesses out of the INEOS Group to INEOS Industries Holdings Ltd. These businesses consumed a significant amount of cash in the three years prior to transfer and were forecast to continue to be a significant drain on cash resources (due to either difficult trading conditions or significant investment requirements over the next two to three years). The transferred businesses comprised the ABS, Styrenics, Melamines, Healthcare, Bio and Films Italia Srl businesses, together with our shareholding in the INEOS Nova JV. In 2010, we sold our ChlorVinyls business, our business associated with fluorochemicals and our global films business. In addition, on January 31, 2011, we completed the Swiss Reorganization, with the Issuer becoming the issuer in respect of the 2016 IGH Notes and the parent under the 2015 Senior Secured Notes Indenture. See “Summary—Swiss Reorganization.” In connection with the Refining Divestiture, we transferred our Refining Business, our Entrepreneurial (Refining) Business and certain infrastructure assets to three joint ventures, each of which is not a member of the INEOS Group but may be an “Affiliate” under the Indenture because it is owned in part by, and in some cases operated or controlled by, entities controlled by or under common control with the principal shareholders of the Issuer. Please see “The Refining Divestiture” for a further description of the disposal of our Refining Business and Entrepreneurial (Refining) Business.

### ***Key Factors Affecting Our Results of Operation***

Our results of operations are driven by a combination of factors affecting the refining (prior to the Refining Divestiture), petrochemical and chemical intermediate markets generally, including general economic conditions, prices of raw materials, global supply and demand for our products and environmental legislation, including climate change initiatives. Our results of operations are also impacted by company-specific structural and operational factors. Set forth below is an overview of the key drivers that have affected the historical results of operations, and are expected to affect our future results of operations.

#### *Supply and Demand in the Petrochemical Industry*

Margins in the petrochemical industry are strongly influenced by industry utilization. As demand for petrochemical products approaches available supply, utilization rates rise, and prices and margins typically increase. Historically, this relationship has been highly cyclical due to fluctuations in supply resulting from the timing of new investments in capacity and general economic conditions affecting the relative strength or weakness of demand. Generally, capacity is more likely to be added in periods when current or expected future demand is strong and margins are, or are expected to be, high. Investments in new capacity can result, and in the past frequently have resulted, in overcapacity, which typically leads to a reduction of margins. In response, petrochemical producers typically reduce capacity or limit further capacity additions, eventually causing the market to be relatively undersupplied. The bottom of the last cycle was reached in 2001 and continued through 2002 due to weak demand and substantial capacity additions. Since 2003, stronger demand and limited capacity investments led to improved utilization rates and rising contribution margins until their peak in 2007.

The global economic downturn in 2008 saw volumes and margins for olefins and polymers decrease significantly in the fourth quarter of that year. Market conditions continued to be weak in 2009 before seeing a significant upturn in 2010 as demand improved. The recent global macroeconomic uncertainties resulting, inter alia, from sovereign debt risks in the



eurozone have again caused demand to weaken and margins to drop to bottom of cycle levels. According to Nexant, from a supply perspective, downward pressure on operating rates will ease over the next couple of years as the start-up of a major wave of new capacity in Asia and the Middle East over the period 2009-2011 is now essentially complete. Recovery now depends, to a large extent, on demand growth, which in turn is dependent on the timing, speed and magnitude of the global macro-economic recovery. Most commentators are expecting a gradual recovery (stronger and faster in North America and Asia than in Europe), leading to a gradual tightening of the supply/demand balance for many petrochemical products, with the attendant firming of margins. However, the rate of margin recovery in the petrochemical industry is highly dependent on the actual speed of global macro-economic growth. In addition to the global petrochemical cycle, margins are also susceptible to potentially significant swings in the short term. This volatility, which may be global or isolated in individual regions, can be caused by a number of factors, including fluctuations in utilization rates due to planned or unplanned plant outages, political and economic conditions driving rapid changes in prices for key feedstocks, exchange rate fluctuations and changes in inventory management policies by petrochemical customers (such as inventory building or de-stocking in periods of expected price increases).

#### *Historical Supply and Demand in the European Refining Industry*

The refinery industry in Europe historically has been characterized by low but steady growth in demand for most refinery products, and cyclical margins due to periodic overcapacity and supply shortages in various regional markets. The market is also subject to seasonal fluctuations in the consumption of particular types of refinery products, such as higher gasoline and diesel consumption during the summer driving season, and higher home heating oil consumption during the winter months. During recent years, the dieselization of the road fleet, and the rapid growth of the commercial transport and airline sectors have led to a structural shortage of middle distillate fuels and a supply overhang of gasoline.

In the aggregate, refining industry margins experienced a sharp upturn after 2002, with the 2004-2008 periods returning strong growth. This was the result of rapidly increasing world demand leading to increasing utilization of the available refining capacity. Refining capacity additions were not sufficient to keep pace with the demand in general, and this especially applied to the middle distillate products (for example, diesel, jet and gas oil), where growth was substantial. In late 2008, demand dropped rapidly as a result of the deterioration in the global economy. For much of 2009 to 2011, margins languished at the bottom of cycle levels, as the system adjusted to the prevailing demand level. Industry experts expect a gradual recovery over the next few years in the refining sector. The actual pace of the recovery in margins is heavily dependent on the pace of recovery in end-user product demand. Even given planned capacity additions, middle distillate capacity could come under pressure if the recovery in demand emerges more quickly than forecast, potentially resulting in higher margins in the near term.

On July 1, 2011, we completed the Refining Divestiture, which consisted of the disposal of (i) the Refining Business and the Entrepreneurial (Refining) Business to the Refining and Entrepreneurial JVs formed between PetroChina and INEOS Investments (which is not owned by the Issuer or any of its subsidiaries) and (ii) the Infrastructure Entity to a joint venture formed between INEOS Investments and the Refining Business JV. The Refining Divestiture was principally a disposal of the Refining segment of the Issuer, as reported on our financial statements. See “The Refining Divestiture.”

#### *Asset Utilization*

Our results of operations are materially influenced by the degree to which we utilize our assets in order to achieve maximum production volumes. As a low-cost producer, we believe in operating our facilities at full capacity. We believe this allows us to maintain positive margins and cash flows, even during downturns in industry cycles or customer demand, more readily than some of our competitors who have higher production costs. We intend to achieve growth in production volume by improving utilization rates within the defined availability of an asset, improving availability of an asset by minimizing planned and unplanned facility downtime and improving capacity of an asset through de-bottlenecking projects.

For example, the number and length of turnarounds (scheduled outages of a unit in order to perform necessary inspections and testing to comply with industry regulations and to permit us to carry out any maintenance activities that may be necessary) carried out in any given period can impact operating results. When possible, we seek to schedule the timing of turnarounds to coincide with periods of relatively low demand for the products of the relevant units. Olefins crackers typically undergo major turnarounds every four or five years, with each turnaround lasting four to six weeks. Turnarounds for polymers and derivatives units are more frequent, typically every one to two years, but generally last only seven to 10 days. Likewise, unplanned outages, such as the fires at the Chocolate Bayou facility in August 2005 and at the Lavera facility in December 2012, the impact of Hurricane Ike in autumn 2008 and the lightning strike at the Chocolate Bayou site in

November 2010, can impact our operating results, even if such outages are covered by insurance. Similarly, planned or unplanned outages of our competitors can positively affect our operating results by decreasing the supply of product in the market.

#### *Oil and Gas Price Movements*

Feedstock costs are a significant component of the operating costs of our petrochemical business. The costs of the feedstocks we require to make our petrochemical products (naphtha, ethane, butane and propane) are principally driven by the price of oil and natural gas. According to the U.S. Energy Administration, the spot price for Brent crude oil increased from approximately \$19 per barrel in January 2002 to approximately \$109 per barrel in December 2012, while the U.S. natural gas wellhead price increased from \$2.50 per thousand cubic feet in January 2002 to \$3.35 per thousand cubic feet in December 2012. During 2008, there was a significant level of volatility in crude oil prices and thus petrochemical products, with crude oil prices reaching their peak of approximately \$147 per barrel in July 2008 before decreasing sharply to approximately \$41 per barrel by the end of 2008. They have since risen to approximately \$109 per barrel in December 2012. The recovery of crude oil prices in 2010 and 2011 has once again led to an increase in revenues. Our ability to pass on price increases for crude is limited due to the impact of time lags resulting from the repricing intervals of our contracts with suppliers and customers, particularly in the petrochemical business. While most of our feedstock contracts reprice daily, our contracts with customers generally reprice on a monthly basis. A further limitation is that many of our customers take advantage of fluctuating prices by building inventories when they expect product prices to increase and reducing inventories when they expect prices to decrease. The effect of these time lags and our customers' inventory management policies on our ability to pass through feedstock price increases is magnified in periods of high volatility. In addition, changes in oil and gas prices have a direct impact on our working capital levels. In general, increases in feedstock prices lead to an increase in our working capital and decreases in feedstock prices lead to a decrease in our working capital.

#### *Implementation of Cost Reduction*

We have historically focused on implementing our strategies of reducing costs by making rapid reductions in underlying fixed costs and implementing an efficient corporate and management structure and maximizing the utilization of our assets. Our ability to continue to reduce costs will impact, among other things, our profitability and capacity plans.

#### *Refining Divestiture*

On July 1, 2011, we completed the Refining Divestiture, which consisted of the disposal of (i) the Refining Business and the Entrepreneurial (Refining) Business to the Refining and Entrepreneurial JVs formed between PetroChina and INEOS Investments (which is not owned by the Issuer or any of its subsidiaries) and (ii) the Infrastructure Entity to a joint venture formed between INEOS Investments and the Refining Business JV. The Refining Divestiture was principally a disposal of the Refining segment of the Issuer, as reported on our financial statements. See "The Refining Divestiture."

#### *Debt Structure*

As of December 31, 2012, we had €7,399.5 million (December 31, 2011: €6,666.8 million) of indebtedness. Our future results of operations, and in particular our net finance charges, will be significantly affected by the amount of indebtedness, including the interest we pay on our indebtedness. The servicing of this indebtedness will impact, among other things, our cash flows and our cash balance. See "Summary Historical and Condensed Consolidated Financial Information and Other Financial Data."

#### *Foreign Exchange Rate Fluctuations*

Our results of operations may be affected by both the transaction effects and translation effects of foreign currency exchange rate fluctuations. A substantial portion of our revenue is generated in, or linked to, the U.S. dollar and euro. In our European petrochemical business, product prices, certain feedstock costs and most other costs are denominated in euro and British pounds. In our U.S. petrochemical and chemical intermediates businesses, product prices, raw material costs and most other costs are primarily denominated in U.S. dollars. In the Refining Business, which we have disposed of in connection with the Refining Divestiture, the prices of finished products and of the underlying raw materials are primarily denominated in U.S. dollars, while our costs are largely denominated in euro and British pounds. We generally do not enter into foreign currency exchange instruments to hedge our foreign currency exposure, although we have done so in the past and we may do

so in the future. We also believe that we benefit from natural hedging to the extent that we have been able to match the currencies of our cash flows and long-term indebtedness.

Our reporting currency is the euro, and our results of operations will be impacted by the relative strength of the euro against other currencies, including the U.S. dollar and the British pound.

#### *Environmental Considerations*

Our results of operations are affected by environmental laws and regulations, including those relating to GHG emissions, and environmental risks and goals generally. We have invested, and will continue to invest, a significant amount of financial and technical resources in order to achieve and maintain compliance with environmental requirements. From time to time, we also incur remediation and decommissioning costs at our current and former production facilities, as well as at other locations.

Environmental considerations can also impact the markets in which we operate, including our position with respect to our competitors.

### **Results of Operations**

The consolidated financial statements of INEOS are prepared in accordance with IFRS. The income statement data for the years ended December 31, 2012, December 31, 2011 and December 31, 2010 represent the consolidated results of the Group.

The results for the year ended December 31, 2010 include the businesses associated with the production of chlor-alkali and PVC (INEOS ChlorVinyls Business), our business associated with fluorochemicals and our global films business which were all sold during the year and the Refining Business, which was disposed of on July 1, 2011, in connection with the Refining Divestiture. The financial data for the years ended December 31, 2010 and 2011 includes the results of operations of our Refining Business, which was disposed of in connection with the Refining Divestiture on July 1, 2011, and will not be included in our financial information going forward. The financial data for each of the years ended December 31, 2012, 2011 and 2010 treats the results of operations of our Refining Business as a discontinued operation. Refer to Note 3 to our audited consolidated financial statements of as of and for the year ended December 31, 2012, included elsewhere in this offering memorandum.

#### *Description of Key Line Items*

Set forth below is a brief description of the composition of the key line items of our consolidated income statement accounts:

- *Revenue.* Group revenue represents the invoiced value of products sold or services provided to third parties net of sales discounts and value-added taxes. It also excludes our share of joint venture revenue. The pricing for products sold is determined by market prices (market contracts and arrangements) or is linked by a formula to published raw material prices plus an agreed additional amount (formula contracts). Services provided to third parties include administrative and operational services provided to other chemical companies with units on our sites, and services under tolling arrangements. Under tolling arrangements, customers pay for or provide raw materials to be converted into a certain specified product, for which we charge a toll fee.
- *Cost of sales before exceptional items.* Cost of sales before exceptional items includes fixed and variable production costs. Such production costs typically include the costs of raw materials, packaging, utilities, direct wages and salaries, repairs and maintenance, waste disposal and effluent treatment, consumables, attributable depreciation charges and directly attributable overheads, including wages and salaries, depreciation charges and overheads that are attributable to production. Fixed costs included in the cost of sales are rent, depreciation, repairs and maintenance, while variable costs include raw materials, packaging, consumables and wages and salaries.
- *Exceptional impairment charge.* Exceptional impairment charge is those expenses which, because of their size or nature, are disclosed to give a proper understanding of the underlying results for the period. These expenses are mainly related to the impairment of property, plant and equipment.

- *Distribution costs.* Distribution costs typically include the costs of warehousing, carriage and freight, together with sales and distribution wages and salaries and depreciation on property, plant and equipment used for sales and distribution.
- *Administrative expenses before exceptional items.* Administrative expenses typically include indirect wages and salaries and indirect overheads. Indirect overheads would include such items as insurance costs, legal and professional fees and office supplies. Administrative expenses also include the depreciation of property, plant and equipment not directly attributable to production or sales and distribution.
- *Exceptional administrative expenses.* Exceptional administrative expenses are those expenses which, because of their size or nature, are disclosed to give a proper understanding of the underlying results for the period. These expenses are mainly related to business restructuring and the provision for severance payments.
- *Share of profit/(loss) of associates and jointly controlled entities using the equity accounting method.* Share of profit/(loss) of associates and jointly controlled entities using the equity accounting method relates to the results from the investment in associated undertakings and joint ventures.
- *Total finance income.* Total finance income includes interest receivable on funds invested, expected return on defined benefit pension plan assets, net fair value gain on derivatives and net foreign exchange gains.
- *Total finance costs.* Total finance costs includes interest payable, finance charges on finance leases, unwinding of the discount on provisions, net fair value losses derivatives and net foreign exchange losses.

Our financial information included in this discussion as of and for the years ended December 31, 2012, 2011 and 2010 has been extracted from our audited consolidated financial statements for the year ended December 31, 2012 included elsewhere in this offering memorandum. Our financial statements as of and for the years ended December 31, 2012 and December 31, 2011, have been audited by PricewaterhouseCoopers, *Société coopérative*, independent auditors (*réviseur d'entreprises agréé*). Our financial statements as of and for the year ended December 31, 2010, have been audited by PricewaterhouseCoopers, LLP, independent auditors.

As described in “Presentation of Financial and Non-GAAP Information,” certain line items in the income statement, balance sheet and statement of cash flows for the comparative periods presented in our audited consolidated financial statements as of and for the year ended December 31, 2011 were restated to present the Refining Business as a discontinued operation and to reflect the group restructuring.

The financial data for each of the years ended December 31, 2011 and 2010 treats the results of operations of our Refining Business as a discontinued operation.

### Consolidated Results

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

	INEOS Group Holdings							
	For the three months ended March 31, 2013		For the year ended December 31,					
	2013		2012		2011		2010 (as restated)	
	€m	%	€m	%	€m	%	€m	%
<b>Revenue</b> .....	4,468.8	100.0	18,188.2	100.0	17,586.4	100.0	16,007.8	100.0
Cost of sales before exceptional items.....	(4,030.2)	(90.2)	(16,714.7)	(91.9)	(15,844.5)	(90.1)	(14,354.9)	(89.7)
Exceptional impairment charge .....	—		(518.4)	(2.9)	—	—	—	—
Total cost of sales .....	(4,030.2)	(90.2)	(17,233.1)	(94.7)	(15,844.5)	(90.1)	(14,354.9)	(89.7)
<b>Gross profit</b> .....	438.6	9.8	955.1	5.3	1,741.9	9.9	1,652.9	10.3
Distribution costs .....	(59.5)	(1.3)	(228.4)	(1.3)	(240.6)	(1.4)	(257.4)	(1.6)
Administrative expenses before exceptional items .....	(58.5)	(1.3)	(219.8)	(1.2)	(241.3)	(1.4)	(235.4)	(1.5)
Exceptional administrative expenses .....	—		(14.6)	(0.1)	(35.8)	(0.1)	(11.2)	(0.1)

<b>Operating profit</b> .....	320.6	7.2	492.3	2.7	1,224.2	7.0	1,148.9	7.2
Share of (loss)/profit of associates and jointly controlled entities using the equity accounting method.....	6.5	0.1	(14.7)	(0.1)	(67.8)	(0.4)	10.0	0.1
Profit on disposal of fixed assets .....	—	—	—	—	3.5	—	—	—
Loss on disposal of businesses.....	—	—	—	—	(2.1)	—	(74.7)	(0.5)
<b>Profit before finance costs</b> .....	<u>327.1</u>	<u>7.3</u>	<u>477.6</u>	<u>2.6</u>	<u>1,157.8</u>	<u>6.6</u>	<u>1,084.2</u>	<u>6.8</u>
Total finance income .....	9.9	0.2	151.6	0.8	83.5	0.5	79.2	0.5
Total finance costs .....	<u>(157.5)</u>	<u>(3.5)</u>	<u>(746.2)</u>	<u>(4.1)</u>	<u>(771.2)</u>	<u>(4.4)</u>	<u>(898.1)</u>	<u>(5.6)</u>
<b>(Loss)/profit before tax from continuing operations</b> .....	179.5	4.0	(117.0)	(0.6)	470.1	2.7	265.3	1.7
Tax charge .....	<u>(86.5)</u>	<u>(1.9)</u>	<u>(158.5)</u>	<u>(0.8)</u>	<u>(234.4)</u>	<u>(1.3)</u>	<u>(243.6)</u>	<u>(1.5)</u>
<b>(Loss)/profit after tax from continuing operations</b> .....	93.0	2.1	(275.5)	(1.5)	235.7	1.3	21.7	0.1
(Loss)/profit from discontinued operations.....	—	—	(11.0)	(0.1)	140.7	0.8	(78.2)	(0.5)
<b>(Loss)/profit for the year / period</b> .....	<u><u>93.0</u></u>	<u><u>2.1</u></u>	<u><u>(286.5)</u></u>	<u><u>(1.6)</u></u>	<u><u>376.4</u></u>	<u><u>2.1</u></u>	<u><u>(56.5)</u></u>	<u><u>(0.4)</u></u>

### **Three-Month Period Ended March 31, 2013, Compared to Three-Month Period Ended March 31, 2012**

**Revenue.** Revenue decreased by €235.8 million, approximately 5.0%, to €4,468.8 million in the three month period ended March 31, 2013 as compared to €4,704.6 million for the same period in 2012. The decrease in revenues is primarily driven by lower sales volumes in the O&P Europe and Chemical Intermediate segments which were adversely impacted by the fire on a compressor at the Lavera cracker in December 2012. As a result of this incident the cracker was shut down for most of the first quarter of 2013 and only resumed partial operations in March 2013. Sales volumes in the Phenol and Nitriles businesses were also lower in the first quarter of 2013, driven by lower demand in the domestic markets for Phenol and increased competitive pressures in Asia for Nitriles. In addition the O&P North America and O&P Europe segments experienced a fall in selling prices following lower feedstock prices driven from the lower crude oil prices which averaged \$112/bbl in the three month period ended March 31, 2013 as compared to \$118/bbl for the same period in 2012.

**Cost of sales.** Cost of sales decreased by €192.0 million, approximately 4.5%, to €4,030.2 million in the three month period ended March 31, 2013 as compared to €4,222.2 million for the same period in 2012. The decrease in cost of sales follows the decrease in revenues due to the lower sales volumes in the O&P Europe and Chemical Intermediates segments and a fall in selling prices in the O&P North America and O&P Europe segments following lower feedstock prices driven from the lower crude oil prices in the three month period ended March 31, 2013 as compared to same period in 2012.

**Gross profit.** Gross profit decreased by €43.8 million, approximately 9.1%, to €438.6 million in the three month period ended March 31, 2013 as compared to €482.4 million for the same period in 2012. The decrease primarily reflects the adverse impact in our O&P Europe and Chemical Intermediates businesses following the fire on a compressor at the cracker in Lavera in December 2012. The cracker was shut down for most of the first quarter as a result of this incident and only resumed partial operations in March 2013. The closure adversely impacted the results of the Group by €48 million in the first quarter of 2013. Margins continued to improve in O&P North America in the first 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. This increase was largely offset by the reduced sales volumes and margins in the Phenol and Nitriles businesses in 2013 compared to a very strong quarter in 2012.

**Distribution costs.** Distribution costs decreased by €8.4 million, approximately 12.4%, to €59.5 million in the three month period ended March 31, 2013 as compared to €67.9 million for the same period in 2012. The decrease in distribution costs is primarily due to the lower sales volumes in the first quarter of 2013 as compared to the same period in 2012.

**Administrative expenses before exceptional items.** Administrative expenses before exceptional items decreased by €0.8 million, approximately 1.3%, to €58.5 million in the three month period ended March 31, 2013 as compared to €59.3 million for the same period in 2012. The control of fixed costs continues to be a key priority for the Group, with savings from previous fixed cost reduction programmes being maintained in 2013.

**Operating profit.** Operating profit decreased by €34.6 million, approximately 9.7%, to €320.6 million for the three

month period ended March 31, 2013 as compared to €35.2 million for the same period in 2012.

*Share of profit/(loss) of associates and jointly controlled entities.* Share of profit/(loss) of associates and jointly controlled entities was a profit of €6.5 million for the three month period ended March 31, 2013 as compared to a profit of €21.7 million for the same period in 2012. The share of profit/(loss) primarily reflects our share of the results of the Refining joint venture with PetroChina, which was formed in July 2011.

*Profit before net finance costs.* Profit before net finance costs decreased by €498 million, approximately 13.2%, to €327.1 million for the three month period ended March 31, 2013 as compared to €376.9 million for the same period in 2012.

*Finance income.* Finance income increased by €3.8 million to €9.9 million for the three month period ended March 31, 2013 as compared to €6.1 million for the same period in 2012. The income in the first quarter of 2013 primarily relates to interest income on the Group's investment in INEOS Investments Partnership.

*Finance costs.* Finance costs increased by €10.0 million to €157.5 million for the three month period ended March 31, 2013 as compared to €147.6 million for the same period in 2012. The higher finance costs primarily reflects an increase in foreign exchange movements associated with short term intra group funding which was a loss of €6.9 million in the first quarter of 2013, as compared to a gain of €0.5 million in the same period in 2012 and net fair value losses on derivatives of €1.8 million in the first quarter of 2013, as compared to gains of €12.7 million in the same period in 2012.

*Profit before tax.* Profit before tax decreased by €55.9 million, to €79.5 million for the three month period ended March 31, 2013 as compared to €235.4 million for the same period in 2012.

*Tax charge.* Tax charge increased by €15.8 million to €86.5 million for the three month period ended March 31, 2013 as compared to €70.7 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 profits / (losses) from the share of associates and jointly controlled entities, the effective tax rate of approximately 50% for the first three months of 2013 reflects the anticipated tax rate for the Group for the full year. The effective rate in the first three months of 2012 was approximately 33%, which reflected the anticipated tax rate for the full year for 2012.

*Profit for the period.* Profit for the period decreased by €71.7 million to €93.0 million for the three month period ended March 31, 2013 as compared to a profit of €164.7 million for the same period in 2012.

### **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:

	<b>For the three-month period ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
	<i>(€ in millions)</i>	
<i>Revenue</i>		
O&P North America.....	866.2	917.0
O&P Europe.....	2,024.2	2,064.3
Chemical Intermediates.....	2,235.4	2,693.4
Eliminations.....	(657.0)	(970.1)
	<u>4,468.8</u>	<u>4,704.6</u>
<i>EBITDA before exceptionals</i>		
O&P North America.....	247.8	175.3
O&P Europe.....	22.3	56.6
Chemical Intermediates.....	145.0	233.4
	<u>415.1</u>	<u>465.3</u>

### *O&P North America*

*Revenue.* Revenue in the O&P North America segment decreased by €50.8 million, or 5.5%, to €866.2 million for the first quarter of 2013, as compared to €917.0 million for the same period in 2012. The decrease was driven by falling sales prices with the weighted average sales price down approximately 9% in the first quarter of 2013 as compared to the same period in 2012, largely due to lower ethylene and polyethylene prices, partially offset by higher propylene prices. Total sales volumes were up in the first quarter of 2013 as compared to the same period in 2012, primarily due to higher ethylene and polyethylene sales which partially offset the lower sales prices.

*EBITDA before exceptionals.* EBITDA before exceptionals in the O&P North America segment increased by €72.5 million, or 41.4%, to €247.8 million for the first quarter of 2013 as compared to €175.3 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 by lower feedstock prices. The increase in sale volumes of ethylene and polyethylene in the first quarter of 2013 as compared to the same period in 2012 also led to an improvement in performance. In addition the business experienced inventory holding gains of approximately €20 million in the first quarter of 2013 as compared to inventory holding gains of approximately €5 million in the same period in 2012.

### *O&P Europe*

*Revenue.* Revenue in the O&P Europe segment decreased by €401 million, or 1.9%, to €2,024.2 million for the first quarter of 2013, as compared to €2,064.3 million for the same period in 2012. The decrease in revenue was primarily due to a reduction in sales volumes as a result of the outage of the Lavera cracker following a fire on a compressor at the end of December 2012. The Lavera olefins units were unable to produce for most of the quarter and only restarted at the beginning of March 2013 at half-rates. This incident was partly mitigated by the import of monomer, enabling derivative units to restart production in early January 2013. Partially offsetting the impact of the fire were strong aromatics sales volumes, which boosted revenue in the first quarter of 2013 as compared to the same period in 2012. The decrease in revenues was also due to lower prices in the first three months of 2013 as compared to the same period in 2012 driven primarily by the C4 business, although this was partially offset by increases in polymers, aromatics and ethylene. The C4 European market in the first quarter of 2013 has been tight due to low cracker operating rates, unplanned outages and increased stocking ahead of the cracker turnaround season later in the year. In comparison to the first quarter of 2013, the first quarter of 2012 benefited from strengthening global butadiene pricing.

*EBITDA before exceptionals.* EBITDA before exceptionals in the O&P Europe segment decreased by €34.3 million or 60.6% to €22.3 million for the first quarter of 2013 as compared to €56.6 million in the same period in 2012. The results for the first quarter of 2013 have been adversely impacted by the fire on a compressor at the cracker in Lavera in December 2012. The cracker was shut down for most of the first quarter as a result of this incident and only resumed partial operations in March 2013. The closure has impacted the results by €35 million in the quarter. Partially offsetting the impact of the fire was an increase in underlying product margins in the first quarter of 2013 as compared to same period of 2012 as the increasing raw material costs in the first quarter of 2012 had squeezed margins. Inventory holding gains of approximately €6 million in the first quarter of 2013 as compared to inventory holding gains of approximately €44 million in the same period of 2012 also impacted the performance of the business.

### *Chemical Intermediates*

*Revenue.* Revenue in the Chemical Intermediates segment decreased by €458.0 million, or 17.0%, to €2,235.4 million for the first quarter of 2013, as compared to €2,693.4 million for the same period in 2012. The Phenol business revenues decreased in the first quarter of 2013 as compared to the same period in 2012, primarily driven by a fall in sales volumes, partially offset by higher selling prices. Sales volumes were down by approximately 18% in the first quarter of 2013 as compared to the same period in 2012, driven by lower demand in the domestic markets as well as lower export shipments. The price of finished goods moved in line with the underlying raw material prices which increased in the first quarter of 2013 as compared to same period in 2012. The Oligomers business experienced a decrease in revenue in the first quarter of 2013 as compared to the same period in 2012 due to some slowing of market demand coupled with product availability issues, which adversely impacted sales volumes. In North America sales were lower mainly due to some La Porte PAO production issues and the closure of the Whiting PIB plant in September 2012. In Europe demand was higher in LAO and PAO, but PIB suffered from feedstock availability due to the Lavera cracker outage following the fire in December 2012. The Oxide business saw revenues decrease in the first quarter of 2013 as compared to same period in 2012 due to a fall in sales volumes, partially offset

by an increase in pricing. Volumes decreased by approximately 5% in the first quarter of 2013 as compared to same period in 2012, mainly due to the issues in Lavera as a result of the cracker fire in December 2012. The Oxide unit was off line for most of the quarter and only started up again during March 2013, after the first compressor was taken back into service. In addition, demand was still subdued due to the continued economic uncertainties in the European market. The increase in selling prices was a consequence of increasing raw material costs which were passed on in full for EO and EO derivative products, but only partially for the glycol business. In the solvents business the lower demand in Europe and higher imports from Asia and USA made it more difficult to pass on the increases in raw material costs. Nitriles revenues decreased in the first quarter of 2013 as compared to the same period in 2012, driven by a 10% decrease in sales volumes as underlying demand continued to weaken. The average acrylonitrile sales price was effectively flat in the first quarter of 2013 as compared to the same period in 2012, reflecting the on-going weak customer demand which has kept sales prices stable despite increased feedstock costs.

*EBITDA before exceptionals.* EBITDA before exceptionals in the Chemical Intermediates segment decreased by €88.4 million, or 37.9%, to €145.0 million for the first quarter of 2013 as compared to €233.4 million for the same period in 2012. The results for the first 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 cracker was shut down for most of the first quarter as a result of this incident and only resumed partial operations in March 2013. The shutdown adversely impacted the results of the Oxide and Oligomers businesses by €13 million. The Phenol business performance declined in the first quarter of 2013 as compared to the same period of 2012, primarily due to a reduction in volumes following weaker domestic demand in Europe and fewer export opportunities. The Oligomers business saw a decrease in profitability as the overall demand trend was mixed, with continued strength in North America offset by weakness in Europe and Asia, which resulted in lower sales volumes. The Oxide business result in the first quarter of 2013 increased slightly compared to same period in 2012 following an increase in margins, although this was mostly offset by a decrease in sales volumes and higher fixed costs. Margins improved in the first quarter of 2013 as compared to same period in 2012 primarily due to improved margins on ethylene oxide (EO). Fixed costs increased due to higher manpower and maintenance costs following the Antwerp ethylene terminal coming into service in the first quarter of 2013. The Nitriles business experienced a decline in margins in the first quarter of 2013 as compared to the same period in 2012. Total margins deteriorated as higher raw material costs could not be passed onto customers due to the continued weak demand, which squeezed margins. In addition acrylonitrile sales volumes were down approximately 10% in the first quarter of 2013 as compared to the first quarter of 2012, reflecting the fragile market which has been further hampered by additional capacity coming on line in Asia.

#### ***Year Ended December 31, 2012 Compared With Year Ended December 31, 2011***

##### ***Consolidated***

*Revenue.* Revenue increased by €601.8 million, or 3.4%, to €18,188.2 million for the year ended December 31, 2012, as compared to €17,586.4 million for the year ended December 31, 2011. The increase in revenue reflects the impact of higher feedstock costs in the O&P Europe segment driven by a weaker euro, although this was partially offset by a fall in sales volumes across all segments. In addition the appreciation of the U.S. dollar compared to the euro by approximately 8% for the year ended December 31, 2012 compared to the year ended December 31, 2011 has positively impacted the reported revenues of the U.S. dollar reported businesses within the Group. Product prices were relatively flat for the year ended December 31, 2012 compared to the year ended December 31, 2011, which followed the small change in the price of crude oil from an average of \$111/bbl for the year ended December 31, 2011 to an average of \$112/bbl for the year ended December 31, 2012.

*Cost of sales before exceptional items.* Cost of sales before exceptional items increased by € 870.2 million, or 5.5%, to €16,714.7 million for the year ended December 31, 2012, as compared to €15,844.5 million for the year ended December 31, 2011. The increase reflects the appreciation of the U.S. dollar compared to the euro by approximately 8% for the year ended December 31, 2012 compared to the year ended December 31, 2011 which has adversely impacted the euro reported cost of sales before exceptional items.

*Exceptional impairment charge.* Exceptional impairment charge was €518.4 million for the year ended December 31, 2012 as compared to €nil million for the year ended December 31, 2011. The exceptional impairment charge relates to the impairment of the O&P Europe segment's property, plant and equipment at its Grangemouth site following an impairment review of these assets.



*Gross profit.* Gross profit decreased by €786.8 million, or 45.2%, to €955.1 million for the year ended December 31, 2012, as compared to €1,741.9 million for the year ended December 31, 2011. The decrease is largely due to the exceptional impairment charge of € 518.4 million for the year ended December 31, 2012 following an impairment of the Grangemouth property, plant and equipment within the O&P Europe segment. The O&P Europe segment was also impacted by closure of the Elgin gas field in the North Sea. The field was closed after the discovery of a gas leak in March 2012 and remained closed throughout 2012. The closure forced the O&P Europe business to utilise more expensive imported feedstocks for its gas cracker in Grangemouth, which adversely impacted the results by approximately €45 million for the full year. In addition there was a fire on a compressor at the cracker in Lavera which impacted the results by approximately €6 million for the year ended December 31, 2012. The fourth quarter of 2011 was also impacted by some exceptional events by approximately €30 million due to delayed restarts following turnarounds within the O&P Europe business at its Koln and Grangemouth crackers. Partially offsetting the decrease was the appreciation of the U.S. dollar against the euro by approximately 8% for the year ended December 31, 2012 compared to the year ended December 31, 2011 which positively impacted the results of our U.S. dollar reporting businesses.

*Distribution costs.* Distribution costs decreased by €12.2 million, or 5.1%, to € 228.4 million for the year ended December 31, 2012, as compared to €240.6 million for the year ended December 31, 2011. The decrease is primarily due to a fall in sales volumes across all segments for the year ended December 31, 2012 as compared to the year ended December 31, 2011, which has resulted in lower distribution costs being incurred during 2012.

*Administrative expenses before exceptional items.* Administrative expenses before exceptional items decreased by €21.5 million, or 8.9%, to €219.8 million for the year ended December 31, 2012, as compared to €241.3 million for the year ended December 31, 2011. The decrease in administrative expenses before exceptional items is partly due to the closure of the Oligomers polyisobutylene plant in Whiting, Indiana during 2012. In addition the group continues to benefit from its fixed cost reduction programs which have resulted in additional cost savings for the year ended December 31, 2012 as compared to the year ended December 31, 2011.

*Exceptional administrative expenses.* Exceptional administrative expenses decreased by € 21.2 million, or 59.2%, to €14.6 million for the year ended December 31, 2012, as compared to €35.8 million for the year ended December 31, 2011. During the year ended December 31, 2012 restructuring costs of €12 million were incurred in relation to the reorganization of the O&P Europe operations. In addition plant closure costs of €1.8 million were charged following the closure of the polyisobutylene plant in Whiting, Indiana. Following the Group relocation of its corporate headquarters to Switzerland exceptional administrative expenses of € 0.8 million (€32.6 million in 2011) were also incurred in 2012 in relation to employee relocations costs and legal and professional fees. In 2011 restructuring costs of €1.2 million were also charged relating to the continued restructuring program of the acquired Innovene business. Plant closure costs of €2.0 million were also charged in 2011 in relation to the closure of the cumene plant at Port Arthur, Texas.

*Operating profit/(loss).* Operating profit decreased by €731.9 million, or 59.8%, to € 492.3 million for the year ended December 31, 2012, as compared to €1,224.2 million for the year ended December 31, 2011.

*Share of loss of associates and jointly controlled entities using the equity accounting method.* Share of loss of associates and jointly controlled entities using the equity accounting method decreased by €53.1 million to a loss of €14.7 million for the year ended December 31, 2012, as compared to a loss of €67.8 million for 2011. The losses reflect our share of losses incurred within the Refining joint venture with PetroChina which was formed in July 2011. The reduction in the losses reflects the improved performance of the joint venture in the year ended December 31, 2012 as compared to the year ended December 31, 2011.

*Profit on disposal of fixed assets.* Profit on disposal of fixed assets was €nil million for the year ended December 31, 2012 as compared to €3.5 million for the year ended December 31, 2011. The profit in 2011 relates to the sale of a plant at Antwerp, Belgium by the Oxide business during 2011.

*Loss on disposal of businesses.* Loss on disposal of businesses was €nil million for the year ended December 31, 2012, as compared to a loss of €2.1 million for the year ended December 31, 2011. The loss during 2011 relates primarily to the disposal of Glebe Mines and a further adjustment to the 2010 Films business disposal which resulted in a net loss of €2.1 million.

*Profit before finance costs.* Profit before finance costs decreased by €680.2 million to a profit of €477.6 million for the year ended December 31, 2012, as compared to €1,157.8 million for the year ended December 31, 2011.

*Total finance income.* Total finance income increased by €68.1 million, or 81.6%, to € 151.6 million for the year ended December 31, 2012, as compared to €83.5 million for the year ended December 31, 2011. This increase is largely attributable to higher foreign exchange gains in 2012 as compared to 2011.

*Total finance costs.* Total finance costs decreased by €25.0 million, or 3.2%, to € 746.2 million for the year ended December 31, 2012, as compared to €771.2 million for the year ended December 31, 2011. The decrease is primarily due to a lower securitisation balance throughout 2012 as compared to 2011 which has resulted in a decrease in the interest charged on the facility. In addition the reversal of 2011 net fair value losses on derivatives of €12.7 million in 2012 has resulted in a reduction in the total finance costs items in 2012. This decrease was partially offset by exchange losses associated with short-term intra-group funding of €79.5 million for the year ended December 31, 2012 as compared to €nil million for the year ended December 31, 2011.

*(Loss)/profit before tax from continuing operations.* (Loss)/profit before tax from continuing operations decreased by €587.1 million to a loss of €117.0 million for the year ended December 31, 2012, as compared to a profit of €470.1 million for the year ended December 31, 2011.

*Tax (charge)/credit.* Tax decreased by €75.9 million to a charge of €18.5 million for the year ended December 31, 2012, as compared to a charge of €234.4 million for the year ended December 31, 2011. There was a tax charge in 2012 despite the overall loss made due to the mix of profitability across the regions within the group during the year. Profits have generally been made in regions with significantly higher rates than the standard 28.8% (such as Canada and the U.S.) while losses have been made in regions with lower rates than the standard 28.8% (such as Switzerland).

*(Loss)/profit after tax from continuing operations.* (Loss)/profit after tax from continuing operations decreased by €511.2 million to a loss of €275.5 million for the year ended December 31, 2012, as compared to a profit of €235.7 million for the year ended December 31, 2011.

*(Loss)/profit from discontinued operations.* (Loss)/profit from discontinued operations decreased by €151.7 million to €11.0 million for the year ended December 31, 2012, as compared to a profit of €140.7 million for the year ended December 31, 2011. The 2011 profit relates to the Refining business which was classified as a discontinued operation following the disposal of the business to a new joint venture between PetroChina and INEOS Investments (Jersey) Limited, a related party, on July 1, 2011 which resulted in a profit on disposal of €76.3 million. The 2012 loss from discontinued operations relates to a further adjustment in respect of the Refining disposal following a working capital settlement adjustment.

*(Loss)/profit for the year.* (Loss)/profit for the year decreased by €662.9 million to a loss of €286.5 million for the year ended December 31, 2012 as compared to a profit of € 376.4 million for the year ended December 31, 2011.

## **Business Segments**

The Issuer has previously reported under four business segments: O&P North America, O&P Europe, Chemical Intermediates and Refining. On July 1, 2011, the Group disposed of its Refining Business to a new joint venture between PetroChina and INEOS Investments (Jersey) Limited, a related party, and as such the Refining segment has been treated as a discontinued operation for the years ended December 31, 2011 and December 31, 2010.

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

	<b>For the year ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
	<b>(€ in millions)</b>	
<i>Revenue</i>		
<b>Continuing operations</b>		
O&P North America .....	3,443.1	3,591.2
O&P Europe .....	7,889.0	7,523.3
Chemical Intermediates .....	9,367.0	9,775.4
Eliminations .....	<u>(2,510.9)</u>	<u>(3,303.5)</u>

<i>Revenue from continuing operations</i> .....	18,188.2	17,586.4
<b>Discontinued operations</b>		
Refining .....	—	6,261.8
Eliminations .....	—	(891.6)
	<u>18,188.2</u>	<u>22,956.6</u>
<i>EBITDA before exceptionals</i>		
<b>Continuing operations</b>		
O&P North America .....	706.0	477.6
O&P Europe .....	122.2	358.3
Chemical Intermediates .....	688.6	877.6
<i>EBITDA before exceptionals from continuing operations</i> .....	1,516.8	1,713.5
<b>Discontinued operations</b>		
Refining .....	—	126.4
	<u>1,516.8</u>	<u>1,839.9</u>

### **O&P North America**

*Revenue.* Revenue in the O&P North America segment decreased by €148.1 million, or 4.1%, to €3,443.1 million for the year ended December 31, 2012, as compared to €3,591.2 million for the year ended December 31, 2011. This decrease resulted primarily from falling finished goods prices from 2011 to 2012 along with a small decrease in sales volume in 2012 due to a major planned olefins turnaround at the Chocolate Bayou facility. Partially offsetting this decrease in revenue was the appreciation of the US dollar by approximately 8% against the euro in the year ended December 31, 2012, as compared to the same period in 2011.

*EBITDA before exceptionals.* EBITDA before exceptionals in the O&P North America segment increased by €228.4 million, or 47.8%, to €706.0 million for the year ended December 31, 2012, as compared to €477.6 million for the year ended December 31, 2011. The increase was largely due to higher product margins in 2012 as compared to 2011 due to a tighter supply and demand environment with improving domestic demand. The business continued to benefit from its flexible feedstock advantage to enable it to use cheaper gas feedstocks rather than higher priced naphtha. These increases were augmented by the appreciation of the U.S. dollar against the euro of approximately 8% in 2012. Partially offsetting these increases were inventory holding losses of approximately €59.7 million for the year ended December 31, 2012 as compared to approximately €nil million in 2011.

### **O&P Europe**

*Revenue.* Revenue in the O&P Europe segment increased by €35.7 million, or 4.9%, to €7,889.0 million for the year ended December 31, 2012, as compared to €7,523 million for the year ended December 31, 2011. The increase in revenue reflects the impact of higher feedstock costs driven by a weaker euro which resulted in higher sales prices, although this was partially offset by a weaker supply/demand environment. Underlying feedstock costs were flat in US dollar terms, although naphtha price volatility was severe with it reaching an all time high in euro terms during 2012. Volumes were approximately 6% lower for the year ended December 31, 2012, as compared to the year ended December 31, 2011, driven by the weaker environment as well as supply constraints in the North Sea.

*EBITDA before exceptionals.* EBITDA before exceptionals in the O&P Europe segment decreased by €236.1 million, or 65.9%, to €122.2 million for the year ended December 31, 2012, as compared to €358.3 million for the year ended December 31, 2011. Core demand for major product was weak during 2012 due to ongoing industrial contraction within the European Union and export opportunities to the east substantially closed. Partially offsetting this was the global butadiene supply/demand balance which was exceptionally tight in the first half of 2012 yielding historically high butadiene-naphtha spreads. Butadiene profitability was a significant component of the overall profitability of olefins. This was underpinned by strong automotive demand against a background of industry rationalization which constrained supply. During the second half of 2012 demand weakened and butadiene-naphtha spreads returned to more normal historical levels. While production rates and profitability in monomer products remained constrained by weak derivative demand we did benefit from increased profitability in the C6 chain due to healthy US export opportunities as increased cracking of light feedstocks limited supply. Lower exports from Asia and improved US demand growth helped demand while limited pygas feedstock availability in Europe due to low European cracker operating rates meant margins also benefitted from limited supply. In the polymer business the global and European macroeconomic concerns which were seen growing through the

second half of 2011 continued throughout 2012. As a result both volumes and margins per tonne declined in 2012 as compared to 2011. In particular the fourth quarter of 2012 was exacerbated by heavy destocking across the chain towards the year end. In addition to the weaker market conditions the business also suffered from a lack of feedstock for the KG cracker at Grangemouth. This was due to the closure of the Elgin gas field in the North Sea after the discovery of a gas leak in March 2012 which remained closed during the rest of 2012 resulting in a negative impact on the results of approximately €45 million. In addition there were two significant cracker turnarounds at Rafnes and Lavera during 2012, both of which had unplanned extended outages including a fire in December at the Lavera site which impacted the results by approximately €6 million. In addition our G4 cracker at Grangemouth had an unplanned outage following scheduled maintenance. Finally the segment had inventory holding gains of approximately €39 million for the year ended December 31, 2012 as compared to gains of approximately €21 million in 2011 which positively impacted the segments performance.

### ***Chemical Intermediates***

*Revenue.* Revenue in the Chemical Intermediates segment decreased by €408.4 million, or 4.2%, to €9,367.0 million for the year ended December 31, 2012, as compared to €9,775.4 million for the year ended December 31, 2011. Softening demand in 2012 resulted in a decrease in revenues following a fall in sales volumes and final selling prices across most products in the segment as compared to 2011. The Oligomers business experienced a decrease in volumes across most product lines as a result of the challenging economic environment and the closure of the Whiting PIB plant. In addition selling prices were also down as regional prices moved downwards in line with the underlying raw material costs. Oxide revenues were also down as sales volumes decreased in 2012 as compared to the prior year across most product lines primarily due to uncertain economic circumstances, operational issues in Lavera and a force majeure by a supplier at our Hull site. The Nitriles business also saw a decrease in revenues during the year as compared to 2011 as acrylonitrile volumes fell as underlying demand weakened and industry destocking led to significantly reduced industry operating rates. In addition acrylonitrile sales prices fell away during 2012 as lower raw material prices led to lower selling prices. Phenol revenues increased in 2012 as compared to 2011 driven by higher benzene raw material costs which resulted in a 13% increase for phenol. This increase was partially offset by lower sales volumes due to a weakening in global demand across all regions.

*EBITDA before exceptionals.* EBITDA before exceptionals in the Chemical Intermediates segment decreased by €189.0 million, or 21.5%, to €688.6 million for the year ended December 31, 2012 as compared to €877.6 million for the year ended December 31, 2011. The Chemical Intermediates segment experienced an overall decrease in margins and volumes during 2012 as compared to 2011. The Oligomers business performance in 2012 was slightly down on the prior year due to a reduction in sales volumes and to a lesser extent margins. The Oxide business experienced a decrease in margins across its product portfolio driven by higher raw material costs which squeezed margins as they could no longer be passed on to customers. During 2012 the Nitriles business experienced a significant decrease in margins following a weakening in demand and industry destocking which also led to lower sale volumes in 2012 as compared to 2011. The Phenol business experienced an increase in performance in 2012 as compared to 2011 which was primarily driven improved margins. Partially offsetting this increase was a reduction in volumes which were adversely impacted during 2012 due to weaker sales opportunities.

### ***Year Ended December 31, 2011 Compared With Year Ended December 31, 2010***

#### ***Consolidated***

*Revenue.* Revenue increased by €1,578.6 million, or 9.9%, to €17,586.4 million for the year ended December 31, 2011, as compared to €16,007.8 million in 2010. The increase in revenue is primarily attributable to higher product prices experienced across all of the business segments during the majority of 2011, which followed the increase in the price of crude oil from an average of \$80/bbl in 2010 to an average of \$111/bbl in 2011. The increase in revenue was partially offset by the depreciation of the U.S. dollar compared to the euro by approximately 6% in 2011 compared to 2010 which has negatively impacted the reported revenues of the U.S. dollar reported businesses within the Group.

*Cost of sales.* Cost of sales increased by €1,489.6 million, or 10.4%, to €15,844.5 million for the year ended December 31, 2011, as compared to €14,354.9 million in 2010. The increase reflects the rise in feedstock prices the Group experienced throughout the majority of 2011, largely as a result of higher crude oil prices in 2011 as compared to 2010.

*Gross profit.* Gross profit increased by €89.0 million, or 5.4%, to €1,741.9 million for the year ended December 31, 2011, as compared to €1,652.9 million in 2010. The global economy continued to improve in the first half of 2011 resulting in some strong demand in the chemical businesses across all sectors and regions which led to improved margins. The second half of 2011 saw a softening in margins across most businesses as global economic and political uncertainties impacted

demand in a number of sectors. The fourth quarter of 2011 was adversely impacted by approximately €30million due to delayed restarts following turnarounds within the O&P Europe business at its Koln and Grangemouth crackers. The fourth quarter of 2010 was also impacted by some exceptional events. The strike action in the port of Marseilles in France had a knock on effect on the operations of our Lavéra site, which resulted in lost contribution margin of approximately €23 million. In addition the lightning strike at the Chocolate Bayou site in Texas in November 2010 had a significant impact on the operations of O&P North America, resulting in lost contribution margin of approximately €51 million. Lastly, the extreme weather conditions in Scotland in the period also had an adverse impact on the operations in Grangemouth, resulting in lost contribution margin of approximately €8 million. Partially offsetting the increase was the depreciation of the U.S. dollar against the euro by approximately 6% in 2011 compared to 2010 which negatively impacted the results of our U.S. dollar reporting businesses.

*Distribution costs.* Distribution costs decreased by €16.8 million, or 6.5%, to €240.6 million for the year ended December 31, 2011, as compared to €257.4 million for the same period in 2010. The decrease is primarily due to the disposal of the businesses associated with the production of chlor-alkali and PVC (INEOS ChlorVinyls Business), the business associated with fluorochemicals and the global films business which were all sold during 2010 resulting in lower distribution costs during 2011.

*Administrative expenses before exceptional items.* Administrative expenses before exceptional items increased by €5.9 million, or 2.5%, to €241.3 million for the year ended December 31, 2011, as compared to €235.4 million for the year ended December 31, 2010. The increase is primarily due to higher accruals for employee performance bonuses in 2011 as compared to 2010.

*Exceptional administrative expenses.* Exceptional administrative expenses increased by €24.6 million, or 219.6%, to €35.8 million for the year ended December 31, 2011, as compared to €11.2 million for the year ended December 31, 2010. Following the Group relocation of its corporate headquarters to Switzerland exceptional administrative expenses of €32.6 million were incurred in 2011, as compared to €7.7 million in 2010, in relation to employee relocations costs and legal and professional fees. Restructuring costs of €1.2million in 2011, as compared to €3.5 million in 2010, relate to the continued restructuring program for the acquired Innovene business. Plant closure costs of €2.0 million were also charged in 2011 in relation to the closure of the cumene plant at Port Arthur, Texas.

*Operating profit/(loss).* Operating profit increased by €75.3 million, or 66%, to €1,224.2 million for the year ended December 31, 2011, as compared to €1,148.9 million for the year ended December 31, 2010.

*Share of profit/(loss) of associates and jointly controlled entities using the equity accounting method.* Share of profit of associates and jointly controlled entities using the equity accounting method decreased by €77.8 million to a loss of €67.8 million for the year ended December 31, 2011, as compared to a profit of €10.0 million for the year ended December 31, 2010. The decrease reflects our share of losses incurred within the newly formed Refining joint venture with PetroChina from July 2011 onwards.

*Profit on disposal of fixed assets.* Profit on disposal of fixed assets was €3.5 million for the year ended December 31, 2011 as compared to €nil for the year ended December 31, 2010. The profit relates to the sale of a plant at Antwerp, Belgium by the Oxide business during 2011.

*Loss on disposal of businesses.* Loss on disposal of businesses was €2.1 million for the year ended December 31, 2011, as compared to a loss of €74.7 million for the year ended December 31, 2010. The loss during 2011 relates primarily to the disposal of Glebe Mines and a further adjustment to the 2010 Films business disposal which resulted in a net loss of €2.1 million. The loss on disposal during 2010 relates to the sale of businesses associated with the production of chlor-alkali and PVC (INEOS ChlorVinyls Business) and the global films business of €161.1 million and €90.1 million respectively. This was partially offset by a profit from the sale of the business associated with fluorochemicals of €1765 million.

*Profit/(loss) before finance costs.* Profit before finance costs increased by €73.6 million to a profit of €1,157.8 million for the year ended December 31, 2011, as compared to €1,084.2 million for the year ended December 31, 2010.

*Total finance income.* Total finance income increased by €4.3 million, or 5.4%, to €83.5 million for the year ended December 31, 2011, as compared to €79.2 million for the year ended December 31, 2010. This increase is largely attributable to higher foreign exchange gains in 2011 as compared to 2010.

*Total finance costs.* Total finance costs decreased by €126.9 million, or 14.1%, to €771.2 million for the year ended December 31, 2011, as compared to €898.1 million for the same period in 2010. This decrease is primarily as a result of a 1.0% reduction in the PIK margin on the 2010 Senior Facilities Agreement from November 2010 onwards and a further 1% reduction in the PIK margin from November 2011 onwards. In addition the decrease is due to the reduction in the 2010 Senior Secured Credit Facilities from the prepayment made with the disposal proceeds from the Refining divestiture in July 2011. The decrease is also a result of no exchange losses associated with short-term intra-group funding being incurred in 2011, as compared to €58.3 million in 2010.

*Profit/(loss) before tax from continuing operations.* Profit before tax from continuing operations increased by €204.8 million to a profit of €470.1 million for the year ended December 31, 2011, as compared to a profit of €265.3 million for the year ended December 31, 2010.

*Tax (charge)/credit.* Tax decreased by €9.2 million to a charge of €234 million for the year ended December 31, 2011, as compared to a charge of €243.6 million for the year ended December 31, 2010. The increase in taxation was due to higher rates of taxation in overseas territories and a reduction in the UK deferred tax asset balances in the year after the enactment by the UK tax authorities of a reduced corporation tax rate. The high effective tax rate in 2010 was largely due to the non-deductibility of the loss on disposal of businesses made in that year.

*Profit/(loss) after tax from continuing operations.* Profit after tax from continuing operations increased by €214.0 million to a profit of €235.7 million for the year ended December 31, 2011, as compared to a profit of €21.7 million for the year ended December 31, 2010.

*Profit/(loss) from discontinued operations.* Profit from discontinued operations increased by €218.9 million to €140.7 million for the year ended December 31, 2011, as compared to a loss of €78.2 million for the year ended December 31, 2010. This relates to the Refining Business which has been classified as a discontinued operation following the Refining Divestiture (the disposal of the Refining business to a new joint venture between PetroChina and INEOS Investments (Jersey) Limited, a related party, on July 1, 2011) which resulted in a profit on disposal of €76.3 million.

*Profit/(loss) for the year.* Profit for the year increased by €432.9 million to €376.4 million for the year ended December 31, 2011 as compared to a loss of €56.5 million for the year ended December 31, 2010.

### **Business Segments**

The Group previously reported under the following four business segments: O&P North America, O&P Europe, Chemical Intermediates and Refining. As a result of the consummation of the Refining Divestiture on July 1, 2011, pursuant to which the Group disposed of its Refining Business to a new joint venture between PetroChina and INEOS Investments, a related party, and as such the Refining Business segment has been treated as a discontinued operation for the years ended December 31, 2011 and 2010.

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

	For the year ended December 31,	
	2011	2010 (as restated)
	(€ in millions)	
<i>Revenue</i>		
<b>Continuing operations</b>		
O&P North America .....	3,591.2	3,253.8
O&P Europe .....	7,523.3	6,543.7
Chemical Intermediates .....	9,775.4	8,917.3
Eliminations .....	(3,303.5)	(2,707.0)
<i>Revenue from continuing operations</i> .....	17,586.4	16,007.8
<b>Discontinued operations</b>		
Refining .....	6,261.8	8,782.5
Eliminations .....	(891.6)	(1,877.6)

	22,956.6	22,912.7
<i>EBITDA before exceptionals</i>		
<b>Continuing operations</b>		
O&P North America .....	477.6	330.8
O&P Europe .....	358.3	326.5
Chemical Intermediates .....	877.6	997.5
<i>EBITDA before exceptionals from continuing operations</i> .....	1,713.5	1,654.8
<b>Discontinued operations</b>		
Refining .....	126.4	(10.7)
	<u>1,839.9</u>	<u>1,644.1</u>

### **O&P North America**

*Revenue.* Revenue in the O&P North America segment increased by €337.4 million, or 10.4%, to €3,591.2 million for the year ended December 31, 2011, as compared to €3,253.8 million for the year ended December 31, 2010. This increase resulted from both rising finished goods prices from 2010 to 2011 along with increased sales volume in 2011. The increased sales volume in 2011 was due to the absence of a major olefins turnaround that occurred in the first quarter of 2010 and a lightning strike event that resulted in operational disruption in the last quarter of 2010.

*EBITDA before exceptionals.* EBITDA before exceptionals in the O&P North America segment increased by €146.8 million, or 44.4%, to €477.6 million for the year ended December 31, 2011, as compared to €330.8 million for the year ended December 31, 2010. The increase was largely due to higher product margins in 2011 as compared to 2010 due to a tighter supply and demand environment with improving domestic demand. The business continues to benefit from its flexible feedstock advantage to enable it to use cheaper gas feedstocks rather than higher priced naphtha. This was augmented by higher volumes in 2011 due to lack of a planned olefin turnaround in the first quarter of 2011 as compared to 2010 and an unplanned olefins outage in the last quarter of 2010 due to a lightning strike at the Chocolate Bayou site which led to a significant impact on performance. These increases were partially offset by the depreciation of the U.S. dollar against the euro of approximately 6% in 2011.

### **O&P Europe**

*Revenue.* Revenue in the O&P Europe segment increased by €979.6 million, or 15.0%, to €7,523.3 million for the year ended December 31, 2011, as compared to €6,543.7 million for the year ended December 31, 2010. The increase in revenue reflects the impact of a favourable supply/demand environment, combined with higher feedstock costs supporting higher sales prices. Volumes were at a similar level for the year ended December 31, 2011, as compared to the year ended December 31, 2010.

*EBITDA before exceptionals.* EBITDA before exceptionals in the O&P Europe segment increased by €31.8 million, or 9.7%, to €358.3 million for the year ended December 31, 2011, as compared to €326.5 million for the year ended December 31, 2010. Olefins demand was particularly high in the first half of the year, with the global butadiene supply/demand balance exceptionally tight and yielding historically high butadiene-naphtha spreads. Butadiene profitability was therefore a significant component of the overall profitability of olefins, underpinned by strong automotive demand against a background of industry rationalization which constrained supply. In the polymer business, while volumes increased in 2011 as compared to 2010 the improved margins in the first half of 2011 were eroded in the face of growing global and European macroeconomic concerns through the second half of 2011. During the fourth quarter of 2011 this was exacerbated by heavy destocking across the chain towards the year-end. New olefin and polymer capacity in the Middle East, which has come online in the last three years, had no discernible effect on our markets primarily due to continued healthy demand growth for polyolefins globally and particularly in Asia. As in the prior year the ongoing focus on fixed costs was maintained in 2011. Despite increased maintenance to target reliability improvements in the medium term our overall fixed costs were only marginally higher than in 2010.

### **Chemical Intermediates**

*Revenue.* Revenue in the Chemical Intermediates segment increased by €858.1 million, or 9.6%, to €9,775.4 million for the year ended December 31, 2011, as compared to €8,917.3 million for the year ended December 31, 2010. The increase in revenues in 2011 is primarily due to increased sales prices driven by higher raw material costs in 2011 as compared to

2010. The Oligomers business experienced an increase in volumes in most product lines and regions as overall market demand improved. Oxide sales volumes also increased in 2011 as compared to 2010 following a strong first six months of 2011. Phenol sales volumes decreased in 2011 as compared to 2010 primarily due to planned shutdowns in Antwerp and Mobile during 2011; whereas there was only one planned shutdown in 2010 at Gladbeck. Nitriles volumes were down in 2011 as compared to 2010 as markets weakened especially towards the end of 2011.

*EBITDA before exceptionals.* EBITDA before exceptionals in the Chemical Intermediates segment decreased by €119.9 million, or 12.0%, to €877.6 million for the year ended December 31, 2011 as compared to €997.5 million for the year ended December 31, 2010. The Chemical Intermediates segment experienced an overall decrease in margins due to a softening of demand in the second half of 2011 as compared to the 2010. However the Oligomers business experienced higher margins and sales volumes as strong market demand enabled upward movements in prices in many products, although there was some downward pressure on margins at the end of 2011. The Oxide business also experienced an improvement in margins driven by higher sales volumes and increased margins especially in the glycol market. During 2011 the Nitriles business experienced a significant decrease in margins following a weakening in the end markets for its products which also led to lower sales volumes in 2011 as compared to 2010. The Phenol business experienced a decrease in margins primarily as a result of lower sales volumes due to the planned Antwerp and Mobile shutdowns, although this was partially offset by higher phenol margins flowing from the export business. The decrease in EBITDA was also a result of the weaker U.S. dollar, which depreciated approximately 6% against the euro in 2011 which negatively impacted the results of the U.S. dollar reported businesses. In addition the EBITDA before exceptionals for the year ended December 31, 2010 includes the results of the ChlorVinyls, Fluor and Films business which were disposed of in 2010, but contributed €39.7 million to the EBITDA before exceptionals for the year ended December 31, 2010.

## **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***

In February 2012 the Group issued \$1.0 billion 2019 Senior Secured Notes and €500.0 million floating rate 2019 Senior Secured Notes. In May 2012 the Group issued \$775 million 2020 Senior Secured Notes and Senior Secured Term Loans totaling \$3,025 million. The net proceeds from the 2019 Senior Secured Notes and the 2020 Senior Secured Notes and the Existing Secured Term Loans were used to repay all of the remaining indebtedness under the 2010 Senior Secured Credit Facilities.

The Group also has a €1,200 million Securitization Program in place, which matures in December 2014.

The Group has a €250.0 million LC 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 December 31, 2012, we had a total of €731.1 million aggregate principal amount of 2015 Senior Secured Notes, €2,044.5 million aggregate principal amount of 2016 IGH Notes, €1,256.2 million aggregate principal amount of 2019 Senior Secured Notes and €586.1 million aggregate principal amount of 2020 Senior Secured Notes outstanding. After giving *pro forma* effect to the Transactions, we will, *inter alia*, have the following debt outstanding: (i) €1,032.1 million of the euro denominated 2016 IGH Notes, (ii) €1,256.2 million aggregate principal amount of 2019 Senior Secured Notes, (iii) €586.1



million aggregate principal amount of 2020 Senior Secured Notes, (iv) the notes and (v) €3,112.9 million Senior Secured Terms Loans (including the New Senior Secured Term Loans).

Please see “The Transactions” and “Description of other Indebtedness”.

### **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.

During the years ended December 31, 2012, 2011 and 2010 and for the three months ended March 31, 2013, net capital expenditures analyzed by business segment were as follows:

	For the three months ended March 31, 2013	For the year ended December 31,		
	2013	2012	2011	2010 (as restated)
				(€ in millions)
O&P North America .....	99.1	141.7	52.8	44.6
O&P Europe .....	32.3	122.4	113.0	63.0
Chemical Intermediates .....	28.4	197.0	175.6	106.5
<b>Continuing operations</b> .....	<b>159.8</b>	<b>461.1</b>	<b>341.4</b>	<b>214.1</b>
Refining (prior to disposal).....	—	—	54.8	130.2
<b>Total</b> .....	<b>159.8</b>	<b>461.1</b>	<b>396.2</b>	<b>344.3</b>

The main capital expenditures in the three months ended March 31, 2013 were the purchase of a feedstock pipeline in Texas, USA and an expansion of a furnace within the O&P North America segment 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.

During 2012 there was a scheduled cracker turnaround and a new furnace expansion at the Chocolate Bayou site within the O&P North America segment and turnarounds within the O&P Europe segment at the Rafnes, Norway and Lavéra, France sites together with a benzene pipeline repair at Lavéra and a G4 cracker outage at the Grangemouth, Scotland site. In addition there was further capital expenditure on the ethylene terminal project in Antwerp, Belgium within the Chemical Intermediates segment. The remaining capital expenditure related primarily to sustenance expenditure.

During 2011 there were scheduled turnarounds within the Refining, O&P Europe and Chemical Intermediate segments at the Grangemouth, Lavéra and Köln sites and a scheduled cracker turnaround within the O&P North America segment at Chocolate Bayou. In addition there was initial spend on the new ethylene terminal in Antwerp in the Chemical Intermediates segment. The remaining capital expenditure related primarily to sustenance capital expenditure. Capital expenditures in the Refining segment occurred prior to July 1, 2011.

During 2010 there were scheduled turnarounds within the Refining, O&P Europe and Chemical Intermediate segments at the Grangemouth, Lavéra and Köln sites and a scheduled cracker turnaround within the O&P North America segment at Chocolate Bayou. In addition there was initial spend on the new ethylene terminal in Antwerp. The remaining capital expenditure related primarily to sustenance capital expenditure.

We expect that our aggregate capital expenditure for 2013 will be approximately €500 million which includes growth capital expenditure relating largely to projects in the O&P North America, Oxide and Oligomers businesses and maintenance expenditures (including turnarounds) across the Group’s manufacturing facilities.

## **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 Securitization Program.

## **Cash Flows**

During the years ended December 31, 2012, 2011 and 2010, our net cash flow was as follows:

	For the three months ended March 31, 2013	For the year ended December 31,		
	2013	2012	2011	2010 (as restated)
				(€ in millions)
Cash flow from operating activities.....	136.7	1,129.8	1,164.3	1,055.1
Cash flow from investing activities.....	(157.9)	(452.5)	294.1	83.2
Cash flow from financing activities.....	(174.2)	(22.0)	(1,478.4)	(1,208.4)

### *Cash flows from operating activities*

Net cash flow from operating activities was an inflow of €136.7 million for the three month period ended March 31, 2013 (inflow of €214.6 million in the three months ended March 31, 2012). The inflow was due to the profit generated from operations, partially offset by working capital outflows of €256.5 million in the three month period (outflow of €226.1 million in the three months ended March 31, 2012). The working capital outflows in the first quarter of 2013 and 2012 reflect the typical seasonal outflow the Group experiences in the first part of a year as business picks up after the seasonal lows at the end of the fourth quarter.

Net cash flow from operating activities was an inflow of €1,129.8 million for the year ended December 31, 2012 compared to €1,164.3 million for the year ended December 31, 2011. The decrease in operating cash flows was primarily due to a decrease in profitability of the business during 2012 largely offset by improvements in working capital. There were working capital outflows of €31.7 million in 2012 compared to outflows of €506.3 million in 2011. Raw material prices were relatively flat across the year in 2012 compared to the large increases seen in 2011.

Net cash flow from operating activities was an inflow of €1,164.3 million for the year ended December 31, 2011 compared to €1,055.1 million for the year ended December 31, 2010. The increase in operating cash flows was primarily due to the improved profitability of the business during 2011. There were working capital outflows of €506.3 million in 2011 compared to outflows of €428.6 million in 2010. The working capital outflows in 2011 were largely due to the increases in raw material prices and increased levels of business activity experienced across the Group as a result of the improved economic conditions during 2011.

Taxation payments of €14.5 million were made in the three months ended March 31, 2013 (payments of €11.0 million in the three months ended March 31, 2012). The payments in the three months ended March 31, 2013 primarily reflect prepayments made to the tax authorities in the US and Canada.

Taxation payments of €229.3 million were made in the year ended December 31, 2012. These payments primarily reflect payments made in the U.S. and Canada.

Taxation payments of €134.9 million were made in the year ended December 31, 2011. These payments primarily reflect payments made in the U.S., Canada and France.

Taxation payments of €91.5 million were made in the year ended December 31, 2010. These payments primarily reflect payments made in the U.S., Canada and Belgium.

### *Cash flows from investing activities*

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

During the year ended December 31, 2012, the Group made a €0.2 million taxation settlement payment in relation to the Films business which was disposed of in 2010.

On July 1, 2011, the Group successfully completed the Refining Divestiture, upon completion of which the Group received €674.2 million cash consideration (after expenses). Subsequently, in October 2011, the Group paid our counterparty to the Refining Divestiture an amount equal to €162 million out of cash on hand as part of the completion adjustment mechanics.

In the year ended December 31, 2011, the Group received deferred proceeds of €6.0 million in relation to the sale of the fluorochemicals business.

During the first quarter of 2010, the Group disposed of the ChlorVinyls and Compounds Switzerland businesses to Kerling plc, a new holding company formed to combine together INEOS Enterprises, ChlorVinyls and the INEOS Norwegian Polymers business. The Group received €650 million cash consideration from the disposal of the ChlorVinyls business. As part of the disposal transaction, the Group transferred the €160.0 million INEOS Vinyls Notes to Kerling, together with gross pension liabilities of €197.7 million.

On March 31, 2010, the Group completed the sale of its fluorochemicals business (part of the INEOS Fluor business unit) to Mexichem SAB de CV for gross proceeds of approximately \$350 million.

In September 2010, the Group disposed of the Films business to Bilcare AG for gross proceeds of €96 million. Cash balances transferred with the businesses disposed of were €8.8 million.

### *Cash flows from financing activities*

Interest payments of €167.9 million were made in the three month period ended March 31, 2013 (€204.2 million in the three months ended March 31, 2012). The interest payments during the first three months of 2013 relate to monthly cash payments in respect of the Senior Credit Facilities, semi-annual interest on the Senior Notes and 2019 Dollar Fixed Rate Notes and quarterly interest payments on the 2019 Euro Floating Rate Notes. The interest payments during the first three months of 2012 relate to monthly cash payments in respect of the Senior Credit Facilities and semi-annual interest on the Senior Notes. In addition the Group paid €59.0 million of accrued PIK interest in the first quarter of 2012 as a result of the prepayment made on the Term Loans from the proceeds of the Senior Secured Notes due 2019.

The Revolving Credit Facility was cancelled in May 2012 as a result of the redemption of the Senior Facilities Agreement. In the three months ended March 31, 2012 the Group made a drawdown on the Revolving Credit Facility of €136.0 million.

The Group made no repayment or drawdown on the Receivables Securitization Facility during the three months ended March 31, 2013 (€50.6 million drawdown in the three months ended March 31, 2012).

The Group made a quarterly installment repayment of €5.8 million on the Senior Secured Term Loans during the three months ended March 31, 2013 (no scheduled repayments in the three months ended March 31, 2012).

Interest payments of €672.7 million were made in the year ended December 31, 2012 (December 31, 2011: €654.8 million). The interest payments during 2012 relate to monthly cash payments in respect of the Senior Secured Term Loans, the 2010 Senior Secured Credit Facilities and the Securitization Program, semi-annual interest on the 2015 Senior Secured Notes, 2020 Senior Secured Notes and on the 2016 IGH Notes and quarterly interest payments on the 2019 Senior Secured Notes. 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 2010 Senior Secured Credit Facilities from the proceeds of the Existing Senior Secured Term Loans, 2019 Senior Secured Notes and the 2020 Senior Secured Notes. The interest payments during 2011 relate to monthly cash payments in respect of the 2010 Senior Secured Credit Facilities and the Securitization Program and semi-annual interest on the 2015 Senior Secured Notes and the 2016 IGH Notes. In addition during 2011 the Group paid €30.7 million of accrued

PIK interest as a result of the prepayment made on the term loans under the 2010 Senior Facilities Agreement from the proceeds of the Refining disposal.

The Group made a repayment of €293.0 million on the revolving credit facility under the 2010 Senior Facilities Agreement during 2012 (December 31, 2011: €43.7 million; December 31, 2010: €239.8 million) and a repayment of €194.5 million (December 31, 2011: repayment of €68.4 million, December 31, 2010: drawdown of €119.7 million) on the Securitization Program during 2012. The revolving credit facility under the 2010 Senior Facilities Agreement was cancelled in May 2012 as a result of the redemption of the 2010 Senior Facilities Agreement.

In February 2012 the Group issued \$1.0 billion 2019 Senior Secured Notes and €500.0 million floating rate 2019 Senior Secured Notes, resulting in a combined cash inflow of €1,262.5 million. The proceeds of the 2019 Senior Secured 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 2020 Senior Secured Notes and the borrowings under the Existing Senior Secured Term Loans totaling \$3,025 million, resulting in a combined cash inflow of €2,875.6 million. The net proceeds from the 2020 Senior Secured Notes and the Existing Secured Senior Term Loans were used to repay all of the outstanding term loan and revolving credit facility indebtedness under the 2010 Senior Facilities Agreement, including the associated PIK interest of €87.2 million. The Group paid associated debt issue costs of €91.7 million in relation to the issue of the 2019 Senior Secured Notes, the 2020 Senior Secured Notes and the borrowings under the Existing Senior Secured Term Loans during the year ended December 31, 2012. Debt issue costs of €10.7 million were paid in the year ended December 31, 2011 in relation to a 25bps deferred consent fee payable to the 2010 Senior Facilities Agreement holders, following the issue of the 2015 Senior Secured Notes in May 2010.

During the year ended December 31, 2012 the Group made scheduled repayments under the Existing Senior Secured Term Loans of €17.9 million. During the year ended December 31, 2011 the Group made scheduled repayments under the 2010 Senior Facilities Agreement of €39.9 million. During the year ended December 31, 2010 the Group made scheduled repayments under the 2010 Senior Facilities Agreement of €74.6 million, together with a voluntary repayment of €200.0 million.

On July 29, 2011, we used the net cash proceeds from the Refining Divestiture along with cash on hand to permanently repay €646.1 million of term loans and the associated €30.7 million of PIK interest under the 2010 Senior Facilities Agreement.

The Company made dividend payments of €25.0 million in the year ended December 31, 2012 (December 31, 2011: €13.8 million, December 31, 2010: €23.0 million).

#### *Net debt*

Total net debt as at March 31, 2013 was €6,505.6 million (December 31, 2012: €6,164.1 million). The Group held net cash balances of €1,034.3 million as at March 31, 2013 (December 31, 2012: €1,235.4 million) which included restricted cash of €221.3 million used as collateral against bank guarantees and letters of credit. The Group had availability under undrawn working capital facilities of €290 million as at March 31, 2013.

Total net debt as at December 31, 2012 was €6,164.1 million (December 31, 2011: €6,084.4 million). The Group held net cash balances of €1,235.4 million as at December 31, 2012 (December 31, 2011: €582.4 million) which includes restricted cash of €218.8 million used as collateral against bank guarantees and letters of credit. The Group had availability under the Securitization Program of €200.0 million as at December 31, 2012. The revolving credit facility under the 2010 Senior Facilities Agreement was cancelled in May 2012 as a result of the redemption of the 2010 Senior Facilities Agreement.

Total net debt as at December 31, 2011 was €6,084.4 million (December 31, 2010: €6,851.4 million). The Group held net cash balances of €582.4 million as at December 31, 2011 (December 31, 2010: €599.2 million). The Group utilized €456.4 million (including ancillary facilities) of the €754.2 million (December 31, 2010: €797.8 million) revolving credit facility under the 2010 Senior Facilities Agreement as at December 31, 2011 (December 31, 2010: €535.2 million). As at December 31, 2011 the Group had accrued PIK interest of €145.2 million (December 31, 2010: €148.7 million).

The Group entered into two interest rate caps in May 2012 to hedge the variable interest rate exposures on the €500.0 million of floating rate 2019 Senior Secured Notes. 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 2019 Senior Secured Notes of 1.25% per annum. These derivative instruments expire in May 2015.

For additional information about our past hedging transactions and derivative financial instruments, see note 25 to the audited consolidated financial statements, included elsewhere in this offering memorandum.

### ***Off-Balance Sheet Arrangements***

We use various customary off-balance sheet arrangements, such as operating leases, to finance our business. None of these arrangements has or is likely to have a material effect on our results of operations, financial condition or liquidity.

### **Quantitative and Qualitative Disclosures About Market Risk**

In the ordinary course of our business, we are exposed to a variety of market risks arising from fluctuations in foreign currency exchange rates, interest rates and commodity prices. To manage these risks effectively, we may enter into hedging transactions and use derivative financial instruments, pursuant to established internal guidelines and policies, to mitigate the adverse effects of these market risks. We do not enter into financial instruments for trading or speculative purposes.

In the case of commodities, this exposure principally arises from movements in the prices of the feedstocks we require to make our products. To manage this exposure, we generally acquire raw materials and sell finished products at posted or market-related prices, which are typically set on a quarterly, monthly or more frequent basis in line with industry practice. We seek to minimize reductions in our margins by passing through feedstock cost increases to our customers through higher prices for our products.

Our cash flows and earnings are subject to exchange rate fluctuations. In our Refining Business, which we disposed of in connection with the Refining Divestiture, the prices of finished products and of the underlying raw materials are primarily denominated in U.S. dollars, whereas our other costs are largely denominated in euro and British pounds. In our European petrochemical business, product prices, certain feedstock costs and most other costs are denominated in euro and British pounds. From time to time, we may enter into foreign currency exchange instruments to minimize the short-term impact of movements in foreign exchange rates.

### **Critical Accounting Estimates and Judgments**

We have reviewed our selection and application of principal accounting policies and related financial disclosures. The preceding discussion of past performance is based upon our consolidated financial information, which has been prepared in accordance with IFRS. Our significant accounting policies are described in note 1 to the audited consolidated financial statements, included elsewhere in this offering memorandum. The application of these accounting policies requires that management make estimates and judgments. On an ongoing basis, we evaluate our estimates, which are based on historical experience and market and other conditions, and on assumptions that we believe to be reasonable. Actual results may differ from these estimates due to actual market and other conditions, and assumptions being significantly different than was anticipated at the time of the preparation of these estimates. Such differences may affect our financial results. We have chosen to highlight certain policies that we consider critical to the operations of our business and understanding our consolidated financial information. These policies have been discussed and agreed upon with our audit committee. We believe the following estimates affect the application of our most critical accounting policies and require our most significant judgments.

The following areas are considered to involve a significant degree of judgment or estimation (this section should be read in conjunction with note 31 to the consolidated financial statements of INEOS Group Holdings S.A. as of and for the years ended December 31, 2012 and December 31, 2011, and with note 33 to the consolidated financial statements of INEOS Group Holdings plc as of and for the year ended December 31, 2010, included elsewhere in this offering memorandum).

### **Fair Value Measurement on Business Combination**

The amount of goodwill initially recognized as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets and liabilities acquired. The determination of the fair value of the

acquired assets and liabilities is to a considerable extent based upon management's judgment, and estimates and assumptions made.

Allocation of the purchase price affects the results of the Group as intangible assets are amortized over their estimated useful lives, whereas goodwill is not amortized. This could lead to differing amortization charges based on the allocation to indefinite and finite lived intangible assets.

On acquisition of a business, the identifiable intangible assets may include customer contracts, customer relationships and preferential supply contracts. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset. The use of different estimates and assumptions for the expectations of future cash flows and the discount rate would change the valuation of these intangible assets.

## **Taxation**

Management is required to estimate the tax payable in each of the jurisdictions in which the Group operates. This involves estimating the actual current tax charge or credit, together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which may be included on the consolidated balance sheet of the Group. Management has performed an assessment as to the extent to which future taxable profits will allow the deferred asset to be recovered. The calculation of the Group's total tax charge necessarily involves a significant degree of estimation in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority, or, as appropriate, through a formal legal process.

The Group has, from time to time, contingent tax liabilities arising from trading and corporate transactions in the United Kingdom and overseas jurisdictions. After appropriate consideration, management makes provision for these liabilities based on the probable level of economic loss that may be incurred and which is reliably measurable.

The breadth of the Group's structure with operations in many geographic locations makes the use of estimates and assumptions more challenging. The resolution of issues is not always within the control of the Group and can be reliant upon the efficiency of the legal processes in the relevant jurisdictions in which the Group operates, and as a result issues can, and often do, take many years to resolve.

## **Post-Retirement Benefits**

The Group operates a number of defined benefit post-employment schemes. Under IAS 19 Employee Benefits, management is required to estimate the present value of the future defined benefit obligation of each of the defined benefit schemes. The costs and year-end obligations under defined benefit schemes are determined using actuarial valuations.

## **Provisions**

Provisions are recognized for the cost of remediation works where there is a legal or constructive obligation for such work to be carried out. Where the estimated obligation arises upon initial recognition of the related asset, the corresponding debit is treated as part of the cost of the related asset and depreciated over its estimated useful life.

Other provisions are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events that can be reasonably estimated. The timing of recognition requires the application of judgment to existing facts and circumstances, which can be subject to change.

Estimates of the amounts of provisions recognized are based on current legal and constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

## **Impairment Reviews**

IFRS requires management to test for impairment of goodwill and other intangible assets with indefinite lives, on an annual basis, and of tangible and intangible assets with finite lives if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

An impairment test requires an assessment as to whether the carrying value of assets can be supported by its recoverable amount. Management calculates the recoverable amount based on the net present value of the future cash flows derived from the relevant assets, using cash flow projections which have been discounted at an appropriate discount rate.

In calculating the net present value of the future cash flows, certain assumptions and estimates are required to be made in respect of highly uncertain matters, such as management's expectations of future margins, growth rates of various revenue streams and long-term growth rates.

For the purpose of impairment testing (when required), to assess whether any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. Actual outcomes could vary significantly from such estimates of discounted future cash flows. Factors such as changes in the planned use of buildings, plant or equipment, or closure of facilities, the presence or absence of competition, lower than expected asset utilization from events, such as unplanned outages, strikes and hurricanes, technical obsolescence or lower than anticipated sales of products with capitalized intellectual property rights, could result in shortened useful lives or impairment. Changes in the discount rates used could also lead to impairments.

## **Segment Aggregation**

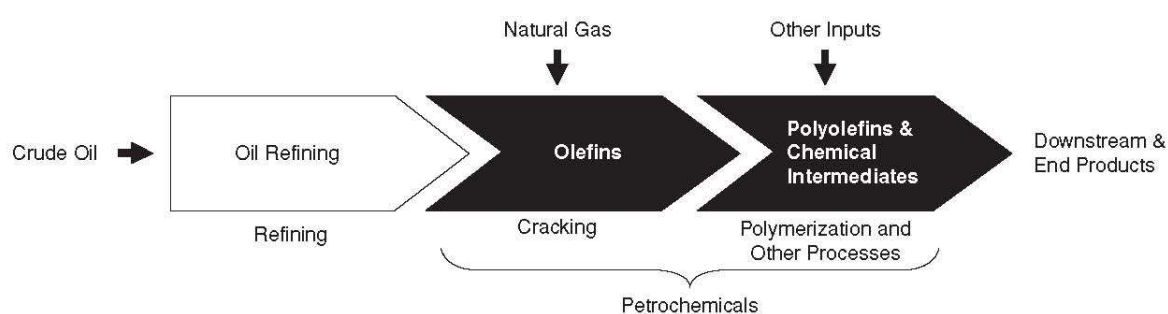
IFRS 8 "Operating Segments" permits two or more operating segments to be aggregated into one for disclosure purposes when individual segments have characteristics so similar that they can be expected to have essentially the same future prospects. Management applies this judgment when aggregating the businesses within the Chemical Intermediates segment. In doing so they take into account that the businesses all have similar economic characteristics, similar products, services and types of customers and similar past cyclical financial performance.

## INDUSTRY AND MARKET OVERVIEW

Certain parts of the projections and other information set forth in this section have been derived from external sources including reports of Nexant and PCI Acrylonitrile Limited, each an independent consultant to the chemical industry, among others. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness. See “Historical and Current Market and Industry Data.”

### Overview

The petrochemicals markets comprise all products derived from crude oil and natural gas, and include olefins, polymers and various petrochemical chemical intermediate products directly or indirectly derived from olefins. We participate in the majority of these market segments, with a significant proportion of our profitability being derived from the chemical intermediates sector.



In the refining industry, crude oil is refined into a number of products, including naphtha and liquid petroleum gas, a significant proportion of which is used as feedstock for the production of olefins, such as ethylene and propylene. In turn, a significant portion of these olefins are used as feedstock for the manufacture of polymers and petrochemical derivatives, such as chemical intermediates.

Olefins are the basic building blocks used to create a variety of petrochemical products. Petrochemicals are widely used in consumer and industrial applications ranging from plastics and packaging to construction and cosmetics. Owing to their physical properties and affordability, petrochemicals and their derivatives continue to replace more traditional materials, such as metal, glass, ceramics and wood, in an expanding list of end-use applications.

Chemical intermediates are high value-added chemical products used as key components in a wide variety of consumer and industrial products. The chemical intermediates industry is less cyclical than the olefins industry; however, demand for chemical intermediate products is affected by trends in demand in the various industries that are end users of the products.

The industry overview detailed below summarizes the outlook for our key activities in the petrochemical and chemical intermediates industries.

### Olefins & Polyolefins

#### Overview

Olefins are the basic building blocks used to create a wide variety of petrochemical products. The key olefins manufactured by the petrochemical industry are ethylene and propylene and these olefins are in turn used to produce polyolefins and other olefin derivatives, such as ethylene oxide, acrylonitrile, vinyl chloride monomer, cumene and oxo-alcohols. Butadiene, benzene and other aromatics are co-products of olefin manufacture, produced primarily from steam cracking of naphtha. Polyolefins is the term used to collectively describe polypropylene and polyethylene polymers, the world's most widely used plastic materials. Polyolefins are manufactured by the process of polymerization whereby individual molecules of ethylene and propylene are aggregated in polymer chains.



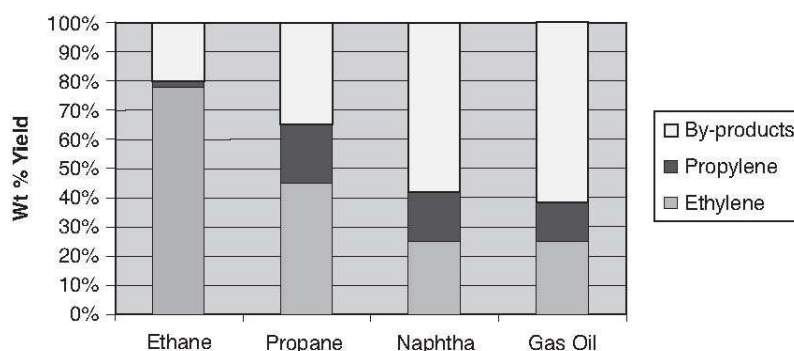
## Manufacturing

Olefins are produced primarily by the steam cracking of hydrocarbon feedstocks. In steam cracking, a gaseous or liquid hydrocarbon feed, such as naphtha, liquefied petroleum gas or ethane, is diluted with steam and briefly heated in a furnace without the presence of oxygen. Typically, the reaction temperature is very high, at around 850°C, but the reaction is only allowed to take place very briefly. In modern cracking furnaces, the reaction time is further reduced to milliseconds, resulting in gas velocities faster than the speed of sound, to improve yield. After the cracking temperature has been reached, the gas is quickly quenched to stop the reaction in a transfer line heat exchanger. The products produced in the reaction depend on the composition of the feed, the hydrocarbon-to-steam ratio and on the cracking temperature and furnace residence time.

Light hydrocarbon feeds, such as ethane, liquefied petroleum gas or light naphtha, yield product streams rich in the lighter alkenes, including ethylene, propylene and butadiene. Heavier hydrocarbon feeds (full-range and heavy naphthas, as well as other refinery products) yield some of these products too, but also yield products rich in aromatic hydrocarbons and hydrocarbons suitable for inclusion in gasoline or fuel oil. Higher cracking temperatures (also referred to as higher levels of “severity”) favor the production of ethylene and benzene, whereas lower cracking temperatures (lower levels of “severity”) produce higher amounts of propylene, C4-hydrocarbons and liquid products.

Depending on feedstock, varying levels of ethylene, propylene and other by-products are achieved. Ethane produces the most ethylene but the least propylene. Naphtha produces substantially less ethylene, roughly one-third of that of ethane, but produces more propylene and significantly more by-products.

**Product Yields by Feedstock**



Source: Nexant—2012

The main polyolefins are the thermoplastics, polyethylene and polypropylene, which are produced by the polymerization of the olefin monomers ethylene and propylene, respectively. While the majority of polyethylene and polypropylene are homopolymers (a combination of the same monomers), a growing proportion is copolymers, (polymers that are produced from a combination of two or more monomers).

Polyolefins are produced using a number of different technologies that are widely available, including one high-pressure process and three low-pressure processes (Solution, Slurry and Gas Phase). All of the technologies are constantly being adapted to improve product qualities and reduce production costs. For commodity products, produced on modern scale technology, the cost structure of these technologies is similar. Increased cost structures for producing specialty products are typically justified by premium margins.

The following is a summary of the four processes:

### ***High-Pressure Process.***

This was the original process used to produce polyethylene and is still in use today. This process is a free radical polymerization that does not require the use of a catalyst, operating at pressures above 1,000 and up to 3,500 bar and temperatures from 150° to 340°C. Originally conducted in a high-pressure autoclave, current processes more commonly use a tubular reactor. This process is used to produce low-density polyethylene, characterized by long-chain branching, considerable flexibility and clarity. Because of the high-pressures involved, this process involves higher risk than low-pressure processes and requires expensive and specialized equipment; consequently, fewer high-pressure processes have been constructed in recent years.

### ***Low-Pressure Processes.***

These processes typically operate below 200 bar and have lower capital intensity but require the aid of a catalyst. In addition, it is common to add a comonomer (butene or hexene in the case of polyethylene, and ethylene in the case of polypropylene) to tailor the resultant polymer properties.

- ***Solution Process.*** This process operates at temperatures above the melting point of the polyolefin (above 130°C for polyethylene and above 140°C for polypropylene) and employs metallocene or Ziegler-Natta catalysts and a solvent to dissolve the growing polymer chains. This process is best suited to make high-density polyethylene (having very few chain branches, and those branches that do exist are short—only a few carbon atoms in length) and linear low-density polyethylene (having many short-chain branches, which may be contrasted to low-density polyethylene with many long-chain branches). Solution processes have the ability to produce narrow molecular weight distribution polyolefins.
- ***Slurry (or Suspension) Process.*** This process is a continuous low temperature (60°-105°C, 20-35 bar for polyethylene or 60°-85°C, 35-50 bar for polypropylene) process in which polymer forms as a solid particle in the presence of a catalyst while suspended in a liquid slurry. In the case of polyethylene, the polymerization takes place in an inert liquid carrier such as isobutane. In the case of polypropylene, the polymerization takes place in liquid hexane, heptane, or even liquid propylene monomer. When propylene is utilized as the carrier liquid, the process is often referred to as “bulk slurry.” The carrier liquid serves to aid in the removal of heat as it carries the growing polymer particles through the reaction process. The catalyst may be chromium on silica (polyethylene only), Ziegler-Natta, or metallocene. The reactor may be a stirred tank or a pipe-loop reactor, in either case jacketed to aid in removal of the heat of reaction. One or more reactors may be placed in series to broaden the molecular weight distribution and produce bimodal polyolefins. This process is best suited to making high-density polyethylene and homopolymer polypropylene. One advantage of this process over other high-density polyethylene processes is the ability to make rapid grade transitions, which makes it particularly well suited to the manufacture of specialty polyethylene products.
- ***Gas Phase.*** As the name implies, polymerization occurs with the solid polymer particles produced on a heterogeneous catalyst in the gas phase. Like the slurry process, the catalyst may be chromium on silica (polyethylene only), Ziegler-Natta, or metallocene. In the reactor, the growing polyolefin particles are fluidized and cooled by the gaseous reactants and/or nitrogen, or sub-fluidized and mechanically agitated. Liquid monomer may be added and flashed to aid in the removal of heat. The reaction takes place at low temperature (80°-100°C for polyethylene and about 60°-85°C for polypropylene) and pressure (15-35 bar). A gas phase process has advantages over slurry and solution processes in that the heat of reaction is very effectively removed and operates with lower hydrocarbon inventories. In addition, high-ethylene content copolymers of polypropylene can be produced in this process. This process is best suited to the manufacture of linear low-density polyethylene, high-density polyethylene and all types of polypropylene, including homopolymer, random copolymer, impact copolymer and soft thermoplastic polyolefin.

Post polymerization, any catalyst is deactivated, the polyolefin is freed of any solvent, unreacted monomer or liquid diluent, and the resulting polyolefin flake or crumb is combined with additives and extruded into pellets prior to sale to downstream fabricators.

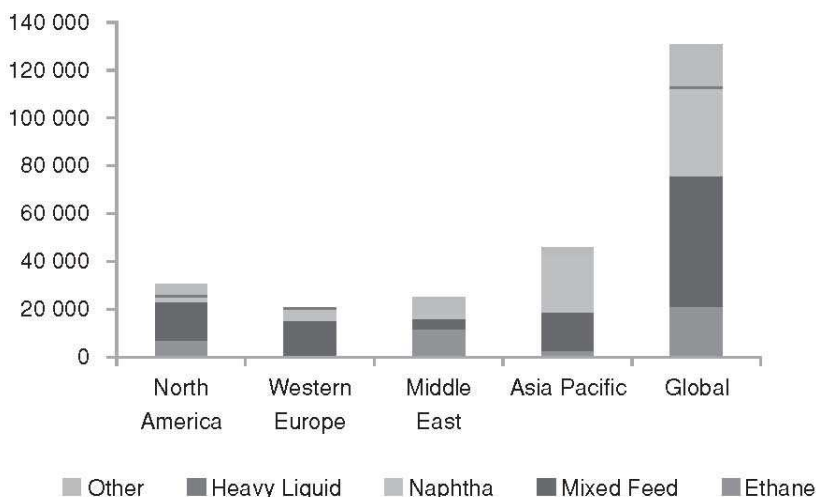
Several of these technologies have recently been adapted to run multiple reactions in series, yielding a product with a wider bi-modal molecular weight distribution that provides superior strength or unique characteristics such as high-impact resistance.

All polyolefin groups participate in mature markets and therefore larger plants of all process technologies are being built with capacities of 200,000-500,000 tonnes per year.

**Feedstock**

The predominant feedstock for Europe and North East Asia is naphtha. The Middle East predominantly uses NGLs, although there is very little very low cost ethane available for new crackers, which are designed to crack a range of the heavier NGLs (i.e., propane, butane and heavier condensates). These feedstocks are tradable as fuel, and thus have a significant opportunity value, which earlier tranches of essentially “distressed” ethane did not (ethane is not practically tradable as a fuel). North American crackers have always had considerable in-built feedstock flexibility, enabling operators to select the most economic feedstock (be it NGLs or naphtha) on the day. The recent widespread exploitation of shale gas has caused fuel gas prices to fall well below those of other regions and has also given rise to an abundance of associated NGLs (mainly ethane and propane). These NGLs are currently available to local cracker operators at a fraction of the equivalent cost of naphtha, thus bestowing a large commercial advantage on North American NGL-based cracker operators. NGLs are now the predominant feedstock for North American crackers, and this situation is expected to prevail for the foreseeable future.

**Ethylene Source by Feedstock  
2012—Estimated**

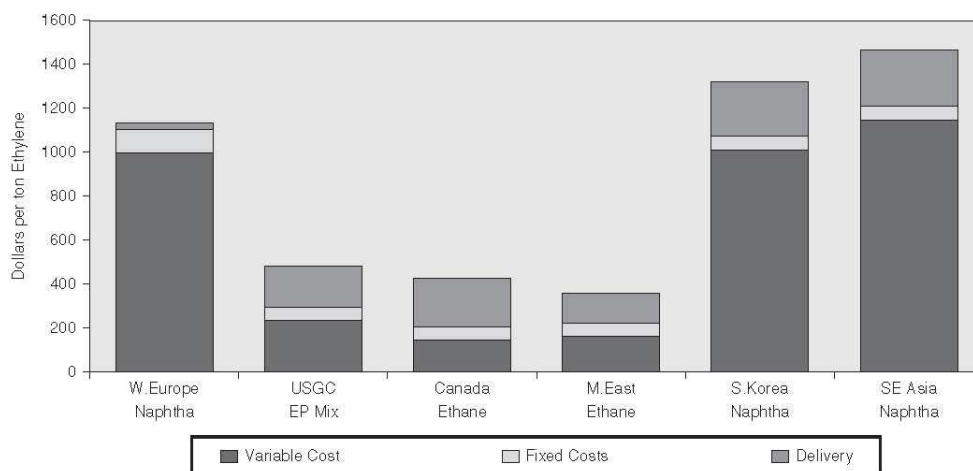


Source: Nexant—2012

The prices of naphtha and NGLs are influenced by numerous factors, including the balance between supply and demand, oil and gas prices, and geopolitical factors. Because gas is not as readily transportable between regions as oil, and the amount of interregional trade in gas is therefore limited, gas prices tend to vary by geographic region. In the current environment of relatively high oil prices, olefin facilities located in the Middle East enjoy the advantage of direct access to gas feedstocks, which are priced lower than naphtha. Producers who are back-integrated to refineries have the ability to capture margins across the value chain and to optimize feedstock types.

The relative costs of the various raw material sources in the manufacture of ethylene, compared to current fully delivered Northwest European pricing for ethylene are as follows:

## World Ethylene Manufacturing and Delivered Cost Competitiveness Q1 2013



Source: Nexant—2013

### Products

According to Nexant, worldwide demand for petrochemical products has grown at a rate greater than the growth rate of GDP over the last 15 years, reflecting in part the ongoing substitution of thermoplastics for other industrial materials, including paper, wood, glass and metal, and the change in consumption patterns of developing nations. Nexant projects demand growth for petrochemical products to be moderate as compared to historical levels, but nonetheless to grow slightly faster than GDP on a worldwide basis as this penetration matures in established markets, and despite petrochemical growth rates which can be below GDP growth rates for certain products in North America and Western Europe. Between 2012 and 2017, Nexant projects GDP to grow at an average annual growth rate of 3.1% in North America, 2.3% in Western Europe and 5.6% in Northeast Asia. According to Nexant, in Northeast Asia, China is expected to experience the strongest growth, with projected regional average annual growth of 5.8% in the same period.

Supply-and-demand tightness is expected to drive the trend toward higher margins, as demand growth is forecasted to recover and further investments in key regions are not expected. The actual pace of the recovery in margins will be heavily dependent on the pace of recovery in end-user product demand.

Nexant's view of GDP and demand growth rates for petrochemical products varies by region and product type, as detailed in the table below:

	Average annual GDP and demand growth rates (%) <sup>(1)</sup>							
	2007-2012				2012-2017			
	North America	Western Europe	Northeast Asia	Global	North America	Western Europe	Northeast Asia	Global
GDP .....	0.5	(0.1)	4.0	1.8	3.1	2.3	5.6	4.0
Ethylene .....	(1.0)	(2.8)	2.8	2.3	3.3	0.9	5.8	4.7
Propylene .....	(2.1)	(2.5)	3.4	2.2	1.3	1.4	7.9	5.2
Butadiene .....	(4.7)	(1.6)	4.6	2.0	0.3	(0.9)	4.8	4.3
Polyethylene .....	(0.8)	(2.8)	5.8	2.5	3.0	2.1	6.1	4.9
High-density polyethylene ..	(0.7)	(2.5)	6.9	2.8	3.3	2.6	5.9	5.1
Low-density polyethylene...	(2.4)	(3.3)	1.2	(0.1)	2.4	1.0	5.2	3.8
Linear low-density polyethylene.....	0.2	(2.7)	8.1	4.2	2.9	2.8	6.7	5.6
Polypropylene .....	(1.1)	(2.2)	4.5	2.8	3.4	2.3	5.7	5.3

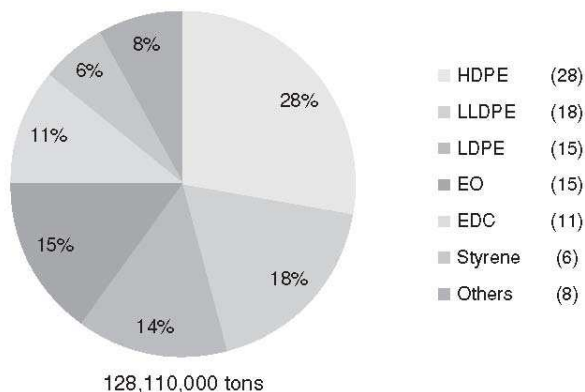
Source: Nexant—2012

- (1) The GDP growth figure for each region refers to gross domestic product for the countries in the region. The growth rates for products for each region reflect the growth of domestic demand in that region.

Set forth below is a description of the principal petrochemical products and their applications.

- Ethylene.** According to Nexant, ethylene is the world’s most widely used petrochemical in terms of volume, accounting for over one-third of the global production of primary petrochemicals. It is the key building block used to produce a large number of higher value added chemicals, including polyethylene, polyvinyl chloride via ethylene dichloride and styrene via ethylbenzene. Ethylene is a flammable gas and is a primary olefin obtained in a cracking process as previously described. Because ethylene is a gas, it must be transported either by pipeline or in the form of a highly pressurized and refrigerated liquid, which is expensive.

**Global Ethylene Demand  
2012**

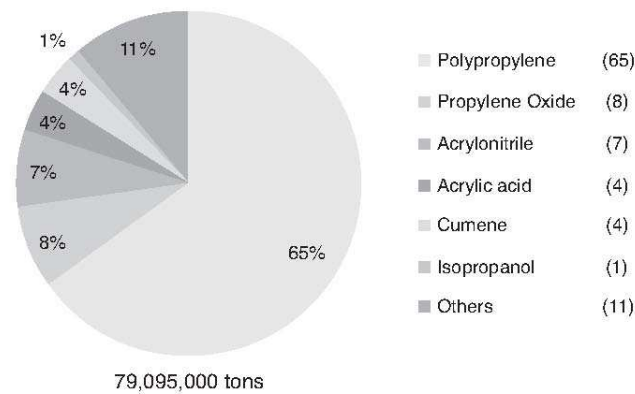


Source: Nexant—2013

While ethylene itself has no consumer applications, demand for ethylene is driven essentially by its use as feedstock for various thermoplastics, which are plastics that soften when heated and harden again when cooled, including polyethylene and other polymer derivatives. Aside from being the feedstock for polyethylene production, demand for ethylene is also driven by the manufacture of ethylene oxide and derivatives, ethylene dichloride and ethyl benzene. According to Nexant, the global market for ethylene is forecast to grow at 4.7% per annum through 2017 versus forecast GDP growth of 4.0% during the same period, driven by polyethylene applications such as high-density polyethylene and linear low-density polyethylene.

- Propylene.** Propylene is a flammable gas which is derived as a co-product either of the refinery fluid catalytic cracker process used to make gasoline or of the steam cracking process used to make ethylene. More recently, propylene is also being produced from processes such as propane dehydrogenation and metathesis. Propylene is an important feedstock for a significant number of industrial products and is the main feedstock for polypropylene and acrylonitrile. Propylene is marginally easier to transport than ethylene and may be shipped by pipeline, road, rail or ship.

**Global Chemical & Polymer Grade Propylene Demand  
2012**




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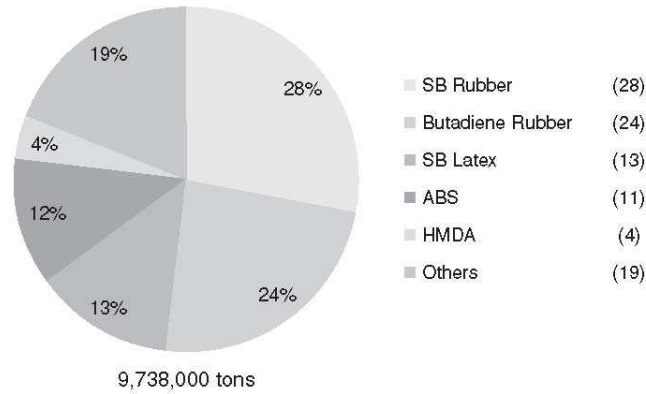
Source: Nexant—2013

Global propylene demand is driven essentially by its use as feedstock for various thermoplastics and by the level of demand for propylene derivatives, particularly polypropylene, propylene oxide, acrylonitrile, oxo-alcohols, cumene and acrylic acid. Growth in the demand for polypropylene has stemmed from the substitution of non-polymers (paper, wood, glass and metal, etc.), due to a relative cost advantage and superior performance. According to Nexant, the global market for propylene is projected to grow at 5.2% per annum through 2017, driven by polypropylene demand.

- Butadiene.** Butadiene is a gas and is one of the co-products of the steam cracking process used to manufacture ethylene and propylene. Butadiene is used primarily in the production of polymers, principally synthetic rubbers such as styrene-butadiene rubber, which is used to make tires and other rubber products. Other polymers made from butadiene include acrylonitrile-butadiene styrene and styrene-butadiene latex. Butadiene is also used to make ethylidene norbornene monomer.

Butadiene demand is driven primarily by growth in consumption of synthetic rubber. According to Nexant, the global market for butadiene is projected to grow at an average of 4.3% per annum through 2017.

**Global Butadiene Derivatives  
2012**




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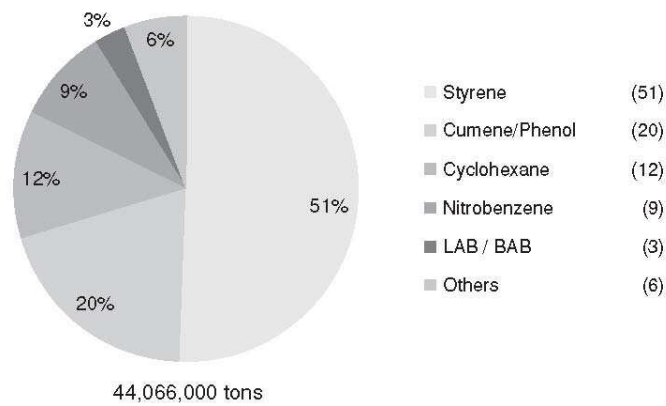
Source: Nexant—2013



- **Benzene.** Benzene is used to produce a number of petrochemical intermediates, such as styrene, cumene for phenol and acetone, cyclohexane and nitrobenzene. It is mainly produced from refinery processes or as a co-product of steam cracker operations.

Styrene is the largest chemical outlet for benzene at around 51% of demand. The second largest outlet for benzene, accounting for 20% of demand, is cumene which is nearly all consumed in phenol production with acetone formed as a co-product. For 2012, Nexant estimated the global benzene demand to be almost 44.1 million tons, with approximately 71% being consumed in the production of ethylbenzene for the styrenics industry and cumene for the phenolics industry. Nexant forecasts an average global growth rate in demand of approximately 17% per year in the 2012-2017 period.

**Global Benzene Derivatives  
2012—Estimated**



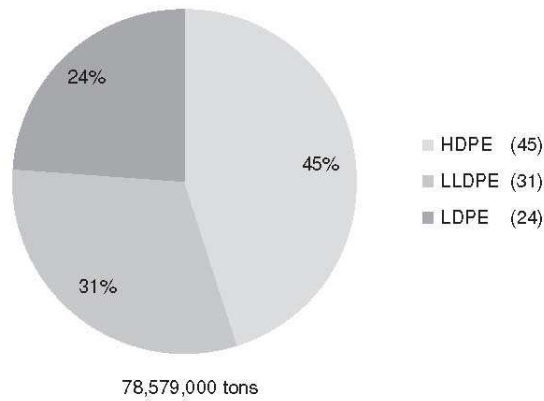

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Source: Nexant—2012

- **Polyethylene.** Polyethylene is the world’s most widely used thermoplastic and is made by the polymerization of ethylene.

Polyethylene is often classified by its density, because greater density corresponds with greater material rigidity.

**Global Polyethylene Demand by Product  
2012**

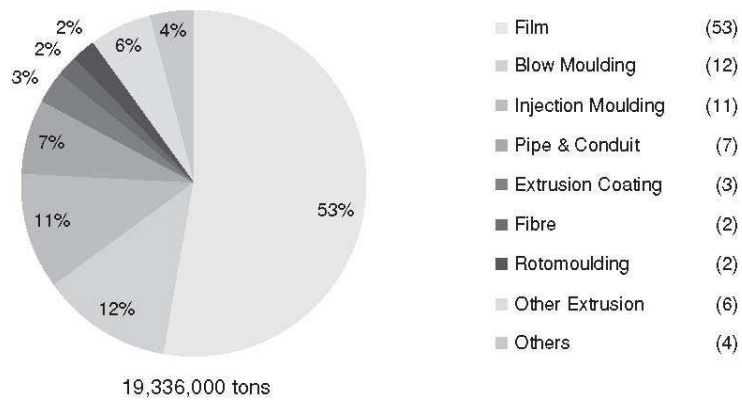



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Source: Nexant—2013

The world’s largest volume polyethylene is high-density polyethylene, which has a relatively high degree of tensile strength. Plastic containers represent the most common household use of high-density polyethylene. At the opposite end of the spectrum is low-density polyethylene, which was the first type of polyethylene to be developed. Plastic bags represent the most common household use of low-density polyethylene. Both high-density polyethylene and low-density polyethylene are also commonly used for molding applications. Linear low-density polyethylene, which was developed in the 1970s, can usually be manufactured at a slightly lower cost than low-density polyethylene and has similar basic properties. While low-density polyethylene and linear low-density polyethylene are to a certain extent substitutable for each other, one may be more suitable than the other for a specific application.

### Global Polyethylene Demand by Applications 2012

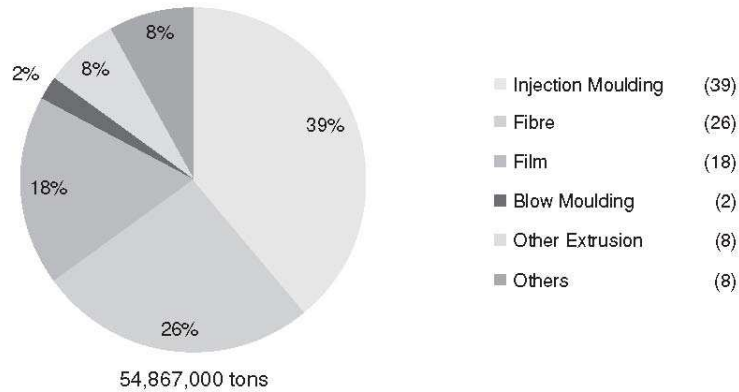


Source: Nexant—2012

Film is the largest single use of global polyethylene production and the primary driver of demand, representing approximately one-half of worldwide polyethylene consumption. Film includes a myriad of end-use applications, from food packaging to trash bags, stretch films and shrink films. Blow-molding and injection-molding are the next largest uses and are also important demand drivers. In the blow-molded category, blow-molded bottles are the single largest end use. Nexant forecasts an average global growth rate in demand of approximately 4.9% per year in the 2012-2017 period.

- Polypropylene.** Polypropylene is the world’s second most widely used thermoplastic after polyethylene and is among the fastest growing categories of thermoplastics. It is manufactured by the polymerization of propylene. The rapid growth of polypropylene-based products reflects the superior cost and performance characteristics of this material. As one of the industry’s most versatile polymers, polypropylene is achieving a portion of its growth by displacing other polymers, such as polyethylene and polystyrene.

**Global Polypropylene Demand by Applications  
2012**



Source: Nexant—2012

The largest end-use segment of the polypropylene industry is injection-molding, followed by film and sheet applications. Injection-molded polypropylene includes a wide variety of end uses, such as packaging, automotive and appliances. End-use segments for films and sheets include food bags, tape and wrappings for consumer goods. Polypropylene is a thermoplastic characterized by its rigidity and resistance to high temperatures, chemicals and fatigue combined with a greater density. Polypropylene has a heat distortion temperature of 140°C to 200°C, which makes it particularly suitable for “hot-fill” applications, which are manufactured using injection-molding. As a result, polypropylene is the most significant material used in molded containers and automotive applications. Polypropylene fibers are also used in fabrics and carpets.

Various industry experts expect the demand for ethylene and other cracker products and derivatives to grow at an average rate of around 4.0% to 4.5% per annum (subject to macroeconomic assumptions), in the period up to 2017, with higher growth rates in the developing economies and lower growth rates in the more mature OECD economies. According to Nexant, the global polypropylene market is projected to grow at 5.3% per annum through 2017. Nexant expects that the demand for polypropylene in Asia will continue to grow at higher rates than North America and Europe, primarily as a result of growth in the Chinese market.

**Market Environment**

Although the major costs of production are related to the costs of the relevant feedstocks and the scale of operation, the olefins industry is primarily regional. This is due to high transportation costs. Prices are also indirectly arbitrated by the trade flows in olefin derivatives (principally polymers), the markets for which are becoming increasingly global. Polyolefins, in common with other segments of the chemicals industry, are subject to cyclical supply and demand, although polyolefin demand growth has been historically strong, driven by the broadening range of end uses.

The petrochemical industry is highly commoditized. Some polyolefins have subgrades that have properties enabling them to be differentiated from commodity grades. These products account for a small portion of the overall market, but carry a premium in the market and allow differentiation in the sector.

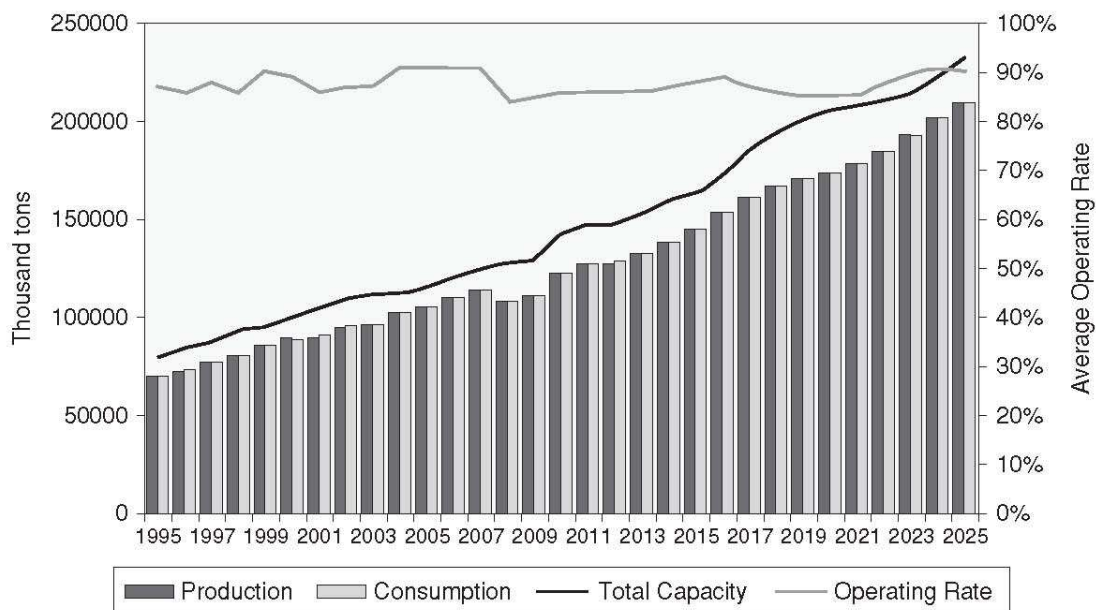
The construction of a new olefin manufacturing unit takes approximately five years from initial design to completion. Producers are more likely to add capacity in periods when current or expected future demand is strong and margins are, or are expected to be, high. Investments in new capacity can result in overcapacity, which typically leads to a reduction of margins. In response to falling margins, producers typically shut uncompetitive assets or limit further capacity

additions, eventually causing the market to be relatively undersupplied. The alternation between periods of substantial capacity addition and periods of limited capacity addition or reduction results in recognizable swings in petrochemical capacity utilization, which typically result in swings in industry margins. This long-term pattern is often referred to as the petrochemical cycle. The point in time of a given cycle with the lowest average margin across a product line is referred to as the “bottom of the cycle.” The point with the highest average margin is called the “peak of the cycle.”

Historically, the industry’s profitability has been correlated with swings in industry capacity utilization. The petrochemical cycle is often described by reference to the ethylene cycle, as ethylene is the key feedstock for many petrochemical products. According to Nexant, the bottom of the last ethylene cycle was reached in 2001 and continued through 2003 due to weak demand and substantial capacity additions. The upturn began in 2004 and continued until 2008, driven by robust demand from end-use sectors, including growth in Asian markets, and capacity expansion (which the market was able to absorb). The 2008-2009 period was characterized by a steep decline in demand as the global financial crisis took effect, coupled with a surge in supply as new capacity came on stream across the Middle East. This inverse relationship between supply and demand resulted in a significant trough for the industry. According to Nexant, demand, accompanied by a significant restocking element and assisted by various governmental stimulus measures, rebounded in 2010, notably in China. Demand continued above expectations during the first half of 2011. In the second half of 2011, global macro-economic instability risks began to weigh on business confidence and demand accordingly stalled. The restocking that took place in 2010 had been less than that in the early 2008 period, when global supply chains became full, and, consequently, the demand in the second half of 2011 was affected by destocking much less than in 2008 and 2009. 2012 has been a year of hesitant recovery, with Asia’s growth dynamic being slower than many had expected and Europe beset by its structural debt issues which continue to restrain growth. North America, is recovering more strongly, greatly assisted by the “energy dividend” from shale gas, which is improving the competitiveness of many branches of industry in the U.S., not least of which, the petrochemical sector, which now has abundant supplies of low cost natural gas liquids (NGLs) as feedstock. While historically natural gas has shown a strong correlation to oil prices, growth in the exploitation of shale gas in North America has contributed to natural gas prices remaining at relatively low levels, despite a rise in oil prices from 2009 lows. On a global basis, this has significantly improved the cost position of U.S. producers. In a market where oil-based capacity represents the marginal cost capacity in the industry (and thus sets the global pricing level, net of freight costs for international trade), margins for U.S. producers, have increased. In Europe, ethylene margins are currently being positively impacted by co-product credits associated with the sale of the non-ethylene outputs of the steam cracker process. As described above, since European crackers typically crack naphtha, the resulting product mixture contains a significant amount of propylene and aromatic hydrocarbons compared to ethane feedstock. Given the relatively high prices in the European market for these products, the margins for European cracking of naphtha have remained between mid and bottom of cycle levels throughout 2012. The focus of attention for capacity addition has indeed now turned to the U.S., where several expansions and new cracker projects are being planned. The magnitude of the U.S. feedstock advantage is such that many producers in other regions—who may have been contemplating new naphtha crackers—are now hesitating in their plans in order to evaluate the risks of meeting very low cost U.S. competition in the early years of their new projects. Consultants are generally forecasting the addition of the new U.S. NGL-based capacity more or less as announced by producers, but doubts are being raised on the timing of implementation due to a range of issues, including permitting, which has become more difficult in the U.S. of late.

The following table sets forth the historical and projected supply-and-demand trends for ethylene globally.

### Global Ethylene Supply and Demand



Source: Nexant—2013

From a supply perspective, the rate of capacity addition has moderated since 2010. China continues to add capacity to increase self sufficiency, but historically, has not managed to keep pace with the rate of ethylene derivative domestic demand growth, and has continued to depend on imports. This is expected to continue (Nexant forecasts continuing imports). More capacity will be added in the Middle East in coming years, but at about half the rate seen in the period 2005 to 2011. This is due to the reduced availability of advantaged feedstocks. The next significant wave of capacity addition will be the new NGL-based capacity in the U.S. Up to 15 million tonnes of new capacity is expected between now and 2022, although around half of this is deemed “speculative” on the part of industry consultants such as Nexant, and has yet to be defined as specific projects. It is important to note that the world needs approximately 5.5 mt per annum of new capacity to meet growth at the rate that Nexant predicts at 4.2% per annum. This means 4 to 5 new crackers per year just to meet global growth. Hence, the U.S. capacity development should be seen in this perspective, particularly if it stalls the intentions of producers in other regions to initiate new cracker projects. Nexant’s forecast (see above) shows the operating rate line moving up over time, which is positive for cracker operators in view of the long established positive relationship between operating rates and margins. The Nexant forecast shows a cyclical peak in 2015/16, and a fall off in operating rates in the late part of this decade, based on an assumption of accelerated capacity additions’ coinciding with a macro-economic slowdown. The cyclical nature of the industry is likely to continue, but the timing of such events is notoriously difficult to forecast—particularly so far ahead.

While margins are primarily determined by the position in the cycle and relative feedstock/product positions, they are also susceptible to potentially significant swings in the short term. This volatility, which may be global or isolated in individual regions, can be caused by a number of factors, including fluctuations in utilization rates due to planned or unplanned plant outages, political and economic conditions driving rapid changes in prices for key feedstocks, exchange rate fluctuations and changes in inventory management policies by petrochemical customers (such as inventory building or restocking). According to Nexant, cracker and polyolefin margins in Europe and the United States are expected to increase from 2013 through 2015.

## Chemical Intermediates

### Overview

Chemical intermediates are higher-value-added chemical products used as key components in a wide variety of consumer and industrial products. Olefins are a key raw material and are used to produce a wide range of products, including phenol, acetone, alpha olefins, synthetic ethanol, ethylene oxide and derivatives and nitriles.

### Manufacturing

Chemical intermediates are manufactured without exception in built-for-purpose plants that utilize technology specific to the product or products produced. Integration or close proximity to raw materials is not absolutely essential, but we believe it offers a strategic advantage by reducing logistics costs because large volumes of raw materials are often required. We also believe that scale is often critical to the successful manufacture of chemical intermediates because manufacturing costs per tonne produced decrease as plant size increases. Competition therefore tends to drive research and technology efforts toward developing technologies which support larger plant outputs as well as higher yields. Therefore, successive generations of plants are typically larger than previous generations and often produce higher yields.

### Feedstock

For most processes, feedstock costs are the most significant cost item. The costs of the feedstocks required (such as, ethylene, propylene, and benzene) are principally driven by the price of oil and natural gas.

### Products

The worldwide demand growth rates for our principal chemical intermediates are summarized below:

	Average annual demand growth rates (%)							
	2007-2012				2012-2017			
	North America	Western Europe	Northeast Asia	Global	North America	Western Europe	Northeast Asia	Global
Acrylonitrile.....	2.1	(5.2)	1.1	0.5	1.2	0.1	3.5	3.3
Ethylene oxide .....	(1.8)	(2.2)	5.4	4.3	3.4	(0.3)	4.9	4.1
Propylene oxide .....	(0.4)	0.5	8.0	2.5	2.0	1.4	6.4	5.2
Mono ethylene glycol .....	(2.0)	(2.1)	6.7	4.7	2.1	3.2	5.8	6.1
Phenol .....	(4.4)	(1.6)	6.2	1.6	2.8	1.8	8.0	5.3

Source: Nexant—2012

Set forth is a description of the principal chemical intermediates we provide, their applications and their demand outlook:

- **Ethylene Oxide and Derivatives.** This range includes ethylene oxide, ethylene glycol, propylene oxide and propylene glycols.

Ethylene oxide is a highly hazardous product to transport. As a result, customers and end-use applications tend to be co-located or closely located to ethylene oxide production facilities. This leads to a regional market place for ethylene oxide with many opportunities for differentiation.

The most common derivative of ethylene oxide is ethylene glycol. This is very safe to transport and is viewed as a commodity petrochemical. As such, the market place for ethylene glycol is global, with pricing highly influenced by supply-demand balances. Ethylene glycol is primarily used in the manufacture of polyesters and antifreeze/coolants.

Propylene oxide is also a hazardous product to transport, but is moved routinely over modest distances. It is sold into a regional market with opportunities for differentiation.

The major application of propylene oxide is in the manufacture of polyols followed by propylene glycol, which in turn is primarily used to produce polyesters, paints and coatings, aircraft de-icing chemicals, antifreeze and industrial coolants. Propylene glycol is a safe product to transport and trades in a commodity market place.

Other ethylene oxide derivatives are manufactured by reacting ethylene oxide with bases, such as glycol, ammonia and other alcohols.

Ethylene oxide demand is driven by the market requirement for ethylene oxide derivatives, principally ethylene glycol. As a result of increased consumption of polyester, ethylene glycol has become the second largest application for ethylene after polyethylene. Similarly, propylene oxide demand is driven by the market requirement for propylene oxide derivatives, principally propylene glycol.

Although Nexant forecasts that the demand for ethylene oxide will continue to grow over the period to 2015, there is also significant new manufacturing capacity being commissioned, especially in the Middle East. Much of this is being focused on conversion into commodity ethylene glycol for export shipment (a market in which INEOS has little involvement). On the basis of firm, announced capacity increases and Nexant's forecast demand growth rate, global operating rates are expected to rise from 84% to 86% between 2013 and 2015 and are expected to rise beyond that in subsequent years. However, Nexant assumes that other capacity—as yet unannounced—will be added to keep operating rates within this range. Differentiated products are less impacted by short term changes in the structural supply and demand balance.

- **Acrylonitrile.** Acrylonitrile is a well-established commodity that has been in commercial use for more than 70 years. It is used in the production of acrylic fiber, acrylonitrile butadiene styrene and styrene-acrylonitrile. Acrylic fiber is used in a wide variety of consumer products, including clothing and carpets. Acrylonitrile is manufactured from propylene, ammonia and air with the use of a purpose-made special catalyst. Acrylonitrile is toxic, flammable and, unless chemical stabilizers are added for storage and shipment, explosive. The building of new production plants for acrylonitrile is particularly expensive.

Historically, acrylonitrile demand has been driven by demand for acrylic fiber. More recently, acrylonitrile butadiene styrene (ABS) and styrene-acrylonitrile polymers have taken over as the main drivers of demand for acrylonitrile. As with other petrochemicals, the growth in demand for acrylonitrile butadiene styrene and styrene-acrylonitrile polymers has been greatest in Asia, while demand in North America and Europe has declined. Currently, Asia is a major net importer of acrylonitrile and derivatives, with a significant proportion of the Asian imports coming from North America. Acrylonitrile is sometimes viewed as a mature product, with global demand forecast to grow on par with GDP growth at 3.3% through to 2017. PCI Acrylonitrile Ltd (industry consultants) are forecasting global capacity additions at a slower rate than demand growth, and average operating rates are expected to rise between 2013 and 2018.

- **Alpha olefins.** Alpha olefins include linear alpha olefins and poly alpha olefins. Linear alpha olefins are hydrocarbons in a chain formation with physical characteristics and commercial uses that vary according to the length of the hydrocarbon chain. Ethylene is the primary feedstock for the production of linear alpha olefins, and linear alpha olefins, in turn, are important feedstocks for the manufacture of certain types of polyethylene. Linear alpha olefins have many applications in the petrochemical industry, including as surfactant intermediates, base oil for synthetic lubricants and drilling fluids. Demand for linear alpha olefins has increased substantially since they first became commercially available.

Poly alpha olefins, which are made by merging several linear alpha olefins together, are primarily used as synthetic lubricants. Poly alpha olefins are value-added products as compared with linear alpha olefins, and, accordingly, command higher margins. However, poly alpha olefins account for only approximately 10% of the overall market for alpha olefins.

Producers of linear alpha olefins may be divided into two groups: “full-range” producers, which manufacture the entire range of linear alpha olefins and “on purpose” or “single product” producers, which specialize in those linear alpha olefins which historically have experienced the fastest growth. Demand for linear alpha olefins has experienced an increasing divergence between demand for linear alpha olefins with shorter carbon chains, which has grown more quickly, and demand for linear alpha olefins with higher carbon chains, which on average has experienced slower growth. As a result, the industry has focused on developing single product technologies to target the fastest growing linear alpha olefins. Demand for poly alpha olefins is driven by the need for higher performing lubricants offering improved fuel economy, lower emissions, improved cold start properties and longer drain intervals.



- ***Polyisobutylene.*** Polyisobutylene is a synthetic hydrocarbon polymer available in a wide variety of viscosities for use in a broad range of industrial applications, such as lubricants and fuel additives, and consumer applications, such as adhesives and sealants.
- ***Phenol and acetone.*** Phenol and acetone are produced simultaneously from cumene in the four-stage Hock production process and are essential starting materials for a wide range of applications in the electrical/electronics, automotive, construction and household/furniture industries. In the production of downstream substances, neither phenol nor acetone may be substituted. The markets for phenol and acetone are traditionally viewed as regional because of the physical difficulty of transporting and storing phenol and the resulting high freight costs, with regional production responding mainly to regional demand. Individual regions experience independent cost bases, though there are limits to interregional price differentials, set by freight costs.

Nexant projects global phenol demand to grow on average at 4.3% per annum to 2018. Current announced capacity additions indicate that the global industry will operate at between 88% and 93% of capacity between now and 2018. More capacity—as yet unannounced—may be added, but we believe that this will not significantly adversely affect the supply and demand balance.

### ***Market Environment***

Chemical intermediates are sometimes classified within the generic description of petrochemical products, essentially because they, like polyolefins, tend to utilize olefins or olefins derivatives as their primary feedstock. However, unlike polyolefins, the market place for chemical intermediate products often involves a global customer base. There are also far fewer competitors for each product, with technology ownership and scale of operation being key to obtaining leading market positions. Access to the whole global market may, in some cases, not be possible when margins are insufficient to accommodate incremental freight costs to distant regions.

The relationship between supply and demand for chemical intermediates tends to be cyclical, although to a lesser extent than for olefins and polymers. Suppliers tend to have more ability to pass cost increases through to their customers. Margins typically increase when demand approaches available supply. This is primarily because product supply is driven by periods of substantial capacity additions and followed by periods in which no or limited capacity is added.

In addition, product demand fluctuates with overall economic conditions. Market volatility for chemical intermediates varies by product, with the wide range of applications for the different products providing a natural hedge for demand across the range.

## BUSINESS

*In this offering memorandum, all references to “INEOS Group”, “INEOS,” “we”, “us” or “our” are to INEOS Group Holdings S.A. and its consolidated subsidiaries. Any projections and other forward-looking statements in this section are not guarantees of future performance and actual results could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See “Risk Factors” and “Forward-Looking Statements.”*

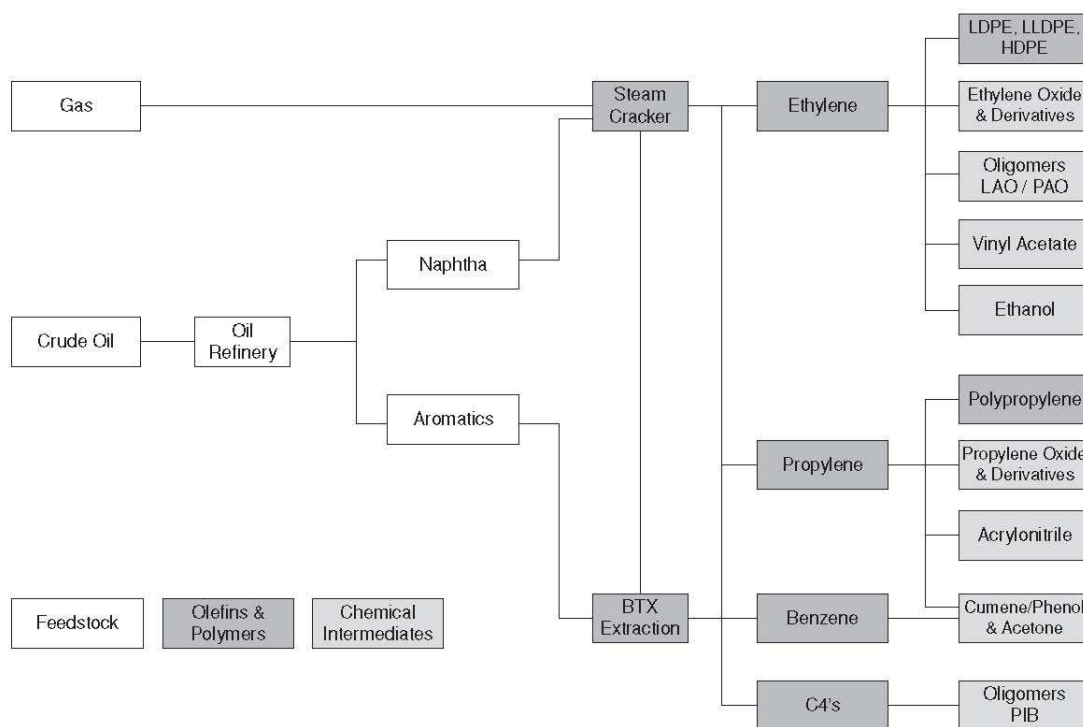
### Introduction

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 and a strong and stable customer base. 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. We are led by a highly experienced management team with, on a combined basis, over 100 years of experience in the chemical industry. 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.

We operate our business through three segments: Olefins & Polymers Europe, Olefins & Polymers North America and Chemical Intermediates. Prior to the consummation of the Refining Divestiture, we also operated a fourth segment, Refining. See “The Refining Divestiture.” The products we manufacture are derived from crude oil and natural gas, and include olefins, polymers and various petrochemical products directly or indirectly derived from olefins. Our products serve a broad and diverse range of end markets, including packaging, construction, automotive, white goods/durables, agrochemicals and pharmaceuticals.

Our highly integrated, world class production facilities and technological know-how allow us to process raw materials into higher value added products. We own five sites integrated with crackers and polymer units, two of which are integrated with the refineries we disposed of in connection with the Refining Divestiture. Typically, these five sites account for approximately 80% of our olefin and polymer volumes. The Refining Divestiture was principally a disposal of the Refining segment of the Issuer, as reported on our financial statements. In connection with the Refining Divestiture, we entered into several contractual arrangements with the Refining and Entrepreneurial JVs and the Infrastructure Entity to ensure our sites continue to benefit from the feedstocks that the refineries provide. See “The Refining Divestiture.” In addition, we will continue to benefit from shared utilities and infrastructure assets located at these sites. In Europe, approximately 80% of our ethylene and propylene output is typically sold internally. The polyolefins plants on our four major sites in Europe receive more than 95% of their feedstock supply from our integrated crackers. Similarly, in the United States, much of our olefin feedstock requirements for our polymer business is supplied by either our Chocolate Bayou cracker in Texas or by integrated third party facilities, such as the BP Carson facility in California. We believe that with our highly integrated facilities we are able to capture attractive margins across the value chain, enjoy greater certainty of feedstock supply, reduce logistical costs, improve energy management and optimize our product slate.

The extent of our business integration from upstream to downstream for our major products is summarized as follows:



We benefit from the cost advantages of operating large-scale, well-invested, highly integrated facilities strategically located near major transportation facilities and customer locations. Since January 1, 2007, we and our predecessors have invested more than €2.3 billion (including investments in divested assets) in our production facilities to ensure that they operate efficiently, resulting in integrated, and state-of-the-art production units. We believe these investments allow us to operate at lower cost and higher utilization rates than most of our competitors, and enable us to maintain positive margin and cash flows even during downturns in industry cycles or customer demand. For the year ended December 31, 2012, our revenue was €18.2 billion and our EBITDA before exceptions was €1.5 billion.

Over the past several years, we have implemented a range of strategic initiatives designed to lower our operating costs, increase our profitability and further enhance our market position. These include fixed asset investments to expand our capacity in higher value products, to enhance productivity at our existing facilities, and to reduce our fixed cost structure through headcount reductions, production line closures and system upgrades. In addition, we have shifted our product portfolio to focus on more differentiated products, exited low-margin businesses and implemented premium pricing strategies designed to improve our margins. We believe these initiatives provide us with a strong platform to drive growth, create significant operating leverage and position us to benefit from volume recovery in our end markets.

Since April 1998, when INEOS was established with the acquisition of the Belgian “Oxide” assets from Inspec plc, we have significantly expanded, both through a series of strategic acquisitions of businesses and assets from major chemical companies, and through organic growth. The combination of INEOS and Innovene in December 2005 represented a transformational milestone for our company, providing global scale and further upstream integration. During 2007, we acquired the Borealis petrochemical manufacturing business in Norway. In 2008, we acquired the former BP vinyl acetate monomer/ethyl acetate business in Hull, United Kingdom, and the former BASF acrylonitrile business in Seal Sands, United Kingdom. In 2009, we transferred certain companies and businesses out of the INEOS Group to INEOS Industries Holdings Ltd. These businesses consumed a significant amount of cash in the three years prior to transfer and were forecast to continue to be a significant drain on cash resources (due to either difficult trading conditions or significant investment requirements over the next two to three years). The transferred businesses comprised the ABS, Styrenics, Melamines, Healthcare, Bio and Films Italia Srl businesses, together with our shareholding in the INEOS Nova JV. In 2010, we sold our ChlorVinyls business, our business associated with fluorochemicals and our global films business. In addition, on January 31,

2011, we completed the Swiss Reorganization, with the Issuer becoming the issuer in respect of the 2016 IGH Notes and the parent under the 2015 Senior Secured Notes Indenture. See “Summary—Swiss Reorganization.”

In connection with the Refining Divestiture, we transferred our Refining Business, our Entrepreneurial (Refining) Business and certain infrastructure assets to three joint ventures, each of which is not a member of the INEOS Group but may be an “Affiliate” under the Indenture because it is owned in part by, and in some cases operated or controlled by, entities controlled by or under common control with the principal shareholders of the Issuer. Please see “The Refining Divestiture” for a further description of the disposal of our Refining Business and Entrepreneurial (Refining) Business.

The following table provides an overview of our capacity, global market position and leading regional market positions with respect to our key petrochemical products.

Key products	Full-year capacity as of December 31, 2012 (kilotonnes)	Selected market positions
Ethylene .....	4,692	#1 in Europe #6 in U.S.
Propylene .....	2,048	#2 in Europe #13 in U.S.
Polyethylene .....	3,046	#2 in Europe #6 in U.S.
Polypropylene .....	1,641	#5 in Europe #6 in U.S.
Ethylene Oxide .....	935	#1 in Europe #8 Globally
Ethanolamines.....	230	#1 in U.S.* #1 Globally* #3 in Europe*
Phenol .....	1,870	#1 Globally #1 in Europe #3 in U.S.
Acetone.....	1,139	#1 Globally #1 in Europe #3 in U.S.
Acrylonitrile.....	1,324	#1 Globally #1 in Europe #1 in U.S.
Linear Alpha Olefins .....	585	#3 Globally #1 in Europe #3 in U.S.
Poly Alpha Olefins .....	205	#1 Globally #1 in Europe #1 in U.S.
Polyisobutylene.....	80	#4 Globally* #2 in Europe*

Sources: Nexant and INEOS

\* Merchant market sales

*Olefins & Polymers Europe and Olefins & Polymers North America*

In our olefins and polymers businesses, we produce olefins, other cracker products, such as butadiene and benzene, and a broad range of polyolefin polymers. We are among the largest producers of olefins and polymers in the world. The focus of our olefins business in Europe and North America is on ethylene and propylene, which are the two largest volume olefins globally and are key building blocks for polymers. The olefins we make are primarily used as feedstock for our derivatives businesses. In addition, we sell olefins to third-party customers for a variety of industrial and consumer

applications, including the manufacture of plastics, rubber and fiber. In our polymers business, we focus on polyethylene and polypropylene.

We operate a total of 14 sites for olefins and polyolefins, including our large integrated olefins cracker and polyolefin facilities at Köln, Germany, Grangemouth, United Kingdom, Lavéra, France, Rafnes, Norway, and Chocolate Bayou, Texas, United States. These facilities support our highly competitive proprietary polyolefin process technologies, which are also marketed and licensed by our INEOS Technologies business in cooperation with our olefins and polymers businesses. The technologies include our cost-effective gas phase polypropylene technology, our specialized technology for high-density polyethylene and our flexible proprietary “swing” technology for both linear low-density and high-density polyethylene.

The North American and European markets for olefins and polyolefins are quite distinct, with separate pricing structures and distribution channels. As a result, each market may experience different rates of growth and levels of return. Therefore, we operate these two businesses separately and report them as two distinct segments—INEOS Olefins & Polymers Europe and INEOS Olefins & Polymers North America. For the year ended December 31, 2012, our Olefins & Polymers Europe and Olefins & Polymers North America businesses contributed €7.9 billion and €3.4 billion of revenue and €122.2 million and €706.0 million of EBITDA before exceptionals, respectively, excluding inter-segmental eliminations.

### *Chemical Intermediates*

Chemical intermediates are higher-value-added chemical products used as key components in a wide variety of consumer and industrial products. In our Chemical Intermediates business, we utilize olefins as key raw materials and produce a wide range of products including phenol, acetone, alpha olefins, synthetic ethanol, ethylene oxide and derivatives and nitriles.

We have four main product groups within our Chemical Intermediates business: INEOS Nitriles, INEOS Oligomers, INEOS Oxide and INEOS Phenol. The activities of INEOS Enterprises and INEOS Technologies are also included within Chemical Intermediates. Together they produce a wide range of products including phenol, acetone, alpha olefins, synthetic ethanol, ethylene oxide and derivatives, acrylonitrile, ammonia and nitric acid. We have a total of 17 manufacturing sites globally, with many of our plants integrated either directly with their key raw materials on-site, or integrated via pipeline connection.

We are the world’s leading producer of phenol, which is an essential starting material for a wide range of applications in the electrical/electronics, automotive, construction and household/furniture industries. Our main product in the nitriles sector is acrylonitrile, which is used in the production of acrylic fibers and acrylonitrile butadiene styrene plastic. We are also among the largest volume suppliers of linear and poly alpha olefins in the world. Additionally, we are the largest producer of ethylene oxide in Europe and have a range of associated products, including ethylene glycol, propylene oxide, propylene glycol and acetate esters.

As referenced above, through INEOS Technologies, we are a leading developer and licensor of technologies to the global petrochemical industry. This not only includes technologies for the manufacturing of polyolefins, but also those for polystyrene, nitriles, maleic anhydride, ethylene dichloride and polyvinyl chloride, and chlor-alkali. In addition, we manufacture and supply high-quality catalysts and additives in support of these technologies to major companies around the world, and also to our own manufacturing assets. For the year ended December 31, 2012, our Chemical Intermediates business contributed €9.4 billion of revenue and €88.6 million of EBITDA before exceptionals, excluding intersegmental eliminations.

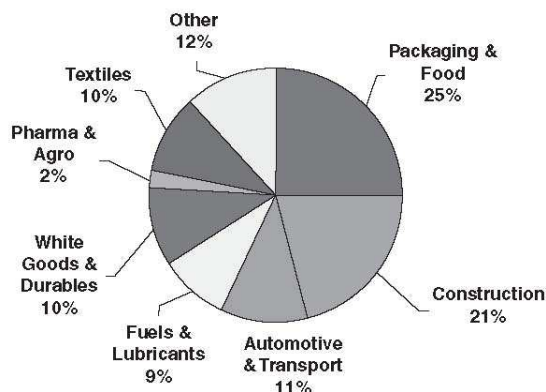
### **Our Competitive Strengths**

We believe that the factors set forth below provide us with a competitive advantage in the markets in which we compete:

- ***Diversified Portfolio of Businesses with Leading Market Positions.*** We are one of the world’s largest chemical companies. We operate 28 manufacturing sites in 8 countries around the world. These assets have a total production capacity of approximately 25,000 kta as of December 31, 2012. We believe we have a top 3 or better global or regional market position in 11 of our key products, representing more than 50% of our total sales as measured by volume.

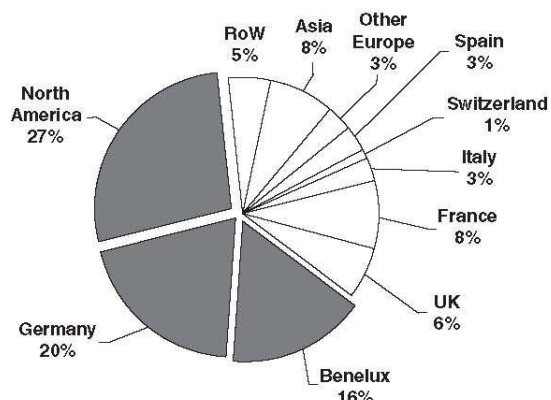
Our petrochemical products are utilized in a wide range of end-market applications. The following diagram sets forth our petrochemicals revenue by end use application in 2012

**Petrochemical Revenue by Application 2012**



Our petrochemical products are sold to customers in diverse geographic locations. The following diagram sets forth the group third-party revenue by region in 2012.

**Group Third Party Revenue by Region 2012**



We believe that such application and market diversity reduces the effect of industry cyclicality on our results. In addition, we believe that we benefit from the fact that the supply and demand dynamics of the cycles relating to our petrochemical products are fairly independent, which helps mitigate some of the cyclicality in the industry.

- Vertically Integrated, World-Scale Producer.** We have four large-scale petrochemical sites, accounting for approximately 52% of our total petrochemical production capacity. Each of these sites is integrated with a major cracker and/or polymers and derivatives unit, two of which are also integrated with the refineries disposed of in the Refining Divestiture. In connection with the Refining Divestiture, we entered into various contractual arrangements with the Refining and Entrepreneurial JVs and the Infrastructure Entity in order to continue the provision by the Refining and Entrepreneurial JVs of various feedstocks to our business on an ongoing basis. In addition, certain of these agreements provide our businesses with access to certain shared utilities and infrastructure assets located on the sites. See “The Refining Divestiture.”

We operate one of the largest single-site ethylene oxide/ethylene glycol plants in Europe and the two largest phenol plants in Europe, one of which is the largest in the world, as well as the largest single train phenol plant in North America. We operate the largest acrylonitrile facility in the world and one of the largest high-density polyethylene complexes in North America.

We believe that our existing plants have sufficient capacity such that as our production volumes increase, we will be able to leverage our fixed cost base and increase our profitability.

Our sites are typically located near raw materials, refineries and associated pipeline infrastructure. We believe our highly integrated facilities provide us with the ability to capture margins across the value chain, enjoy certainty of feedstock supply (particularly for ethylene), reduce logistical costs, improve energy management, adjust the product slate to capture greater value (by selling olefins or, alternatively, by using them internally in the production of polymers or derivatives) and reduce our exposure to margin volatility as a result of changes in raw material prices. We operate large plants that permit us to spread fixed costs over large volumes of production, thereby reducing unit costs and enhancing profits.

- ***Well-Invested, Highly Efficient Production Facilities.*** Our large, well-invested plants benefit from economies of scale and favorable locations. Our acquisition activity has focused on acquiring businesses that complement our existing manufacturing facilities with well-invested physical assets from major chemical companies. In addition, each year we continue to invest in improving and expanding our facilities. Since January 1, 2007, we and our predecessors have invested more than €2.3 billion in our manufacturing assets (including investments in divested assets) to maximize efficiency and create integrated state-of-the-art production units.
- ***Extensive Portfolio of Leading Proprietary Technologies.*** We are a leading developer and licensor of manufacturing technologies for our own use and for the global petrochemical industry. We use our own production technologies for the manufacturing of our key products, and believe that they enable us to be one of the lowest cost producers and provide us with a significant competitive advantage in terms of product quality. Our proprietary technologies, including our gas phase polyethylene, gas phase polypropylene, slurry high-density polyethylene and acrylonitrile technologies, are positioned around our key products. In addition, our technologies are widely licensed to industry participants and they are often integrated into new chemical plant design and construction. For example, we believe that our acrylonitrile technology is used in more than 90% of the world's acrylonitrile production capacity.

We believe there is significant potential for additional licensing arrangements across our portfolio. We have grown our licensing business market share in all product lines, and, on the basis of market share data, we are the leading licensor of polyethylene, polypropylene, polyvinyl chloride, vinyl chloride monomer and ethylene dichloride technologies. Our technology licensing contracts often lead to ongoing relationships to supply high-quality catalysts and additives, and provide on-site support. INEOS engineers are deployed to provide support and collaborate with our licensees to ensure proper technology deployment and performance quality. We believe that our technology licensing business allows us to generate a stable and recurring income stream, and provides us with substantial visibility on potential capacity additions and new projects in the petrochemical industry.

- ***Experienced Management Team with a Strong Track Record.*** Our senior management team has been operating INEOS and our predecessors for the past 14 years and has a demonstrated track record of achieving profitable growth in the chemical industry, successfully integrating large acquisitions, dramatically reducing the fixed cost base, and deleveraging the business following such acquisitions. James A. Ratcliffe, our controlling shareholder, and the other existing shareholders have a successful record of investing in the chemical industry. We have completed 19 significant acquisitions since the formation of INEOS in 1998. Each of these acquisitions has been integrated effectively and we have been able to achieve significant cost-savings in the acquired businesses. Our management team has extensive experience in the chemical industry, including with leading companies such as ICI, DuPont, Dow Chemical, Degussa and BP, and a proven ability to increase productivity, reduce costs and control capital expenditures and working capital. We believe the experience of our management team is a distinct competitive advantage.

In addition, our senior management team has demonstrated the ability to streamline our businesses by focusing on core competencies and disposing of non-core businesses. In the past four years, we have disposed of three non-core businesses (our fluorochemicals, Chlor Vinyls and global films businesses), collectively infusing €791 million cash into the Group, thereby increasing the efficiency of our businesses by focusing on core competencies and deleveraging by applying the proceeds to prepay debt outstanding at the time. The Group also disposed of the Refining Business in 2011 and the Entrepreneurial (Refining) Business and received € 674.2 million in cash after expenses (excluding a subsequent €16.2 million paid by INEOS out of cash on hand as part of the agreed completion adjustment mechanics) and in connection therewith obtained ordinary shares in INEOS Investments at an aggregate subscription price of \$1.015 billion. The disposal of the Refining

Business has also reduced our capital expenditures going forward. For more information, please see Note 3 “Disposals” to the audited consolidated financial statements of INEOS Group Holdings S.A., included elsewhere in this offering memorandum.

- ***Access to Advantaged Feedstocks.*** Our Chocolate Bayou cracker installation in the U.S. uses natural gas liquids-based feedstocks, such as ethane, as its main feedstocks. This allows us to benefit from the current low-cost supply of ethane resulting from the growth in the supply of shale gas in the U.S. Ethane is also a lower-cost feedstock than naphtha in Europe, where we operate two very efficient gas olefin crackers in Grangemouth and Rafnes. Our other olefin crackers in Europe, at Grangemouth, Köln and Lavéra, are naphtha crackers, but they each have significant gas cracking flexibility. Our ability to use lower costs feedstocks, like ethane, gives us an advantage over our competitors with crackers that cannot accept such a significant mix of gas feedstocks, and must rely on more expensive naphtha. In addition, our Chocolate Bayou crackers and our naphtha crackers in Europe can also use naphtha as a feedstock, allowing us to manage our feedstock mix in response to changes in economic and market conditions and maximize our margins.

## **Our Business Strategy**

In response to challenges resulting from the current macroeconomic environment and as part of our long-term strategic aim, we have maintained and will continue to execute a strategy consisting of the following short- and long-term elements. These are designed to help us improve our capital structure, leverage our key strengths and market opportunities and ensure ongoing cash flow generation and growth:

- ***Where and When Appropriate, and Within the Confines of Our Capital Structure, to Pursue Long-term Value-added Growth Opportunities.*** As a result of our lean corporate structure, we are able to maintain a level of agility that few organizations our size are able to match. We have a highly disciplined evaluation process and a detailed series of metrics by which we measure the value creation prospects of potential projects. Opportunities for profitable growth are identified and vetted in an efficient, non-bureaucratic format, which, in many cases, we believe enables us to establish a first-mover advantage. We are currently pursuing several projects that we believe provide such opportunities. For example, we intend to pursue options to exploit shale gas in the U.S. through the expansion of our Chocolate Bayou cracker, which we expect to be operational by the end of 2013, and the construction of new U.S. derivatives plants for HDPE, ethylene oxide and ethylene glycol, which are currently in the design phase. Our O&P Europe business has also recently completed 15-year supply and infrastructure agreements to access ethane feedstock from the U.S. for use in its European cracker complexes, and through one of our joint ventures, we plan to invest in the construction of a new ethane tank at the Rafnes site in Norway to be commissioned in 2015. In addition, we recently initialed joint venture agreements with Sinopec Yangzi Petrochemical Company (“Sinopec”) for the design, build and future operation of the largest phenol facility in China, which we expect to be operational by the end of 2015. The partnership will benefit from Sinopec’s local feedstock advantages and cumene technology and INEOS’ proprietary phenol technology. We are also considering other opportunities in China to meet the needs of that rapidly growing market.
- ***Maintain World-Class Health, Safety, Security and Environmental (“HSSE”) Excellence.*** We are dedicated to continually improving our HSSE performance. We ensure that all employees receive appropriate training, thereby enabling them to effectively contribute to HSSE performance and HSSE improvement processes. It is our policy to design our processes and manufacture and distribute our products in a responsible manner so that our employees, customers, the public and the environment are protected from avoidable risks. Our strategy is to continue achieving injury and environmental compliance ratings better than world-class benchmarks.
- ***Generate Cost Savings and Enhance Efficiency.*** We have historically succeeded in reducing costs at our acquired businesses by making rapid reductions in underlying fixed costs and implementing an efficient corporate and management structure. We have achieved significant fixed cost reductions in businesses that we have acquired, delivering on average a reduction of 22% of inherited fixed costs in the four-year period post-acquisition. Continuous improvements in the efficiency of our existing sites and opportunities for site consolidation are key aspects of this strategy, as we seek to maintain upper quartile cost positions and world-scale facilities across the majority of our operations. As the economic downturn took effect in the third quarter of 2008, we applied a target of a 10% reduction in fixed costs for all of our businesses for the fourth quarter, which we achieved. In 2009, we targeted a further €200 million reduction on fixed costs for the year,



which we surpassed. Overall, fixed costs were reduced by €424 million between 2006 and 2011. The control of fixed costs will continue to be a key priority for our business.

- **Generate Strong Cash Flow to Reduce Leverage.** We intend to continue our focus on cash flow generation by maximizing the utilization of assets, leveraging existing resources, continuously improving working capital practices and following focused capital expenditure and cost reduction plans. We apply when possible the cash flows generated from these initiatives to help reduce our debt.
- **Maximize Utilization of Assets.** As a low-cost focused producer, we believe in operating our facilities at full capacity. We believe this allows us to maintain positive margins and cash flows, even during downturns in industry cycles or customer demand, more readily than some of our competitors who have higher production costs. We intend to achieve growth in production volume by improving utilization rates within the defined availability of an asset, improving availability of an asset by minimizing planned and unplanned facility downtime and improving capacity of an asset through de-bottlenecking projects. We have a strong track record of improving utilization rates of acquired assets.
- **Maintain a Lean Corporate Structure and Incentivize Employees.** We intend to operate our business in a manner that is consistent with the philosophy of our shareholders and maintain a simple and decentralized, flat organizational structure that minimizes corporate bureaucracy, coupled with compensation arrangements that incentivize our employees. We believe that a simple and decentralized organizational structure is cost-effective and will allow each of our management teams the freedom to use their industry knowledge to respond to market opportunities. We believe that we can increase the value of our business when our employees share in the value they create. In the past, we have granted our employees tracking shares with respect to each of our businesses and regions, with management and employee bonuses linked to the EBITDA performance and other factors of the business in which they work.

We also plan to pursue growth opportunities by leveraging our portfolio of leading proprietary technologies through both our own organic operations and highly selective licensing arrangements. We view technology licensing as an effective way of establishing our products in the market and of generating additional income. In addition, we believe that the ability to offer a comprehensive technology package is a substantial advantage in attracting joint venture partners for equity investments in regions characterized by low feedstock costs and high growth, such as the Middle East, North Africa, Russia and China. Our approach to licensing varies from technology to technology to take into account the prevailing market conditions. For example, licensing of acrylonitrile technology is highly selective, whereas our gas phase polyethylene technology is licensed widely.

## Business Segments

Set forth below is a discussion of our business along the segment lines of Olefins & Polymers Europe, Olefins & Polymers North America and Chemical Intermediates in the following areas: products, manufacturing, raw materials and energy, transportation, customers and contracts, research and intellectual property and competition.

### Olefins and Polymers

We operate two Olefins and Polymers businesses: Olefins & Polymers Europe and Olefins & Polymers North America. Set forth below is a general discussion of the products, manufacturing, research and intellectual property, transportation and competition, followed by a more detailed review of the products, manufacturing, raw materials and energy and customers and contracts, of our Olefins & Polymer Europe business and our Olefins & Polymers North America business.

#### Products

The following table provides an overview of our key olefin and polymer products and their principal applications. All market positions are provided by Nexant, as measured by average annual capacity for 2012.

<b>Key products</b>	<b>Principal applications</b>	<b>Selected market positions</b>
<i>Olefins and related products</i>		

Ethylene <sup>(1)</sup> .....	Polyethylene, polyvinyl chloride, ethylene oxide and styrene	#1 in Europe #6 in U.S
Propylene <sup>(2)</sup> .....	Polypropylene, acrylonitrile, cumene and propylene oxide	#2 in Europe #13 in U.S
Butadiene .....	Synthetic rubbers and acrylonitrile butadiene styrene	#1 in Europe
Benzene .....	Styrene, cumene and nylon	#4 in Europe
<i>Polymers</i>		
Polyethylene (high-density polyethylene, low-density polyethylene, linear low-density polyethylene) .....	Films for packaging, agricultural applications, molded products, pipes and coatings	#2 in Europe <sup>(3)</sup> #6 in U.S
Polypropylene .....	Molded products, filaments, fibers and films	#5 in Europe #6 in U.S

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- (1) In Europe, we consume more ethylene than we produce, which allows us to operate our crackers in Europe at higher operating rates than the industry average. In North America, the olefin crackers at our Chocolate Bayou facility manufacture substantially more ethylene than is required by our polymers and derivatives units in the Gulf Coast region. As a result, we sell substantial amounts of the ethylene that we produce to customers in the Gulf Coast region of the United States.
- (2) In Europe and North America, we consume more propylene than we produce. Our propylene consumption is primarily related to the production of polypropylene, propylene oxide, oxo-alcohols, phenol and acrylonitrile.
- (3) According to Nexant, measured by average annual capacity for 2012, we are the second largest manufacturer of high-density polyethylene in Europe and the fourth largest manufacturer of linear low-density polyethylene in Europe.

Source for market positions: Nexant and INEOS.

### ***Research and Intellectual Property***

Our olefins and polymers businesses are supported by technology centers in Naperville (United States), Brussels (Belgium), Rosignano (Italy) and Lavéra (France), which in turn support the following highly competitive proprietary process technologies that we believe together form one of the most comprehensive technology packages available in the Olefins and Polymers industry. These technologies are marketed and licensed by the INEOS Technologies business in cooperation with the European and North American olefins and polymers businesses.

- *Gas phase polypropylene technology.* Our gas phase polypropylene technology enables the cost-effective production of high-performance polypropylene plastics. This technology has been licensed to 22 companies worldwide.
- *High-density polyethylene technology.* We own specialized technology for the manufacture of high-density polyethylene that is characterized by low capital investments and low operating costs and is particularly well-adapted to the manufacture of high-performance materials such as high pressure pipe, one of the fastest growing segments of the high-density polyethylene market. This technology has been licensed to 10 companies worldwide.
- *Gas phase polyethylene technology.* This technology is designed to serve the linear low-density polyethylene and high-density polyethylene markets, which are the fastest growing segments of the commodity polyethylene markets. The technology is characterized by low capital investment, low operating cost, low emissions and waste, and no requirement for the use of additional solvents. This technology has been licensed to 31 petrochemical companies worldwide. The technology allows the manufacturer to “swing” the use of installed production capacity between the two grades of polyethylene.

## Transportation

We have access to a comprehensive transportation network and associated logistics infrastructure through a combination of ownership and long-term contracts. We believe that this network enables us to move feedstocks and products at competitive rates and provides us with access to the merchant market, enabling us to manage demand and supply imbalances across the petrochemical value chain in response to market conditions.

Because pipelines are the most efficient and least expensive mode of transportation, we consider them to be of strategic importance. We own some of the pipelines we use, while others are consortium-owned pipelines in which we hold a stake or are provided to us by dedicated operators under long-term contracts. Other pipelines in Europe may be accessed without a contract as long as the appropriate tariff is paid.

Where we are reliant on access to shipping channels, we either own or hold stakes in the relevant terminals and storage facilities or have secured access to them through long-term contracts. However, we do not own any of the ships we use and instead rely on an extensive network of third-party shipping companies which make capacity available to us on a spot or term contract basis that is managed by our own in-house Marine Assurance Service.

## Competition

We face intense competition in the olefins and polymers markets in which we compete. Given that most of the products are commodities, the main competitive criterion is price. In certain segments of the polyethylene and polypropylene markets, where products must satisfy specified technical performance criteria, competition is also based on performance, quality and customer service. A key competitive factor is the ability to manage costs successfully, which requires management focus on reducing unit costs and improving efficiency. The main drivers in this respect include technology, scale, feedstock access, asset utilization, logistics and the ability to execute capital projects efficiently.

Because polymers are easily transported in bulk shipping containers or rail cars, there is significant trade between regions. Globally we compete against a large number of polymer companies, many of which have capacity in multiple regions and who market their products in Europe, Asia and North America. Our competitors include Lyondell-Basell, Sabic, Dow and ExxonMobil.

## Olefins & Polymers Europe

Set forth below is a discussion of the products, manufacturing, raw materials and energy, transportation and customers and contracts, for our Olefins & Polymers Europe business.

### Overview

The following table provides a breakdown of the revenues and EBITDA before exceptionals for the Olefins & Polymers Europe business for the dates indicated:

	For the year ended December 31,		
	2012	2011	2010
	(€ in millions)		
Revenue <sup>(1)</sup> .....	7,889.0	7,523.3	6,543.7
EBITDA before exceptionals <sup>(2)</sup> .....	122.2	358.3	326.5

(1) Revenue excludes revenue from discontinued operations. Excludes inter-segmental eliminations.

(2) For more information on how we calculate EBITDA before exceptionals, see "Presentation of Financial and Non-GAAP Information—Use of Non-GAAP Financial Measures."

## Products

In Olefins & Polymers Europe, we manufacture in our upstream business ethylene, propylene, butadiene, raffinate 1 and 2, benzene, toluene and gasoline blending components and in our downstream business low-density polyethylene, linear low-density polyethylene and high-density polyethylene and polypropylene. In our upstream business, the majority of our ethylene and propylene is either used for polyolefins production or sold to other INEOS businesses as feedstock. Our

butadiene, raffinate 1, benzene, toluene and gasoline blending components are sold to producers of synthetic rubber, ABS plastics, oligomers, cumene, styrene and polyurethanes and are traded on the open markets. Olefins & Polymers Europe is the largest ethylene and butadiene producer in Europe and the third largest polyolefin producer.

In our downstream business, we are a leader in a number of markets that permit significant scope for product differentiation. Our market focus for polypropylene is on growing our differentiated portfolios in specialty film, rigid packaging, sheet, high modulus pipe, caps and heat seal films, where we are a leading worldwide supplier. Our linear low-density polyethylene production is primarily sold to customers in the film sector, and we are achieving very significant growth in super-tough metallocene film based on our proprietary catalyst technology. Our low-density polyethylene products are based on autoclave technology which is particularly well-suited to specialty applications in the wire and cable, medical and coatings sectors. Our high-density polyethylene is targeted at premium markets such as pressure pipes, organoleptic caps and closures, organoleptic blow-molded long-life milk bottles and car fuel tank systems. We believe that our competitive position in the worldwide polyethylene and polypropylene markets is strengthened by our proprietary technologies: Innovene PEg (gas phase) which allows both linear low density and high density polyethylene to be produced from a single reactor, Innovene PEs (slurry) which allows the production of high strength multi-model, high density polyethylene and Innovene PP gas phase which permits the manufacture of differentiated copolymer grades.

### ***Manufacturing***

Olefins & Polymers Europe operates eight sites including four standalone polyolefin sites at Lillo and Geel in Belgium, Sarralbe, France, and Rosignano, Italy, as well as the following large integrated olefin cracker and polyolefin facilities at:

- Köln, Germany;
- Grangemouth, United Kingdom;
- Lavéra, France; and
- Rafnes, Norway.

These facilities have a total capacity of 8,455 kilotonnes for the production of ethylene, propylene, butadiene, benzene, polyethylene and polypropylene. In Europe, we own and operate four major cracker complexes, two that are integrated with refineries in Grangemouth, United Kingdom, and Lavéra, France, and two additional complexes in Köln, Germany, and Rafnes, Norway. Each of these sites includes polyolefins and other olefin-derivatives units. The Norway cracker is a 50/50 joint venture with Kerling, a related party. The Lavéra facility consists of a combination of units wholly owned by us and various 50/50 joint ventures with Total. Two of our olefin crackers, one in Grangemouth and the other in Rafnes are very efficient gas crackers, feeding from advantaged gas sources in the North Sea. The other olefin crackers at Grangemouth, Köln and Lavéra are naphtha crackers, each with significant gas cracking flexibility. This flexibility enables management of feedstock mix in response to changes in economic and market conditions, resulting in the maximization of margins. All of these crackers are either co-located with, or connected by pipeline to, polyolefins and other olefin-derivative units, enabling us to realize economies of scale, optimize the margin across a broad portfolio of olefin-derivatives, improve our facilities' energy management and minimize logistics costs. In addition, since our Grangemouth and Lavéra sites are fully integrated with refineries on these sites, we enjoy further hydrocarbon optimization on the supply side.

The key strength of our operations in Europe is the high degree of upstream infrastructure integration between our crackers and their feedstock sources. In the case of Grangemouth and Lavéra, the olefins crackers are physically integrated with refineries located on the same site. This integration allows leveraging of the sites' feedstocks, infrastructure, energy management and workforce. For example, each of the refineries provides the associated olefin cracker with its feedstocks including naphtha, liquefied petroleum gas, butanes, and propylene and in return receives pygas, which could be a gasoline blending component, and hydrogen for use in the hydrocracking of middle distillates. Moreover, because each of these olefin crackers and the respective refineries share a single site, we incur minimal transportation costs in moving petrochemical feedstock from the refinery into the cracker complex with optimum associated working capital requirements.

Grangemouth is connected by the Forties Pipeline System ("FPS") which transports crude oil to BP's oil and gas processing complex at Kinneil, Scotland. This site separates the associated gas from the oil carried through the FPS and delivers our feedstock needs directly into the oil refinery and associated gases direct to our olefins cracker. The cracker

complex in Köln, Germany, is located in the center of one of the key industrial clusters of Germany, accessing gas and naphtha feedstocks by pipeline and ship from the Rotterdam area in the Netherlands, one of the world's most competitive naphtha supply regions. It is the fourth largest cracker complex in Europe, is very reliable and benefits from considerable downstream integration with a wide portfolio of olefin derivatives on- and off-site, including polyethylene, ethylene oxide, nitriles, oligomers, and ABS engineering plastic and synthetic rubber. Like the other cracker sites, Köln can also sell its excess ethylene and propylene to the merchant market via ethylene pipelines and its own barge jetty on the River Rhine. In particular, Köln sits at the center of Europe's largest ethylene pipeline network owned by ARG, a company jointly owned by INEOS and five other European petrochemical companies. Rafnes, Lavéra and Grangemouth are also connected to dedicated ethylene liquefaction and export terminals.

While our four large standalone polyethylene and polypropylene sites in Lillo, Geel, Sarralbe and Rosignano are not co-located on cracker sites, they are all located on major olefin pipelines or in the case of Rosignano, connected to its own ethylene terminal through which it imports ethylene by ship. From 2013 our Northern European sites will also benefit from connection to Europe's largest ethylene terminal, at our site in Zwiendrecht, Antwerp. In each case, this infrastructure provides each of these facilities with flexibility in sourcing their feedstock. Moreover, all of these sites are located in close proximity to their customers.

Since acquiring Olefins & Polymers Europe, we have undertaken a significant improvement and restructuring program across our asset base to significantly enhance its long-term cost-competitiveness. In general, cost efficiencies have been substantially improved across all aspects of the business. In addition, we have undertaken the closure of the following non-differentiated laggard polyolefin units: 120 kta HDPE units at Grangemouth, 200 kta PP units at Sarralbe, 200 kta PP units at Geel and 145 kta PP units at Bamble. In each case selected customers have been supported by supply from our other units. The asset base has also been added to via the acquisition of the very efficient Noretyl gas cracker at Rafnes and associated polyolefins at Bamble in Norway in 2007. The Noretyl ethylene cracker in Rafnes has been modernized and expanded to its present annual capacity of 570,000 tonnes of ethylene and approximately 105,000 tonnes of propylene. The Noretyl cracker is operated as a tolling plant for ourselves and Kerling, converting natural gas liquid feedstock to ethylene and propylene under a processing agreement, with both owners paying Noretyl a conversion fee for its services.

Significant investments have also been made in the asset capability, including the building of a 100 kta swing furnace on the Köln cracker and the commencement of a feedstock flexibility upgrade of the KG gas cracker at Grangemouth, which once completed will enable it to crack heavier, more readily available gases from the North Sea. Capacity expansion has been implemented on our Grangemouth polypropylene unit together with the addition of ethylene co-polymer capability. The Grangemouth linear low density polyethylene unit has been converted to swing capability, to produce a range of linear low- and high-density polyethylene. In Köln, the linear low density polyethylene unit has been converted to highly differentiated metallocene capability (a proprietary catalyst technology that permits the production of super-tough film grades). A key improvement theme of our polyolefins business has been to increase the volume of differentiated polymers produced from 30% on acquisition to 55% by the end of 2010, with plans to increase this still further to 65% by 2015.

Our manufacturing facilities are periodically shut down for scheduled turnarounds, to carry out necessary inspections and testing to comply with industry regulations and to carry out any maintenance activities that may be necessary. Olefins crackers typically undergo major turnarounds every four to five years, with each turnaround lasting four to six weeks. Polymers units are subject to more frequent maintenance shutdowns, typically one turnaround every one or two years, but each turnaround lasts only seven to 10 days. A significant focus in prior years was placed on enhancing process safety and further improving reliability by initiating a series of process safety audits and reliability reviews to give assurance about the adequacy of our critical safety management systems and that the necessary plans are in place to drive reliability. In 2010 we introduced a health and safety excellence program led by a dedicated member of our management team.

### ***Raw Materials and Energy***

The primary feedstocks for our olefin crackers are oil-based naphthas and natural gas liquids including ethane, propane and butane. The use of naphthas in particular results in the production of a significant amount of co-products such as propylene, butadiene and benzene, as well as gasoline blending components, while the use of natural gas liquids results in the production of a smaller amount of co-products, such as propylene. Our naphtha requirements are sourced from on-site refineries in Grangemouth, United Kingdom and Lavéra, France and from external suppliers.

BP is our single most important external supplier of naphtha and gas, via a special joint sourcing agreement. Most of the petrochemical feedstocks purchased from BP are pursuant to hydrocarbon sale and purchase agreements with varying durations. In addition, a substantial proportion of our feedstock requirements are also obtained on the commodity markets.

We continue to look for sources of attractive feedstock and in 2012 we announced the completion of supply and infrastructure agreements that will secure a significant volume of ethane feedstock from the US for use in our European cracker complexes. We agreed a long term deal with Range Resources for the lifting of ethane from the Marcus Hook Facility from 2015. Range Resources is one of the leading US independent upstream companies.

The costs of the feedstocks required to make our products are principally driven by the price of oil and natural gas.

The majority of our crackers' production is consumed as feedstock by our polymers and chemical intermediates units. However, INEOS is a very significant net buyer of ethylene and propylene production because of the scale and diversity of our polyolefins and chemical intermediates portfolio in Europe and hence we leverage this scale to purchase very competitive ethylene and propylene on the merchant market, both from European and deep-sea sources, through supply contracts and swaps with other petrochemical companies. This activity will be further augmented by the construction of Europe's largest ethylene terminal at our site in Zwiindrecht, Antwerp, due to commission in 2013.

Although energy is generated at several of our sites, including as part of petrochemical manufacturing processes, we are a significant net purchaser of both electricity and gas. In the past we have typically procured our requirements from local producers or utilities at local market prices, however, we are increasingly moving to a more integrated process to take more advantage of our scale and changing energy markets.

### ***Customers and Contracts***

We have approximately 2,200 customers worldwide whom are serviced by an in-house team of business, sales and technical service personnel. Customers of our upstream business tend to be major European petrochemical companies, who use our products to make a wide range of polymers, synthetic rubber, intermediates and specialty chemicals. In our downstream business we sell to a large number of companies in a variety of plastic conversion industries involving rigid and flexible packaging, pipe, car fuel systems, rotomoulding, wire and cable, medical and other industrial and consumer products. In Olefins & Polymers Europe as a whole, no single customer accounts for more than 5% of our annual revenues and our top 10 customers account for less than 15% of our annual revenues.

In our upstream business the majority of our ethylene, propylene and raffinate 1 and a substantial portion of our benzene production is sold to other INEOS olefin-derivative businesses at market-related transfer prices. Approximately 60% of the olefin requirements of our downstream polyolefin business is satisfied by internal supply from our own crackers, while the rest is sourced from the open market. Our remaining production of ethylene, propylene, butadiene, raffinate 1, benzene, toluene and gasoline blends are sold directly to customers predominately via contracts of 1-3 years duration, with pricing either freely negotiated, cost-plus or market-referenced (such as ICIS or Platts public quotes). Pricing therefore changes daily or monthly. A significant change to how the European market prices ethylene and propylene took place in early 2009 when the contract price system changed from quarterly to monthly, to reflect more dynamically changes in supply and demand. At the beginning of 2011, this monthly contract pricing was extended to include butadiene.

In our downstream business the majority of our polyolefin production is sold directly to customers predominately via contracts of 1-3 years duration, with pricing either freely negotiated, cost-plus or market-referenced (such as ICIS or Platts public quotes). Pricing therefore changes weekly or monthly depending on the pricing mechanism. The majority of sales are enacted in Europe, with exports outside the 27 EU countries accounting for approximately 20% of total polyolefin sales volumes and supported via our worldwide network of distributors and agents.

### **Olefins & Polymers North America**

Set forth below is a discussion of the products, manufacturing, new materials and energy and customers and contracts, for our Olefins & Polymers North America business.

## Overview

The following table provides a breakdown of the revenues and EBITDA before exceptionals for the Olefins & Polymers North America business for the dates indicated:

	For the year ended December 31,		
	2012	2011	2010
	(€ in millions)		
Revenue <sup>(1)</sup> .....	3,443.1	3,591.2	3,253.8
EBITDA before exceptionals <sup>(2)</sup> .....	706.0	477.6	330.8

(1) Revenue excludes revenue from discontinued operations. Excludes inter-segmental eliminations.

(2) For more information on how we calculate EBITDA before exceptionals, see “Presentation of Financial and Non-GAAP Information.”

## Products

Our olefin products—ethylene, propylene, butadiene, mixed butenes, and crude benzene—are the basic building blocks for a vast family of petrochemicals produced by our chemical manufacturing customers. A significant portion of our olefin output serves as feedstock for our polymers production, while the remaining output is sold to affiliates and third parties.

The only type of polyethylene we manufacture in Olefins & Polymers North America is slurry loop high-density polyethylene. Our high-density polyethylene products are sold to customers for use in manufacturing food packaging, household chemical containers, pipe, injection-molded products such as caps and closures, and crates and pails. Our polypropylene is transformed into crates and trays, food packaging, carpets, automotive products, DVD cases, rope and toys. Consumables such as caps, closures, film and packaging represent approximately 75% of our polymer sales volume.

## Manufacturing

The key assets of Olefins & Polymers North America include the following:

- the Chocolate Bayou, Texas, facility, one of the largest cracker installations in North America;
- the Battleground, Texas, facility, one of the largest North American high-density polyethylene facilities and integrated with the Chocolate Bayou site through a company-owned pipeline system;
- a 50% joint venture in the Horizon High-Density Polyethylene Plant located at Chevron Phillips’ Cedar Bayou, Texas, site;
- the Carson Polypropylene Plant—integrated with the BP refinery at Carson, California; and
- the Hobbs Fractionation Unit, which can process 1,455 kta of Natural Gas Liquids feedstock for our Chocolate Bayou cracker.

All of the olefins crackers are either co-located with, or connected by pipeline to, polymers units, enabling them to realize economies of scale, improve their facilities’ energy management and minimize logistics costs.

In North America, our olefins and polymers business comprises five sites including major facilities in Chocolate Bayou, Texas, and Battleground, Texas. In 2010, these facilities had total production volumes of approximately 3,500 kilotonnes inclusive of olefins, polyethylene and polypropylene finished goods only. Two expansions were fully realized in 2012 which added approximately 45 kilotonnes of ethylene and approximately 18 kilotonnes of high-density polyethylene capacity. There was a permanent shutdown of one polypropylene unit at Chocolate Bayou in late 2007 and two polypropylene lines were closed at Battleground in early 2009.

Chocolate Bayou is one of the largest cracker installations in the Gulf Coast region and, according to Nexant, is the third largest site by ethylene capacity in the United States. The site has access to cavern storage, rail service, and

approximately 350 miles of pipeline, either owned or leased by us. This allows integration to our polymer assets and our Hobbs fractionation unit, and permits the site to place its surplus ethylene and other products either directly in the local merchant market or in storage to bridge time lags between production and consumption. The scale of the Chocolate Bayou crackers should also enable the leveraging of the facility's infrastructure and workforce. Another key strength of the facility is the crackers' flexible design. While their main feedstock is natural gas liquid gas-based feedstock, which is obtained from various sources, including approximately 45% from our natural gas liquid fractionator near Hobbs, New Mexico, the commodity markets and BP's refinery in Texas City, Texas, the facility also has the ability to process naphtha. This flexibility enables management of feedstock mix in response to changes in economic and market conditions. All of our polymers facilities in North America are either connected with the Chocolate Bayou crackers or are adjacent to facilities operated by BP or third parties with whom we have feedstock arrangements.

Among our North American polymers units, our key facility is the site at Battleground, Texas, which hosts both polypropylene and high-density polyethylene production. Our high-density polyethylene site is the fourth largest high-density polyethylene complex in North America. Battleground is integrated with Chocolate Bayou by way of a pipeline system owned by us. Complementing our Battleground polymers production is our Carson polypropylene unit and our 50% ownership interest in the Cedar Bayou Horizon high-density polyethylene line. The Horizon line, which is operated by Chevron Phillips, is one of the largest single slurry loop high density polyethylene lines in North America.

### ***Raw Materials and Energy***

Our procurement efforts remain focused on expanding access to low cost materials, services and equipment and creating independence from sole or limited sources of supply. We are connected via pipeline to multiple hydrocarbon suppliers at Chocolate Bayou Works and Battleground Manufacturing Complex to ensure a secure supply at reasonable costs.

We, together with our North American affiliates, have centralized the purchasing of energy, natural gas, rail routes and propylene (including refinery-, chemical- and polymer-grades), providing scale, common voice in the market and, in the case of propylene, flexibility to manage our supply and demand. Our olefins and polymers business primarily uses naphtha and NGLs as the basic feedstocks for our olefins crackers.

Although most external feedstock supplies of the business are available from a variety of third parties, our Carson Polypropylene Plant depends on raw materials from the BP refineries located on the same site and has no convenient access to alternative supply channels. Most of the petrochemical feedstocks purchased from BP are pursuant to hydrocarbon sale and purchase agreements of varying durations. In addition, a substantial proportion of our feedstock requirements is also obtained on the commodity markets. We manage the procurement and trading of our feedstocks internally.

Our U.S. ethylene production capacity exceeds our U.S. consumption. We, thus, sell ethylene on the merchant market through supply contracts and swaps with other petrochemical and refining companies. Our propylene production is lower than consumption. To address this shortfall, we purchase propylene on the merchant market through supply contracts and swaps with other petrochemical and refining companies.

Although energy is generated at several of our sites, including as part of petrochemical manufacturing processes, we are a significant net purchaser of both electricity and gas. Typically we procure our requirements from local producers or utilities at local market prices.

### ***Customers and Contracts***

We work with customers to meet evolving market requirements. We market our products both directly—business to business—and through authorized distributors. We have a small base of olefins customers and approximately 350 polymer customers worldwide. Our industrial customers include a large number of companies in a variety of downstream industries involving rigid packaging, fibers and flexible packaging.

Most of our olefins sales are by multiyear contracts, with prices subject to monthly industry pricing. Our polymer sales are to customers in the merchant market and are made either on contract or spot terms. Some contracts are based on negotiated prices, while others are based on pricing formulas or refer to spot market rates.



## Chemical Intermediates

### Overview

Set forth below is a discussion of the products, manufacturing, raw materials and energy, customers and contracts, research and intellectual property and competition for our Chemical Intermediates activities. This includes the following key businesses: INEOS Nitriles, INEOS Oligomers, INEOS Oxide, INEOS Phenol, INEOS Enterprises and INEOS Technologies.

The following table provides a breakdown of the revenue and EBITDA before exceptionals of the Chemical Intermediates business for the periods and as of the dates indicated:

	For the year ended December 31,		
	2012	2011	2010
	(€ in millions)		
Revenue <sup>(1)</sup> .....	9,367.0	9,775.4	8,917.3
EBITDA before exceptionals <sup>(2)</sup> .....	688.6	877.6	997.5

(1) Excludes inter-segmental eliminations.

(2) For more information on how we calculate EBITDA before exceptionals, see "Presentation of Financial and Non-GAAP Information."

### Products

The following table provides an overview of our key chemical intermediate products and their principal applications:

Business	Key Products	Principal Applications
<b>INEOS Nitriles</b> .....	Acrylonitrile	Acrylic fibers and acrylonitrile butadiene styrene and styrene acrylonitrile polymers
	Acetonitrile	Performance solvent for pharmaceuticals industry
	Hydrogen Cyanide	Gold extraction, perspex manufacture and animal feeds
	Acetone Cyanohydrin	Chemical intermediates and perspex manufacture
	Ammonium Sulphate	Fertilizers
<b>INEOS Oligomers</b> .....	Oxazole	Chemical intermediates
	Linear alpha olefins	Co-monomers for polyethylene, synthetic lubricants, detergents and oil drilling chemicals
	Polyalpha olefins	Synthetic lubricants
	Polybutene	Fuel additives, lubricants, coatings, adhesives, sealants and cable insulation
<b>INEOS Oxide</b> .....	Isoolefins, Isoparaffins and Specialties	Tire manufacture, specialty acids, agrochemicals, fragrances, cosmetics and blowing agents
	Ethylene oxide and derivatives, including ethylene glycol, ethanolamines, alkoxyates, glycol ethers and GasSpec™ gas-treating amines	Polyester resins, fibers, film, antifreeze/coolants, industrial detergents, agrochemicals, surfactants, cosmetics, construction chemicals, glyphosates, pharmaceuticals, synthetic lubricants and oil and gas processing
	Propylene oxide and derivatives, including propylene glycols	Polyurethane foam, polyester resins and de-icing
	Oxo-Alcohols	Chemical intermediates primarily for plasticizers

	Ethylidene norbornene monomer	ethylene propylene diene monomer rubber
	Glycol Ether Esters	Surface coating, paints
	Ethyl and Butyl Acetates	Surface coating, inks, paints, process solvents
<b>INEOS Phenol</b> .....	Ethylene Glycol	Automotive antifreeze/coolants
	Phenol	Bisphenol A for the production of polycarbonates and epoxy resins, phenolic resins, pharmaceuticals and nylon intermediates
	Acetone	Methylmethacrylate, polymethylmethacrylate, bisphenol A, pharmaceuticals, solvents, coatings, personal care products and agrochemicals
	Cumene	Primary raw material for the production of phenol and acetone
	Alphamethylstyrene	Heat resistant thermoplastics, tackifiers, coatings and antioxidants
<b>INEOS Enterprises</b> .....	Synthetic ethanol	Solvent used in personal care products, inks, household chemicals and industrial applications.
	Ammonia	Intermediate used to produce a range of products, including nitric acid, polymer resins and textiles
	Nitric Acid	Polyurethanes
	Vinyl Acetate Monomer	Key intermediate used to produce a range of products including emulsions and resins for the paints & coatings industry, adhesives, textiles, food packaging and laminated safety glass
<b>INEOS Technologies</b> .....	CDM	Environmental emissions credits
	Technology licenses for polyethylene, polypropylene, polystyrene, vinyls and acrylonitrile	License, design and support for construction and operation of petrochemical production plants
	Catalyst and Additives	Polymers, vinyls and acrylonitrile

*INEOS Nitriles.* Our main product in the nitriles sector is acrylonitrile. According to Nexant, measured by expected average annual capacity for 2012, we are the largest manufacturer of acrylonitrile in the world. The primary applications for acrylonitrile are acrylic fiber and acrylonitrile butadiene styrene plastics. We employ safeguards to ensure the safe handling of Nitriles' products including the use of specially designed railcars and pipelines for transportation to nearby customers. We believe that our competitive position in the worldwide acrylonitrile market is strengthened by our proprietary fluid bed acrylonitrile process and related catalysts.

In addition, the Nitriles business produces acetonitrile, hydrogen cyanide, acetone cyanohydrin, ammonium sulphate and oxazole,

*INEOS Oligomers.* Measured by expected average annual capacity, we are the largest producer of polyalpha olefins worldwide and the third largest linear alpha olefins producer. As a "full-range" linear alpha olefins producer, we manufacture a broad range of co-produced linear alpha olefins and must manage production levels consistent with our ability to utilize or sell the entire product slate. As different segments of the linear alpha olefins market tend to grow at different rates, the business has developed a variety of internal and external outlets for the key products, which allow the plants to operate with minimal constraints. Our unique technology does allow some flexibility to adjust our product slate, in order to emphasize certain linear alpha olefins products and de-emphasize others as demand fluctuates. The primary applications for linear alpha olefins are as comonomers for polyethylene and use in detergents, lubricants and drilling fluids. Polyalpha olefins are primarily used in synthetic motor oils, transmission fluids and other demanding lubricant applications such as wind turbines.

Specialty Oligomers products are manufactured from C4/C5 olefins and are used as intermediates in a variety of high margin applications such as tire manufacture, specialty acids, agricultural chemicals and plastic additives. Applications for polybutene are diverse, from cosmetics and personal care products, through sealants and adhesives to fuel additives.

*INEOS Oxide.* We manufacture ethylene and propylene oxides, from which we produce a range of derivatives including ethylene glycol, propylene glycol, EO and PO Alkoxilates and Glycol Ethers. We believe, as measured by expected aggregate annual capacity for 2012, we are the largest producer of ethylene oxide and ethylene glycol in Western Europe and one of only two producers of ethylidene norbornene monomer in the world.

Ethylene oxide is a highly reactive, flammable and toxic molecule. As a consequence, ethylene oxide producers typically use a significant proportion of their ethylene oxide for captive production or sell it to third parties located reasonably close to, or on, their ethylene oxide production sites. The majority of ethylene oxide produced in Western Europe is used for captive production and there are virtually no ethylene oxide imports into, or exports from, Western Europe. INEOS Oxide uses its ethylene oxide production for the captive production of ethylene glycol, ethylene oxide derivatives and sales to third parties.

Our ethylene oxide derivatives include ethanolamine, a broad range of alkoxyates, glycol ethers and GasSpec™ gas treating amines. We own and operate one of the world's largest ethanolamine units and produce a family of molecules that are used in applications such as agrochemicals, surfactants (used in personal care products and detergent formulations), cement additives, textile chemicals, metal working fluids, electronics and pigments. We have four alkoxyate reactors based in Antwerp, which we use to make a broad range of alkoxyates used in household detergents, herbicides, industrial cleaners, petroleum production, cosmetics, pharmaceuticals, synthetic lubricants and surface coating. We also operate one of Europe's largest glycol ether assets to produce a range of methyl, ethyl and buthyl glycol ethers used as solvents in surface coatings and inks, and as jet fuel de-icers. We also produce GasSpec™ gas treating amines, which are high performance specialty chemical formulations, often patent protected, which are used in oil and gas processing in order to remove hydrogen sulphide and carbon dioxide from natural gas, gasoline and ammonia production streams.

We are one of only two suppliers of ethylidene norbornene (ENB) monomer globally and the only producer in Europe. Ethylidene norbornene monomer is used in the production of ethylene propylene diene monomer (EPDM) rubber, a high performance rubber that is both wear and weather resistant and is increasingly used in place of conventional rubbers in automobiles, roofing materials and household appliances.

Ethylene glycol is used primarily as a feedstock to produce polyethylene terephthalate for film, fiber and resin and in a variety of other industrial applications including antifreeze/coolants for automotive vehicles.

Ethyl acetate is primarily used as a solvent and diluent, favored because of its low cost, low toxicity and agreeable odor. For example, it is commonly used to clean circuit boards and some nail varnish remover. Coffee beans and tea leaves are decaffeinated with this solvent. It is also used in paints as an activator or hardener and is present in confectionery, perfumes and fruits. In addition, we produce Buthyl acetates which are used as solvents in surface coatings, inks and pharmaceutical manufacturing.

*INEOS Phenol.* According to Nexant, measured by average annual capacity in 2012 we are the largest producer of phenol in the world. Our global manufacturing capacity is two times that of our closest competitor and three times that of the next largest European producer. Phenol is a primary material for a large number of chemical products. In recent years, the use of phenol for the production of bisphenol A, an intermediate product used to produce polycarbonate and epoxy resins, has increased substantially and is now the largest phenol application. Polycarbonate is an engineering thermoplastic material which, due to its superior optical qualities, structural strength and weight, has a wide range of uses, including CDs and DVDs, optic-fibers, optical lenses, bulletproof glass and other ballistic resistant materials, structural parts in cars and trucks and housings for electrical household appliances and office equipment. Epoxy resins are used in a wide variety of applications including coatings, adhesives and composite materials, such as carbon fiber.

Phenol is also combined with formaldehyde to produce phenolic resins, which represent the second largest commercial use of phenol. Phenolic resins are used in a wide range of applications, including plywood and oriented strand board, furniture, insulation materials, laminates, foundry molds and adhesives.

The next largest application for phenol is as the raw material for caprolactam and adipic acid for the production of nylon intermediates. Major uses include engineering thermoplastics and synthetic fibers for clothing and carpeting.

Since phenol and acetone are produced together in a fixed ratio, we are also the largest producer of acetone in the world with more than twice as much capacity as the next largest competitor. The largest commercial use of acetone is for solvents, either through the use of acetone itself as a solvent or through the acetone-based production of solvents. The second largest commercial use of acetone is the manufacture of methylmethacrylate. Methylmethacrylate is used to manufacture polymethylmethacrylate resins, including acrylic sheets and compounds for molding and extrusion. Acrylic sheets and compounds are used in a wide range of architectural and industrial applications, ranging from point of sale retail displays to glazing and decorative light panels. The third major use of acetone is in the production of bisphenol A.

Alphamethylstyrene is formed as an intermediate product during the phenol and acetone production process. It is used in heat resistant thermoplastics, tackifiers, coatings and antioxidants.

*INEOS Enterprises.* Measured by average annual capacity for 2012, INEOS Enterprises is the largest provider of synthetic ethanol in the world. Due to the high level of purity of our synthetic ethanol compared with fermentation ethanol, we are able to market this product to the cosmetics and pharmaceuticals sectors. Our competitive position in the market is led by the cost benefits of our integrated status on the Grangemouth site, as we are the only producer with an integrated position.

Ammonia production finds major application in the fertilizer industry, but in the case of INEOS Enterprises is used in the production of acrylonitrile, nylon and other non-fertilizer applications. Nitric acid is similarly used in the fertilizer industry, and for INEOS Enterprises is primarily used in the manufacture of polyurethanes. In this highly competitive market, we benefit from a cost base lower than that of many of our competitors, having an advantaged location within our Köln integrated petrochemical site and supplying 80% of our customer volume directly by pipeline.

Vinyl Acetate Monomer is the major component of many water-based emulsion paint and coating systems. It is also utilized in the production of adhesives and epoxy resins for applications such as films for solar cells and the intermediate layer in laminated safety glass, and in the manufacture of textiles and shoe soles. We benefit from an integrated ethylene feedstock position with supply by pipeline and are co-located with the largest acetic acid plant in Europe, supporting the lower variable costs offered by our differentiated technology.

Clean development mechanism (CDM) activities utilize proven technology for the abatement of fluorocarbon emissions. We are a participant in three CDM projects in India and Korea which successfully operate our abatement technology. Reductions in emissions are being achieved at all locations and following successful periodic verifications, certified emission reductions (CERs) are issued by the United Nations Framework Convention on Climate Change, which we then market.

*INEOS Technologies.* INEOS Technologies is a leading developer and licensor of polyolefin, polystyrene, nitriles, maleic anhydride, and vinyls technologies to the global petrochemical industry. It manufactures and supplies high-quality catalysts and additives in support of these technologies to major companies around the world as well as to our own manufacturing assets.

We view technology licensing as an effective way of establishing our products in the market and of generating additional income. In addition, we believe that the ability to offer a comprehensive technology package is a substantial advantage in attracting potential joint venture partners for equity investments in regions characterized by low feedstock costs and high growth, such as the Middle East, North Africa, Russia and China. Our approach to licensing varies from technology to technology to take into account the prevailing market conditions. For example, licensing of acrylonitrile technology is highly selective, whereas our gas phase polyethylene technology is licensed widely.

Under INEOS' ownership, the business has grown its overall licensing market share in all product lines, and, on the basis of market share data, we are the leading licensor of polyethylene, polypropylene, polystyrene, polyvinylchloride, vinyl chloride monomer, ethylene dichloride, and acrylonitrile technologies. A total of 46 major new licenses have been agreed since the beginning of 2008, through the activities of our sales offices located in Lisle, Illinois, United States, Lyndhurst, United Kingdom, and Shanghai, China, and we have agreed a total of 379 licenses in 54 countries.

We market and sell the catalysts and additives required to operate the processes. We manufacture catalysts for polyethylene, acrylonitrile and maleic anhydride in our own facilities, and have established toll-manufacturing arrangements for polypropylene catalysts, ethylene dichloride catalysts and some polyethylene catalysts, and for process additives for the polyvinylchloride process. Manufacturing facilities exist in Lima, Ohio, United States (acrylonitrile catalysts), Green Lake, Texas, United States (maleic anhydride catalysts), Lavéra and Sarralbe, France (both polyethylene catalysts).

In order to sustain the competitiveness of our process technologies and catalysts, we invest a substantial proportion of our Technologies profits in research and development. We have major research centers in Naperville, Illinois, United States, and Lavéra, France. In addition, the business has research or pilot facilities in Grangemouth, Scotland, Neder-over-Heembeek, Belgium, Runcorn, England, and Porto Marghera, Italy.

Our proprietary gas phase polyethylene technology serves the linear low-density polyethylene and high-density polyethylene markets, which are the fastest growing segments of the commodity polyethylene markets. We also own a slurry phase technology (characterized by low capital and operating costs) for the manufacture of specialized high-density polyethylene products. Our acrylonitrile technology is known in the industry as the propylene ammoxidation process, in which propylene and ammonia are converted into acrylonitrile. We have provided five generations of acrylonitrile catalysts, and there is continuing industry demand for these catalysts. Our polyvinyl chloride process allows for rapid production rates without the need for chilled water to cool the reactors, providing substantial capital savings by eliminating the need for expensive refrigeration systems. We have developed and sell a range of leading additives to enable smooth and optimized running of the polyvinyl chloride production process. We also offer a range of technologies and catalysts for the manufacture of ethylene dichloride and vinyl chloride.

### ***Manufacturing***

INEOS Nitriles operates from four sites, two in the United States and two in Europe. Our Green Lake, Texas, facility is one of the largest facilities for acrylonitrile and related products in the world. The second U.S. site is in Lima, Ohio, and is an integrated nitriles complex, producing acrylonitrile and related products, with access to feedstock from an adjacent refinery. Lima also manufactures acrylonitrile catalysts for other facilities on a global basis. In Europe, we manufacture at the former BASF site in Seal Sands in the north east of England and in Köln, Germany.

INEOS Oligomers operate from five sites split across Europe and North America. Joffre, in Alberta, Canada, is one of the newest linear alpha olefins units in the world and has access to low-cost ethylene feedstock derived from Canadian gas. The other North American asset is located in La Porte, Texas and it manufactures polyalpha olefins. In Europe, production of polybutene takes place in Lavéra, France, production of linear alpha olefins and polyalpha olefins occurs in Feluy, Belgium, and specialty oligomers are manufactured in Köln, Germany. The polyisobutylene plant in Whiting, Indiana was closed in September 2012.

INEOS Oxide operates from six sites, in Antwerp, Belgium, Plaquemine, Louisiana, United States, Lavéra, France, Köln, Germany, Hull, United Kingdom, and a small facility in Freeport, Texas, United States. Our largest production facility is at the Antwerp complex on the coast of Belgium. This site has direct or indirect connections to four major ethylene pipelines linking it to most ethylene crackers in Northwest Europe. It also has pipeline connections to pipelines for nitrogen, oxygen, natural gas and ship/rail logistic capabilities for sourcing bulk feedstocks of propylene oxide, butadiene, acetic acid and alcohols. In addition, the site has its own jetty facility on the Schelde River which links it to the port of Antwerp and the Amsterdam-Rotterdam-Antwerp (“ARA”) pipeline and with rail and road tanker loading facilities. We produce ethanolamine at our Plaquemine plant located on the Mississippi/Gulf Coast of the United States. This is a prime location for chemicals production due to advantaged access to feedstock and direct access to sea jetties and close proximity to our customer base.

INEOS Phenol operates phenol and acetone plants at sites in Gladbeck, Germany; Antwerp, Belgium; and Mobile, Alabama in the United States. All three sites use our own proprietary technology, which has significant advantages in energy consumption and other factors over competing technologies. Our Gladbeck plant is located in the industrial heartland of Germany known as the *Ruhrgebiet*. It receives all of its raw materials by pipeline from our own production, as well as other suppliers, and the finished products go out by rail and truck with most customers situated within a 100 kilometer radius. It is the largest single train unit in the world. Our Antwerp site, the largest capacity site in the world, is located in the Antwerp industrial area with direct deepwater access. All of the cumene reaches the site via ship. The majority of the site’s end-products are transported to customers by ship, with the balance being transported by road. Our Mobile, Alabama, United States, plant is located on Mobile Bay on the Gulf of Mexico, close to several major consumers. All cumene is supplied via ship mainly from producers on the Gulf Coast. About half of the phenol and acetone produced is transported via ship and barge while the balance goes out by rail and road.

INEOS Enterprises operates three sites. We manufacture ethanol on the Grangemouth complex in Scotland, ammonia and nitric acid at the Köln complex in Germany and vinyl acetate monomer at the Saltend site in Hull, United Kingdom (where we also operate the acetate esters unit on behalf of INEOS Oxide).

INEOS Technologies operates a catalyst production unit in Lima, Ohio, United States, but in general utilizes third parties for the toll manufacture of the majority of our catalyst and additives products.

### ***Raw Materials and Energy***

Acrylonitrile is manufactured from propylene, ammonia and air with the use of a special catalyst. Acrylonitrile is toxic and flammable and, unless chemical stabilizers are added for storage and shipment, can undergo an explosive chemical reaction. We employ safeguards to ensure the safe handling of nitriles, including the use of specially designed railcars and pipelines for transportation to nearby customers.

Ethylene is the primary feedstock for the production of the linear alpha olefins of INEOS Oligomers, being supplied in Joffre from the neighboring cost advantaged Nova facility (benefiting from the “Alberta Advantage” cost base, which is the cost differential in the ethane compared to the Gulf Coast market prices) and in Europe by pipeline. Poly alpha olefins are made by merging several linear alpha olefins together. Isobutene is the key feedstock for Polyisobutylenes, and is supplied from within our site in Lavéra, France, from the neighboring refinery complex in Whiting or can be railed from a variety of other supply sources.

INEOS Oxide’s principal raw material is ethylene. Our Antwerp complex is the largest chemical site in Europe and the largest ethylene consumer in Europe, and we benefit from this. This supply flexibility is further bolstered by access to or ownership of major ethylene deep sea terminals connected to the ARA pipeline network. We have short- and medium-term contracts of one to five years that generally specify minimum and maximum volumes with several different suppliers. The cost of our key feedstock ethylene supply is based on a discount to the current Northwestern European contract price.

Cumene, which is made from the combination of benzene and propylene, is INEOS Phenol’s main raw material. We acquire cumene from our suppliers pursuant to four different types of contractual arrangements. Under a toll contract, we supply the benzene and propylene required for the production of cumene to our suppliers, who then convert these inputs into cumene. For this service, we are charged a conversion fee reflecting the supplier’s costs and a margin. Under the second type of contractual arrangement, the suppliers charge us for cumene according to contractually agreed formulas based on benzene and propylene market prices and agreed yield factors. A conversion fee is added to the charge. The third type of arrangement is the toll contract, discussed above, pursuant to which customers pay for or provide raw materials to us and receive, in exchange for a toll fee, corresponding phenol and acetone outputs in fixed proportions. Finally, we also make some incidental purchases of cumene in the open market. As a result of these arrangements, we are exposed to changes in the market contract and spot rates for benzene and propylene. We believe that our use of toll contracts with customers and formula-based contracts can reduce our exposure to raw material price fluctuations.

INEOS Enterprises’ key raw materials are ethylene, natural gas and acetic acid. The Ethylene is supplied by pipeline to our ethanol and vinyl acetate monomer units predominately from the INEOS Olefins and Polymer crackers in Grangemouth. Natural gas is supplied from utility companies via pipeline from the German natural gas grid to the Köln plant to manufacture Ammonia. Acetic acid is supplied from third parties, via pipeline and via imports to our vinyl acetate monomer unit in Hull.

### ***Customers and Contracts***

INEOS Nitriles has approximately 200 customers worldwide, with the top 10 customers accounting for 74% of revenue. Major customers include, in Asia, Chi Mei, LG, Samsung and Toray, and, in Europe, Styrolution, Aksa, Dralon, Sabic and Styron. We are the only supplier to provide customers with the security of supply from capacity in the United States and in Europe and the only supplier to service all key regions of the world: United States, Europe and Asia (including the Indian subcontinent).

INEOS Oligomers has approximately 450 worldwide customers with its top 10 customers accounting for approximately half of revenue. Major customers typically include large polyethylene manufacturers, such as Dow Chemical, Total and Nova and leading lubricant, surfactant and drilling fluid companies.

INEOS Oxide sells most of its products to leading chemical manufacturers, including Dow, Cognis, Monsanto, DSM, Bayer, Indorama and DuPont. The majority of our sales are made pursuant to short- and medium-term market contracts of one to five years in duration. Under a long-term swap agreement entered into with Dow Chemical as part of the ethanolamine and GasSpec™ gas treating amines acquisition in February 2001, we swap a significant proportion of our

ethylene glycol production from our Antwerp facilities for an equivalent volume of ethylene oxide production from Dow Chemical's ethylene oxide plant in Plaquemine. We generally determine the prices for our chemicals on a monthly or quarterly basis based on current market conditions, including raw material costs. Other than ethylene oxide prices, which are based on the European market price, our prices are generally based on the international market price.

INEOS Phenol sells to most of the major phenol and acetone consumers globally, including Bayer, Dow, Sabic, DSM, Evonik and Lucite, to name just a few. We generate approximately 65% of our total sales from our 10 largest customers with whom we have developed strong relationships over more than 50 years of doing business. Many of our sales contracts include provisions whereby raw material price changes are passed through automatically insulating our margins from volatile changes in raw material markets.

INEOS Enterprises sells its ethanol, vinyl acetate monomer and ammonia products to a broad range of both internal and external customers, predominantly in Europe. This includes some of the largest consumers in the chemical intermediate, coatings, inks and adhesives and pharmaceutical industries. The majority of our sales are conducted via short- and medium-term market contracts of between one to five years.

### ***Research and Intellectual Property***

The market position of our Chemical Intermediates business is supported by a range of technologies. Our main technology in this area is the proprietary fluid bed acrylonitrile process and related catalysts. We believe that this technology is the leading nitriles manufacturing technology and, we believe, it is used in more than 90% of the world acrylonitrile production. The other supplier of acrylonitrile technology, Asahi Kasei Corporation of Japan, tends to maintain the technology for its own use only, thus providing INEOS with considerable leverage in this sector.

INEOS Technologies as a business takes responsibility to focus resources onto more fundamental improvements of the capital operating costs of the different technology platforms, and catalyst and additive performance, including development of novel catalysts and additives. The operating businesses focus on applications and improvements to existing asset performance.

For example, since 1995, INEOS Phenol has filed in excess of 20 patent applications for new process technology, including acetone recycling, improvements in product quality and process optimization.

Our policy is to protect all of our significant technologies by seeking patents and where appropriate, defending and enforcing our intellectual property rights. We believe that this strategy allows us to preserve the advantages of the products we sell and the technologies we use and license, and helps us to maximize the return on our investment in research and development. We own, or have rights to, approximately 3,660 patents or patent applications (including patents pending), divided into approximately 450 patent families, in the United States, Europe and various other regions. In order to protect confidential technical information which is not subject to patent protection, we rely on trade secret law and frequently enter into confidentiality agreements with our employees, customers and partners.

While we believe that our intellectual property provides competitive advantages, we do not regard our business as being materially dependent on any single patent, trade secret or trademark.

In addition to our patents and trade secrets, we are party to licensing and other agreements authorizing us to use patents, trade secrets, confidential technical information and related technology owned by third parties and operate within the scope of patents owned by third parties.

In addition, we own a number of registered trademarks, including our Innovene brand. We police our existing trademarks and enforce our legal entitlements in situations where third parties infringe upon any of these rights.

### ***Competition***

Although INEOS Nitriles competes with numerous manufacturers of acrylonitrile, we are by far the largest producer in the world. In addition, 90% of the world's acrylonitrile capacity is based on our process technology. Our most significant competitor is Asahi Kasei Corporation, which is the market leader in Asia. Other competitors include Ascend in North America and DSM in Europe.

The main competitors for INEOS Oligomers with linear alpha olefins are Royal Dutch Shell, Chevron Phillips and Sasol Limited.

The main competitors of INEOS Oxide in the ethylene glycol, antifreeze, ethylene oxide and ethylene oxide derivatives markets are BASF, Shell and Dow Chemical, while those in acetate esters include BASF and E-Oxo. Our only competitor in the ethylidene norbornene monomer merchant market is JX Nippon Oil & Energy.

In Europe, the major competitors for INEOS Phenol are Cepsa and Polimeri. In North America, our major competitors are Sunoco and Shell.

Integration is the key factor supporting the competitive status for INEOS Enterprises. In the global market for ammonia, we face over 90 competitive production units located in 33 countries. Thirty of these units are within Western Europe. In the ethanol business, competition is from both synthetic ethanol and fermentation producers, based on sugar and grain, respectively.

### **Refining Divestiture**

In connection with the Refining Divestiture, we disposed of the Refining Business. The Refining Business, which includes the refineries at Lavéra, France, and Grangemouth, United Kingdom, was transferred into new joint ventures formed between PetroChina and INEOS Investments. See “The Refining Divestiture.”

The refineries are integrated to INEOS-owned and JV petrochemical assets at the Grangemouth and Lavéra sites. This integration allows maximization of the value from hydrocarbon flows between refining and petrochemicals, as well as to leverage the sites’ infrastructure, energy management, shared services and workforce. Upon the consummation of the Refining Divestiture, service and asset-sharing arrangements were executed to govern the ongoing use of the shared infrastructure and services. See “The Refining Divestiture.” We do not anticipate any interruption to these services or the provision of feedstocks that flow into our remaining three business segments discussed below.

### ***Contractual Arrangements with the Refining and Entrepreneurial JVs***

To ensure that the companies in the INEOS Group retain access to the feedstocks provided by the Refining and Entrepreneurial JVs, we have entered into several contractual arrangements with the Refining and Entrepreneurial JVs and the Infrastructure Entity. Pursuant to these arrangements, the INEOS Group will retain access to the feedstocks that are essential to the retained Business segments, thereby contributing to the long-term viability, security and profitability of our businesses.

Below are several of the key steps that we have taken to facilitate the ongoing relationship between the Refining and Entrepreneurial JVs and the INEOS Group:

- Secure competitive and reliable chemicals feedstock supplies.
  - *Naphtha*. We have entered into a long-term agreement with the Refining and Entrepreneurial JVs for the continued provision of the naphtha supply that we have historically received from the Refining Business, on substantially similar commercial terms as those that governed the inter-INEOS Group transfer for the supply of naphtha previously.
  - *Refining and Chemical Intermediates*. The feedstock synergy between the Refining Business and Chemicals Intermediates Business in respect of other feedstock streams has been retained via similar long-term and market-based agreements, on essentially the same commercial terms as the historical internal transfer terms.
  - *BP Agreement*. The INEOS Group will continue to benefit from the North Sea feedstock supply agreement between the Refining and Entrepreneurial JVs and BP in relation to the Grangemouth location.
- Obtain competitive and reliable utilities supplies.



- *Lavéra.* At Lavéra, the utilities provision to the separate businesses (including the Refining and Entrepreneurial JVs and the plants retained by the INEOS Group) is largely standalone; therefore, we do not anticipate that the Refining Divestiture will have an impact on utilities supply to our businesses located on that site. We have entered into several agreements with INEOS Manufacturing France SAS to govern situations in which if either party experiences a disruption in its utility supply, the other party would be obliged to provide the necessary supply, subject to the terms of the agreement, until such service is restored.
- *Grangemouth.* At Grangemouth, the utilities supply arrangements between our facilities and the facilities owned by the Refining and Entrepreneurial JVs are intertwined, with a single integrated utilities system providing utilities to all of the facilities located on the site, including those related to the Refining Business, the Chemical Intermediates Business, and BP's Forties Pipeline System gas plant. We have entered into long-term contracts with the new Infrastructure Entity to ensure that the provision of steam, power and other minor utilities to our facilities located at Grangemouth on that site continue on essentially the same terms as were the case historically.
- Retain access to shared infrastructure on the Lavéra and Grangemouth sites. In some cases on the integrated sites at Lavéra and Grangemouth, the site businesses have enjoyed shared access to certain infrastructure assets. We have entered into long-term agreements with the Infrastructure Entity, on essentially the same terms as were available to the businesses historically, to maintain access to these infrastructure assets for us and the Refining and Entrepreneurial JVs.
- Include protective mechanisms in all of the long-term shared infrastructure and utilities agreements to ensure long-term fair access for all parties. To ensure that all parties are able to maintain access to the shared infrastructure and utilities discussed above, the infrastructure and utilities agreements contain protective mechanisms that will prevent either party from being able to interfere with the other party's access to the key shared infrastructure and utilities, thereby leaving one party without access to the required services.
- Maintain the historical synergy value between the Refining and the Chemical Intermediates businesses. The post-Refining Divestiture contractual arrangements include a continued long-term exchange of key streams between the Refining and Entrepreneurial JVs and the businesses retained by the INEOS Group on essentially the same commercial terms as were the case historically. Therefore, the INEOS Group will continue to benefit from the historical share of the synergy benefit.

Key site shared services have been retained for the benefit of all site businesses. At Grangemouth, the businesses retained by the INEOS Group host the majority of the services on the site, and will provide these services to the Refining and Entrepreneurial JVs. Whereas, at Lavéra, the Refining and Entrepreneurial JVs host the provision of the shared services, and will make these services available to the businesses retained by the INEOS Group. The site shared services will continue to be provided to all parties on essentially the same terms as was the case historically.

### **Research and Technologies (“R&T”)**

We consider R&T to be a key element of both the short-term performance and the long-term growth of our business. The majority of our R&T work is performed by INEOS Technologies. The balance is carried out by individual businesses for their own specific purposes.

Our R&T work has three principal objectives:

- minimize production costs with a view to increasing the margins that can be achieved in the manufacture and sale of our products;
- make better products in order to sustain or capture more margin or market share; and
- reduce capital costs to minimize the investments necessary to meet demand.

A substantial portion of our R&T expenditure is dedicated to the continuous improvement of our existing processes, products, assets and operations and is intended to yield returns in less than two years. This R&T work is carried out by a combination of integrated teams based at our facilities and centrally located specialists and research teams in one of our R&T centers. In addition, we carry out longer-term projects targeted at more fundamental improvements, which we typically intend to yield returns within two to five years. We protect our process technologies and products by seeking patents or retaining them as trade secrets.

We believe that the quality of our scientific staff is important to our success. The employees working in our R&T centers have comprehensive expertise in a variety of areas, including catalysis, process development, product and material science, modeling and project management. Our R&T project teams also have commercial expertise. We consistently aim to improve the effectiveness of our R&T efforts by targeting our projects at the most valuable applications and using project management tools to monitor progress. To attract and retain the best-qualified scientists and develop a high level of capability and competence in the key areas of processes, products and operations, we offer our employees challenging development opportunities and a competitive compensation package that is aligned with performance of the relevant business in both the short and long term.

We also draw on external resources to enhance the scope, depth and effectiveness of our internal R&T efforts. We proactively seek mutually beneficial partnerships with third parties, including other petrochemical companies and leading universities.

## Facilities

We currently lease the office space for our principal executive offices, which are located in Rolle, Switzerland. We also lease administrative, technical and sales office space in various locations in the countries in which we operate.

Our production network comprises 28 manufacturing facilities in 8 countries throughout the world. The following table provides information regarding these facilities:

Country	Location <sup>(1)</sup>	Business	Principal products manufactured	Capacity <sup>(2)</sup>
<b>Belgium</b> .....	Doel <sup>(3)</sup>	Phenol	Phenol, acetone	1,105 kta
	Feluy	Oligomers	Linear alpha olefins, poly alpha olefins	435 kta
	Geel	O&P Europe	Polypropylene	290 kta
	Lillo	O&P Europe	Polypropylene, high-density polyethylene	530 kta
	Zwijndrecht	Oxide	Ethylene oxide, ethylene glycol, ethylene oxide derivatives, ethylidene norbornene monomer, Buthyl acetate	1,105 kta
<b>Canada</b> .....	Joffre	Oligomers	Linear alpha olefins	275 kta
<b>France</b> .....	Lavéra <sup>(4)</sup>	O&P Europe	Ethylene, propylene, butadiene, benzene, high-density polyethylene, polypropylene	1,290 kta
		Oligomers	Polyisobutylene	80 kta
		Oxide	Ethylene oxide, ethylene oxide derivatives, oxo alcohols	610 kta
	Sarralbe	O&P Europe	Polypropylene, high-density polyethylene	270 kta
<b>Germany</b> .....	Gladbeck	Phenol	Phenol, acetone, alpha methyl styrene	1,105 kta
	Köln	Enterprises	Ammonia, nitric acid <sup>(5)</sup>	1,235 kta
		Nitriles	Acrylonitrile and related products	410 kta
		O&P Europe	Ethylene, propylene, butadiene, benzene, low-density polyethylene, linear low-density polyethylene	3,030 kta

		Oligomers	Isoolefins, isoparaffins, specialties	100 kta
		Oxide	Ethylene oxide and derivatives, ethylene glycol, Propylene oxide, Propylene glycol, oxo alcohols	800 kta
<b>Italy</b> .....	Marl <sup>(6)</sup>	Phenol	Cumene	260 kta
	Rosignano	O&P Europe	High-density polyethylene	200 kta
<b>Norway</b> .....	Bamble	O&P Europe	Low-density polyethylene	150 kta
	Rafnes <sup>(7)</sup>	O&P Europe	Ethylene, propylene	340 kta
<b>United Kingdom</b> .....	Grangemouth <sup>(8)(9)</sup>	Enterprises	Ethanol	300 kta
		O&P Europe	Ethylene, propylene, butadiene, benzene, high-density polyethylene, linear low-density polyethylene, polypropylene	2,365 kta
	Hull	Enterprises	Vinyl acetate monomer	250 kta
		Oxide	Ethyl acetate	235 kta
	Seal Sands	Nitriles	Acrylonitrile and related products	360 kta
<b>United States</b> .....	Battleground	O&P North America	High-density polyethylene, polypropylene	950 kta
	Carson	O&P North America	Polypropylene	230 kta
	Cedar Bayou <sup>(10)</sup>	O&P North America	High-density polyethylene	150 kta
	Chocolate Bayou	O&P North America	Ethylene, propylene, butadiene, polypropylene	2,685 kta
	Freeport	Oxide	Gas treating amines	12 kta
	Green Lake	Nitriles	Acrylonitrile and related products	680 kta
	Hobbs	O&P North America	Ethane/propane mix, propane	1,455 kta
	La Porte	Oligomers	Poly alpha olefins	80 kta
	Lima	Nitriles	Acrylonitrile and related products	230 kta
		Technologies	Acrylonitrile catalyst	2 kta
	Mobile	Phenol	Phenol, acetone	875 kta
	Plaquemine	Oxide	Ethanolamines	175 kta

(1) We own all of the production facilities except where otherwise indicated.

(2) The unit kta is kilo-tonnes per annum.

(3) We own the production assets, but lease the land under a long-term lease that expires in 2040.

(4) This facility consists of a combination of units fully owned by us and various 50/50 joint ventures with Total Petrochemicals, France. The refining capacity was disposed of on July 1, 2011, in connection with the Refining Divestiture, but we still have access to the capacity through our contracts with the Refining and Entrepreneurial JVs. See “The Refining Divestiture.”

(5) Nitric acid plant owned by third party, operated by INEOS.

(6) Plant owned by INEOS Enterprises.

(7) The business is a 50/50 joint venture with Kerling. Capacities shown are the Issuer’s share of the activities.

(8) 110 kta of this capacity is currently mothballed. The refining capacity was disposed of on July 1, 2011, in connection with the Refining Divestiture, but we still have access to the capacity through our contracts with the Refining and Entrepreneurial JVs. See “—Refining Divestiture—Contractual Arrangements with the Refining and Entrepreneurial JVs.”

(9) Benzene capacity of 265 kta scheduled to be closed at the end of 2013.

(10) A 50/50 joint venture with Chevron Phillips, operated by Chevron Phillips. The capacities shown are the INEOS share of the activities.

## **Health, Safety, Security and Environment**

### ***Overview***

Our facilities and operations are subject to a wide range of health, safety, security and environmental (“HSSE”) laws and regulations in all of the jurisdictions in which we operate. These requirements govern, among other things, the manufacture, storage, handling, treatment, transportation and disposal of hazardous substances and wastes, wastewater discharges, air emissions (including GHG emissions), noise emissions, operation and closure of landfills, human health and safety, process safety and risk management and the clean-up of contaminated sites. Many of our operations require permits and controls to monitor or prevent pollution. We have incurred, and will continue to incur, substantial ongoing capital and operating expenditures to ensure compliance with current and future HSSE laws, regulations and permits or the more stringent enforcement of such requirements.

Violations of HSSE requirements may result in substantial fines or penalties, the imposition of other civil or criminal sanctions, cleanup costs, claims for personal injury, health or property damages, requirements to install additional pollution control equipment, or restrictions on, or the suspension of, our operating permits or activities. At certain sites where we operate, regulators have alleged or we have otherwise learned that these sites may be in non-compliance with HSSE laws and/or the permits which authorize operations at these sites. Some of these allegations or instances of non-compliance are ongoing, and substantial amounts may need to be spent to attain and/or maintain compliance. In addition, we have in the past paid, and in the future may pay, penalties to resolve such matters. Our businesses and facilities have experienced, and in certain cases, are in the process of investigating or remediating, hazardous materials in the soil and groundwater at locations where we operate and/or adjacent properties and/or natural resources at public and private lands not owned by us. We are also in the process of investigating and remediating contamination at certain sites where our facilities disposed of hazardous wastes. In addition, HSSE laws and regulations can impose various financial responsibility requirements on us, and pursuant to these requirements we may be required to post bonds, create trust funds or provide other assurances that we will be able to remediate contamination at our sites and comply with our decommissioning obligations once our facilities reach the end of their useful lives.

Other HSSE laws and regulations may impose product or raw material use, import or sale restrictions on us or on our customers. For example, it is possible that certain of our products or by-products or the raw materials we use may, in the future, be classified as hazardous or harmful, which could impact our production or demand for our products and, in turn, could materially and adversely affect our business and/or results of operations.

We believe that our operations are nonetheless currently in material compliance with all HSSE laws, regulations and permits. We actively address compliance issues in connection with our operations and properties and we believe that we have systems in place to ensure that environmental costs and liabilities will not have a material adverse impact on us. Nevertheless, estimates of future environmental costs and liabilities are inherently imprecise, and the imposition of unanticipated costs or obligations could have a material adverse effect on our business, financial condition or results of operations in any period in which those costs are incurred.

## **Major Regulatory Matters and Developments**

### ***Climate Change Regulations and Initiatives***

#### ***EU Emissions Trading Scheme***

Our operations in Europe are covered by the European Union Emissions Trading Scheme (“EU ETS”), an EU-wide trading system for industrial GHG emissions. Industrial sites receive or purchase allowances to emit GHGs and must surrender one allowance for each ton of carbon dioxide emitted. Companies which emit less GHGs than their allowances cover are able to sell the excess allowances, whereas those which emit more must buy additional allowances through the EU ETS.

In addition, in response to the United Kingdom Climate Change Levy, we belong to CIABATA, a division of the Chemical Industries Association established for the trading of energy credits related to emissions of carbon dioxide. As a member of CIABATA, we currently receive a 65% rebate on the amount of climate change levy we have to pay.

## *U.S. Clean Air Act and Climate Change Regulations*

In the United States, the federal Clean Air Act (“CAA”) regulates air emissions from various sources and requires, among other things, monitoring of specified pollutants, including hazardous air pollutants, stringent air emission limits and technological controls to reduce emissions to air. Strict federal and state controls on ozone, carbon monoxide, benzene, sulphur dioxide, nitrogen oxide and other emitted substances impact our activities and increase our operational costs in the United States.

Growing concern about the sources and impacts of global climate change has led to a number of legislative and administrative measures, both proposed and enacted, to monitor, regulate and limit carbon dioxide and other GHG emissions. As of January 2010, we are required to monitor and report to EPA annual GHG emissions from certain of our U.S. facilities. In addition, EPA is moving forward with efforts to regulate GHG emissions under the CAA and other existing legislation as comprehensive climate change legislation has not yet been enacted by the U.S. Congress. EPA promulgated regulations which, as of January 2011, subject the GHG emissions of certain newly constructed or modified facilities to pre-construction and operating program requirements. Pursuant to these requirements, newly-constructed or modified facilities with the potential to emit certain quantities of GHGs are required to implement “best available control technology,” which could include carbon efficiency standards, GHG emission concentration limits, the imposition of specific technology requirements, or other measures. In addition, EPA is in the process of developing “new source performance standards” under section 111 of the CAA. EPA’s continued implementation of GHG regulations is clouded by numerous judicial challenges. In light of the legislative and judicial challenges to EPA action, and given that EPA is engaged in additional GHG rulemakings, significant uncertainty exists as to how GHG regulations will in the future impact large stationary sources, such as our facilities in the United States, and what costs or operational changes these regulations may require. We continue to monitor the situation closely.

In addition, EPA has finalized or proposed several rules relating to emissions reporting and emissions reductions, including rules known as the “Boiler MACT”, which would establish new standards for emissions of hazardous air pollutants from commercial and industrial boilers. Significant capital expenditures could be required for emissions control equipment in order to comply with the Boiler MACT rules issued by EPA in March 2011, re-proposed in 2012 and reissued for 2013 implementation. In light of continuing uncertainty about the scope of these rules, as well as pending legislative and administrative challenges, we are still evaluating the precise impact of these rules on our operations and costs. Similarly, the nature, scope and timing of climate change legislation and/or other proposed rules regulating GHGs is highly uncertain and, currently, we do not know what precise effect, if any, such legislation will have on our financial condition and operations.

In the United States, stringent controls on nitrogen oxides and ozone emissions, and/or the need to purchase nitrogen oxide emissions credits for certain facilities, impact our operations and, indirectly, the cost of our products. Credit pricing is subject to general economic conditions, but we believe such credits should remain available and affordable. EPA is scheduled to revise the ozone standards in 2013. The revised standards will require states to restrict or prohibit emissions that “significantly contribute” to non-attainment of, or interfere with a state’s ability to maintain, the revised ozone standard in other “downwind” states. As a result, emissions permits issued by states and/or the federal government to facilities such as ours could contain stricter limits for nitrogen oxides, including best available control technology, or other operating limitations that could cause us to incur additional compliance and/or capital costs and/or adversely impact our production and our results of operations. For example, in Ontario, Canada, air pollution regulations, enacted pursuant to the Environmental Protection Act, were amended to include benzene on the list of substances subject to Point of Impingement emissions standards.

At the international level, in December 2009 more than 27 nations, including the United States and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce GHG emissions. The international community is continuing to negotiate a binding treaty that would require reductions in GHG emissions by developed countries. In particular, the UNFCCC negotiations held in Durban at the end of 2011 resulted in an agreement by the parties to the convention to extend the Kyoto Protocol for up to eight years and to develop a global mitigation regime which would take effect by 2020. Although we believe it is likely that GHG emissions will be regulated in the U.S. and other countries (in addition to the EU) in the near future, we cannot yet predict the form such regulation will take (such as a cap-and-trade program, technology mandate, emissions tax or other regulatory mechanism) or, consequently, to estimate any costs that we may be required to incur, for example, to install emissions control equipment, purchase emissions allowances or address other regulatory obligations. Such requirements could also adversely affect our energy supply or the costs (and types) of raw materials we use for fuel. Regulations controlling or limiting GHG emissions could have a material adverse impact on our business, financial condition or results of operations, including by reducing demand for our products.

***The Registration, Evaluation, and Authorization of Chemicals (“REACH”) Directive, the Classification, Labeling and Packaging Regulation (“CLP”), the Toxic Substance Control Act (“TSCA”) and the Canadian Environmental Protection Act (“CEPA”)***

The EU regulates chemical products within the EU by imposing on all affected industries the responsibility for ensuring and demonstrating the safe manufacture, use and disposal of chemicals. The REACH Regulation, which came into effect in 2007, requires the registration of all chemicals manufactured and imported into the EU (either alone, in mixtures or in articles) with the new European Chemicals Agency (“ECHA”). The regulation requires formal documentation of the relevant data required for hazard assessments for each substance registered as well as development of risk assessments for their registered uses. Most uses of high hazard substances, such as carcinogens, will require authorization by the ECHA. REACH requires extensive toxicological data, documentation and risk assessments for many of our chemical products and raw materials. As a corollary to the REACH Regulation, the EU has recently adopted the CLP Regulation to harmonize the EU’s system of classifying, labelling and packaging chemical substances with the United Nation’s Globally Harmonized System. The Regulation is expected to standardize communication of hazard information of chemicals and to promote regulatory efficiency. It introduces new classification criteria, hazard symbols and labelling phrases, while taking account of elements that are part of the current EU legislation.

In the United States and Canada, our products and raw materials are subject to extensive environmental, health and industrial hygiene regulations, including under TSCA and the CEPA, requiring the registration and safety analysis of the substances contained in them. EPA is undergoing a reassessment of TSCA which may result in additional or more stringent regulatory testing, labelling and notification requirements. The US OSHA has also promulgated a hazard communication regulation intended to harmonize the US system of Material Safety Data sheet hazard information with the UNs globally Harmonized System. The US regulation will be phased in with compliance dates beginning December 1, 2013 and ending June 1, 2016.

Such regulations could result in a key raw material, chemical, or other substance being classified or reclassified as having a toxicological or health-related impact on the environment, users of our products, or our employees. Such reclassification of any of our raw materials or products could affect its availability of marketability, result in a ban on its purchase or sale, or require us to incur increased costs to comply with notification, labelling, or handling requirements.

***Risk Management—Prevention of Major Accidents and Process Safety***

Risks are inherent in the chemical and petrochemical businesses, particularly risks associated with safety, health and the environment, and each of our facilities actively assesses and manages such risks as required by law. Within the European Union, an EU directive on the control of major accident hazards (the “Seveso II Directive”), regulates facilities that present a risk of accidents involving dangerous substances and imposes specific plans and procedures on them, particularly for the storage of such substances. The Directive provides for control measures aimed at preventing and limiting the consequences of major accidents. All of our major production sites are in the top tier of regulation under the Directive due to the quantity of dangerous substances stored at them. As such, we must establish a major accident prevention policy, safety reporting system, safety management system and emergency plan compliant with the requirements of the Directive.

In the United States, all of our manufacturing facilities are subject to EPA’s Risk Management Program (“RMP”), which requires facilities that produce, handle, process, distribute or store certain highly hazardous chemicals to develop a risk management plan and program in the event of an accidental release of such chemicals. RMP also requires facilities to assess potential impacts to off-site populations in the event of a credible worst-case release and to document the policies, procedures, equipment and work practices in place to mitigate identified risks. Similar risk management requirements are imposed upon our facilities under the Emergency Planning and Community Right-to-Know Act, which contains chemical emergency response planning, accident release and other reporting and notification requirements applicable to our U.S. manufacturing facilities.

In addition, our U.S. facilities are subject to the OSHA Process Safety Management (“PSM”) standard, which requires development of a program to manage workplace risks associated with highly hazardous chemicals. To better manage risks and process safety we pursue certifications within OSHA’s Voluntary Protection Program (“VPP”), and in 2010, our Green Lake and Battleground (Houston) sites were certified to Star status, the highest level achievable. In addition, our largest North American site (Chocolate Bayou) entered the VPP program by achieving Merit status in its first attempt after an extensive external audit. Merit status means that a site has the potential to achieve the “Star” level within three years. Star level means that the site has successfully implemented a safety and health management system and achieved a combined

injury and illness rate that is below the industry rate nationwide. The American Petroleum Institute (“API”) issued a new recommended practice (API 754) to standardize the reporting of PSM incidents in 2010. The National Petrochemical and Refining Association have endorsed this recommended practice, and INEOS’ North American operations began contributing to the database in 2011.

Programs employed to manage PSM risks include instrumentation and overpressure relief devices. ISA 84 is an international standard that addresses the application of safety-instrumented systems for process industries. We expect to incur approximately €10 million to €15 million in costs between 2012 and 2015 in meeting this standard. Our pressure relief systems are all designed in accordance with relevant legal (OSHA, ASME, NFPA, PED, ISO), industry (API, DIERS), and internal standards. As these standards and their interpretation evolve, issues of use and sizing of pressure relief systems are addressed on a priority basis. While the issues at any individual site are not anticipated to be material, the aggregate spend on relief device corrections over the next 5-year period are expected to be on the order of €10 million to €15 million.

In addition, all of our businesses are aware that effective safety management is consciously required to address and deal with major accident and process safety risks. We promote personal leadership for the management of these risks and our Business Board of Directors operates a business “Letter of Assurance” process whereby each of the Operations Directors/Site Managers reviews compliance with local regulations and the effectiveness of the safety management system. They then formally inform their Executive Team and Chief Executive in writing about any issues about which they need to be concerned. This process is intended to provide assurance that all businesses are in compliance in all material respects with applicable health, safety and environmental laws in the countries in which they operate.

### ***Environmental Remediation and Closure Liabilities***

Many of our sites have an extended history of industrial chemical processing, storage and related activities, and sites with known or suspected contamination exist. We are currently, and from time to time have been or may be, required to investigate and remediate releases of hazardous materials or contamination at or migrating from certain of these sites, as well as properties we formerly owned, leased or operated. We could also be responsible for investigating and cleaning up contamination at off-site locations where our predecessors or we disposed of or arranged for the disposal or treatment of hazardous wastes. Under some environmental laws, liability can be imposed regardless of whether the owner or operator knew of or caused the contamination and regardless of whether the practices that resulted in the contamination were legal at the time they occurred. In connection with contaminated properties, as well as our operations generally, we also could be subject to claims by government authorities, individuals and other third parties seeking damages for alleged personal injury or property damage resulting from hazardous substance contamination or exposure caused by our operations, facilities or products.

Baseline surveys of soil and groundwater conditions were conducted at many of our sites in the EU in connection with obtaining our IPPC permits, and such data was reported to the relevant authorities. In addition, many of our other sites were the subject of intrusive investigations when they were acquired by us or in connection with historical activities or operational changes over the years. The process of investigation and remediation can be lengthy, varies from site to site and is subject to changing legal requirements and developing technologies. We are not currently aware of any additional sites as to which material claims or clean-up obligations exist. The discovery of previously unknown contamination, however, or the imposition of new obligations to investigate or remediate contamination at our facilities, could result in substantial unanticipated costs. We could be required to establish or substantially increase financial reserves for such obligations or liabilities and, if we fail to accurately predict the amount or timing of such costs, the related impact on our business, financial condition or results of operations in any period in which those costs need to be incurred could be material.

### ***Product Stewardship and Innovation***

While many of our products have some hazardous properties, some of them require specialized handling procedures due to their acute and chronic toxicity. Our polymer products have widespread end uses in a variety of tightly regulated consumer industries, including in food packaging and medical applications. To manage these risks, our product stewardship team works closely with industry associations, government regulators and others to develop regulations, which are based in science and are commensurate with the magnitude of the risk.

## ***Security and Crisis Management***

The U.S. Department of Homeland Security (“DHS”) requires compliance by our facilities as defined in the Marine Transportation Security Act (“MTSA”), the Chemical Facilities Anti-Terrorism Standards and U.S. Department of Transportation Hazardous Materials regulations.

Railroad transportation of hazardous chemicals was assessed for each location. Where high-risk chemicals were loaded, stored or shipped, security plans and additional security equipment were required. Negotiations on new legislation proposed in the United States resulted in a one-year reauthorization of current standards. These standards were delayed through 2013.

The DHS, the U.S. Federal Emergency Management Administration and individual state emergency management regulators require that all sites hosting emergency response teams train responders to the National Incident Management System (“NIMS”) standards. It is required that the emergency response teams and incident management teams have the knowledge, skills and equipment to allow them to work in concert with local, state, and Federal agencies in the manner defined by NIMS. Training is conducted at all sites to meet this requirement. This allows the site responders to join with the governmental groups in cases of widespread emergencies, including pandemics, where multiple agencies and organizations are involved.

## ***HSSE Principles***

We remain very strongly committed to excellent HSSE performance and believe we are a top decile performer within the chemicals industry. For example, for the year ended December 31, 2012, our classified injury rate per 100,000 hours was 0.21. We strive to operate throughout the world with a commitment to doing what is needed to protect the environment and to comply with all applicable regulations in the countries in which we operate. Our focus is on prevention of process safety incidents and we have developed internal audit programs designed to monitor and correct any deviations from acceptable performance.

Our aim is to avoid injuries to the community, employees and contractors. We focus on reducing major plant losses of containment of chemicals with health and safety impact. Core to our HSSE standards is our HSSE policy, which promotes Executive management and individual responsibility, adherence to operating procedures and training and requires our sites to be designed, operated and managed with the goal of preventing major incidents.

## ***Employees***

As of December 31, 2012, we had over 7,000 employees (measured as full-time equivalents (“FTEs”)) in our operations around the world, excluding employees of our joint ventures. Approximately 77% of these employees were located in Europe, approximately 22% were located in North America and 1% was located in the rest of the world.

Historically, we have enjoyed good labour relations and we are committed to maintaining these relationships. Other than management and professional personnel, the majority of our employees are represented by local trade unions and are covered by collective bargaining agreements, including a European Employee Forum agreement under the European Council 94/45/EC, Article 6, which covers all businesses and employees across Europe within INEOS Group and is designed to provide a formal mechanism for management and employee representatives to communicate on significant or potentially significant issues across the INEOS Group’s European operations.

## ***Insurance***

We carry an all-risk insurance policy for our assets, as well as policies for consequential loss of profits and payments of fixed costs as a consequence of fire, explosion, electrical damage, machinery breakdown, flooding or fuel or power shortages, third-party liability insurance, transport insurance, computer insurance and life insurance for all of our employees. We believe our policies are in accordance with customary industry practices, including deductibles and coverage amounts. Our broker, lead insurers and underwriters monitor fire and explosion risks and routinely inspect all assets. The insurance replacement value of our assets is approximately €23 billion.



## **Legal proceedings**

As is the case with many companies in the chemical industry, we are and may from time to time become a party to claims and lawsuits incidental to the ordinary course of our business. We are not currently involved in any legal or arbitration proceedings that are expected to have a material adverse effect on our financial position and, to our knowledge, no such legal or arbitration proceedings are currently threatened.

## **Agreements with BP**

We have ongoing relationships with BP under various agreements as summarized below.

### ***Reorganization Agreements***

In connection with the separation of the certain businesses that INEOS acquired from BP in December 2005, there are certain reorganization arrangements in place with BP. The principal arrangement relates to access to the RMR Pipeline. A significant portion of the annual naphtha supply required by the petrochemical cracker at our Köln, Germany site is transported through the RMR pipeline. BP is entitled to a certain amount of RMR pipeline capacity every year, consistent with its overall 35% interest in the pipeline. We have an arrangement with BP pursuant to which we have a right to use a portion of this capacity, along with associated infrastructure at BPRR (“BP Rotterdam Refinery”), The Netherlands, to enable us to meet an agreed amount of the naphtha requirements of our Köln site. This agreement has an indefinite term.

### ***Commercial Interface Agreements***

We have a series of commercial interface agreements with BP which cover, among other things:

- the sale and purchase of hydrocarbons at or between sites where INEOS and BP have a continuing relationship (which agreements generally have initial terms of five to 13 years and automatically renew thereafter unless terminated upon one to three years’ notice by either party);
- a supply and trading agreement under which BP provides the INEOS Olefins business with certain supply, trading and optimization services (having evergreen terms, but terminable upon 12 months’ notice at the end of a calendar quarter); and
- framework interface agreements covering the provision by INEOS to BP and vice versa of services, utilities and infrastructure rights at certain INEOS sites (both standalone and shared) and in some cases between INEOS’ respective sites (generally having initial terms of five to 13 years with termination upon one to four years’ notice (although in some cases, the agreements may be terminated upon 30 days’ notice by BP)). Following completion of the Refining Divestiture, certain of the services, utilities and complex infrastructure rights to be provided to BP at the Grangemouth site are now provided by the Refining and Entrepreneurial JVs and the Infrastructure Entity, both of which are now outside the INEOS Group.

### ***Related Agreements***

In connection with our relationship with BP, we and BP (among others) entered into the agreements summarized below.

#### ***The Credit Support Deed***

Under the credit support deed, dated August 24, 2005, as subsequently amended, supplemented, varied or restated from time to time, made between BP International Limited, IHL and others (the “Credit Support Deed”), IHL and BP agreed to provide reciprocal credit support for trade obligations under any agreement between such parties or their affiliates. Further, each of BP and IHL has agreed to guarantee the payment obligations (with gross-ups for any required withholding or deduction) of BP or IHL (and their respective affiliates), as the case may be, under any trading agreement between such parties. In addition, our obligations to BP are guaranteed by each of the guarantors that guarantee the obligations under the Existing Indentures and the Senior Secured Term Loans Agreement and that will guarantee the obligations under the Indenture. As of December 31, 2012, the aggregate principal amount of INEOS’ net trade obligations to BP was

\$172.1 million. This number could increase or decrease significantly because it will vary in accordance with the amount of feedstock and refined products purchased or sold between the parties.

The additional credit support required of INEOS under the Credit Support Deed could be substantial. Any failure to provide such credit support under the Credit Support Deed would constitute a default under the Credit Support Deed. The Credit Support Deed provides that in the event we fail to comply with any provision of the Credit Support Deed, we default on indebtedness of \$250 million owed to third parties (or \$50 million or more owed to BP) when due or we experience certain bankruptcy events (each, a “default”), BP may suspend performance of its obligations under any agreement between us and BP and, if such default is not remedied within specific time period, BP may terminate all such agreements.

#### *The Master Bilateral Netting Deed*

Under the master bilateral netting deed, dated August 24, 2005, as subsequently amended, supplemented, varied or restated from time to time, made between certain members of the BP Group, the Issuer and certain of its subsidiaries (the “Master Bilateral Netting Deed”), the parties agreed that in the event that any of the various trading agreements, reorganization agreements or commercial interface agreements between the parties is automatically terminated or BP is entitled to terminate any such agreement, then BP may terminate all such agreements between the parties that have not otherwise been automatically terminated, netting or setting off any obligations it owes to us against amounts we owe to BP under such contracts.

#### *The Security Assignment*

Under the first ranking security assignment, dated August 24, 2005, as subsequently amended, supplemented, varied or restated from time to time, made between INEOS USA LLC, other INEOS entities and BP International Limited (the “Security Assignment”), certain of our subsidiaries have (i) provided guarantees for the payment obligations owed to BP by such subsidiaries under the various trading agreements, reorganization agreements and commercial interface agreements and (ii) such subsidiaries have pledged their interests under such agreements to secure their obligations to BP.

Upon completion of the Refining Divestiture, INEOS Commercial Services UK Limited entered into a further security assignment on substantially similar terms to the Security Assignment described above, in respect of the trading agreements, reorganization agreements and commercial interface agreements novated from INEOS Europe Limited to INEOS Commercial Services UK Limited pursuant to the Refining Divestiture.

## THE ISSUER

### The Issuer

The Issuer, INEOS Group Holdings S.A., is a “*société anonyme*” that was incorporated under the laws of Luxembourg on December 22, 2010. It is registered at the Luxembourg Trade and Companies Register under number B157810. The address of the Issuer’s registered office is 58, rue Charles Martel L-2134, Luxembourg, Grand Duchy of Luxembourg. The issued capital of the Issuer consists of 924,803 ordinary shares of €1 each, all of which are held by INEOS Holdings Luxembourg S.A and are fully paid.

The Issuer is a holding company that does not directly conduct any business operations. As of the date of this offering memorandum, as adjusted for the Transactions, the Issuer’s borrowings are limited to the notes and the 2016 IGH Notes. See “Description of Other Indebtedness.” As of December 31, 2012, as adjusted for the Transactions, the total amount outstanding on notes would have been €1,012.7 million (based on an exchange rate of \$1.3223 to €1.00) and the 2016 IGH Notes would have been €1,032.1 million. The Issuer also guarantees and secures the obligations under the 2019 Senior Secured Notes, the 2020 Senior Secured Notes, the Senior Secured Term Loans Agreement and the BP Creditor Liabilities. The Issuer does not have any other indebtedness or contingent liabilities outstanding. After giving effect to the Transactions, the only significant assets of the Issuer are the 2016 IGH Notes Proceeds Loans, the Dollar IGH Notes Proceeds Loan and the Euro IGH Notes Proceeds Loan (which are in amounts equal to the total amount outstanding on the 2016 IGH Notes, the Dollar IGH Notes and the Euro IGH Notes, respectively) and its ownership of 100% of the shares of INEOS Luxembourg I.S.A.

As from December 31, 2012 until the date of this offering memorandum, the Issuer has not incurred any additional indebtedness or made any additional investments, other than the issuance of the notes and the guarantees of the New Senior Secured Term Loans. The Issuer may from time to time incur additional indebtedness or make additional investments in compliance with the terms of its then outstanding indebtedness.

Accordingly, the Issuer will be dependent upon payments from IHL to make any payments due on the notes. If IHL fails to make scheduled payments on the 2016 IGH Notes Proceeds Loans, the Dollar IGH Notes Proceeds Loan and the Euro IGH Notes Proceeds Loan, it is not expected that the Issuer will have any other sources of funds that would allow it to make payments on the relevant indebtedness. In addition, IHL is a holding company that conducts no independent business operations. See “Risk Factors—Risks Related to the Notes and Our Capital Structure—Holding Company Issuer—The Issuer is a holding company with no independent operations and will depend on payments under the Proceeds Loans and from its operating subsidiaries in order to provide it with funds to meet its obligations.”

## MANAGEMENT

### Executive Officers and Directors of INEOS AG

The Issuer is an indirect wholly owned subsidiary of INEOS AG, the ultimate parent undertaking.

The following table sets forth the name, age (as of December 31, 2012) and principal position of INEOS AG directors and officers:

Name	Age	Position
James A. Ratcliffe.....	60	Chairman
Andrew Currie .....	57	Member of the Board
John Reece .....	55	Member of the Board
Jim Dawson .....	68	Non Executive Director of INEOS Capital

Jim Dawson is a director of INEOS Capital Limited. INEOS Capital Limited and INEOS AG provide operational management services to us.

**James A. Ratcliffe** has been the Chairman of INEOS Capital since 1998. Mr. Ratcliffe, who has over 30 years of experience in the chemical industry, is experienced in managing buyouts of chemical companies. In 1992, he led the successful buyout of Inspec Group plc. In 1998, he left Inspec to lead the acquisition of INEOS plc (now INEOS Oxide) from Inspec. Mr. Ratcliffe started his career with Exxon Chemicals before moving to Courtaulds. He then completed his MBA at London Business School before joining Advent International and then Inspec.

**Andrew Currie** has been a director of INEOS Capital since 1999. He was previously Managing Director, Laporte Performance Chemicals, having served as a director of the Inspec Group from 1994 until the Laporte acquisition of Inspec in 1998. Mr. Currie has a degree in natural sciences from Cambridge University and spent the first 15 years of his career with BP Chemicals in various technical and business management functions.

**John Reece** joined INEOS Capital as Finance Director in January 2000. He was previously a partner with PricewaterhouseCoopers, where he advised companies in the chemical industry. Mr. Reece has a degree in economics from Cambridge University and is a Chartered Accountant.

**Jim Dawson** became a non-executive director of INEOS Capital in 2005. Dr. Dawson has been serving as a consultant to INEOS since 2001. Dr. Dawson served as a director of Shell International Chemicals until 2000. Dr. Dawson has a first degree in chemistry and a doctorate of philosophy from Oxford University.

All of the members of the board of directors and officers of INEOS AG have their business address at Avenue des Uttins 3, 1180 Rolle, Switzerland.

### Executive Officers and Directors of the Issuer

The Issuer is an indirect wholly-owned subsidiary of INEOS AG. The directors of the Issuer are Peter Huyck, Florence Bardot and Natalina Arena. The business address of Mr. Huyck is 35, Eikerlandstraat, B-2870, Ruisbroek, Belgium. The business address of Ms. Bardot is 3, Avenue des Uttins, CH-1180 Rolle, Switzerland. The business address of Ms. Arena is 310, Ransbeekstraat, B-1120 Bruxelles, Belgium. The principal executive offices of INEOS Group Holdings S.A. are located at: 58 rue Charles Martel L-2134, Luxembourg, Grand Duchy of Luxembourg.

### Compensation of Directors and Executive Officers

An aggregate of €0.7 million was paid to our executive officers and directors in their capacity as directors and officers of INEOS Group Holdings S.A. in 2012.

### Board Practices

Our board meets on a regular basis to review performance and our business plans. In addition, the board has established policies for the conduct of our business, including delegations of board authority to directors and members of

senior management. The board has appointed committees to ensure appropriate oversight of our companies' operations. None of the members of the board of directors has a service contract that provides for benefits upon his termination as a director.

### ***Board Committees***

We have an audit committee and a remuneration committee. The members of the audit committee are James A. Ratcliffe, Andrew Currie and John Reece acting as chairman, none of whom is an independent director. The members of the remuneration committee are James A. Ratcliffe, Andrew Currie and Jim Dawson.

The audit committee meets at least twice a year. The committee is responsible for appointing auditors and reviewing the suitability and effectiveness of internal control systems and the application of corporate policies.

The remuneration committee meets at least once a year. The primary function of the remuneration committee is to determine remuneration and other terms of employment for the directors and senior employees of the company, having due regard for performance. We anticipate that, in setting the remuneration policy, the committee will consider a number of factors, including the salaries and benefits available to senior management in comparable companies and the need to ensure senior management commitment to the continued success of the business by means of incentive schemes.

## PRINCIPAL SHAREHOLDERS

As at December 31, 2012, all of the issued share capital of INEOS Group Holdings S.A. was held directly by INEOS Holdings Luxembourg S.A. The issued voting share capital of INEOS Holdings Luxembourg S.A. is held by INEOS Holdings AG. The remaining non-voting issued share capital is held by Appleby Trust (Jersey) Limited, as trustee of the INEOS Group Share Benefit Trust, by Appleby Nominees (Jersey) Limited and by certain employees, former employees or their family members. INEOS Holdings AG exercises a controlling interest over INEOS Holdings Luxembourg S.A. through its majority interest in the voting share capital. The issued share capital of INEOS Holdings AG is held by INEOS AG. See also “Management” and “Certain Relationships and Related Party Transactions.”

The share capital of INEOS AG consists of Ordinary Management Shares and Preferred Shares (“Series A to M Preferred Shares”).

The following table sets forth information regarding the ownership of INEOS AG’s share capital, as of December 31, 2012, by the following:

- each person or group known by us to be the owner of 5% or more of the share capital of INEOS AG; and
- all directors of INEOS AG.

	Number of Ordinary Management Shares	Number of Preferred Shares	Percentage of Total INEOS AG Share Capital
James Ratcliffe.....	66,666,033	72,624,709	71.240%
Andrew Currie .....	12,628,293	14,656,751	14.380%
John Reece.....	12,628,293	14,656,751	14.380%
<b>TOTAL</b> .....	<b>91,922,619</b>	<b>101,938,211</b>	<b>100.0%</b>

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We enter into transactions with certain related parties or our affiliates from time to time and in the ordinary course of our business. We believe these agreements are on terms no more favorable to the related parties or our affiliates than what they would expect to negotiate with disinterested third parties.

### Relationship with INEOS AG

Mr. J.A. Ratcliffe, Mr. A.C. Currie and Mr. J. Reece were partners in INEOS Capital Partners. INEOS Capital Partners provided operational management services to the Group through a management services agreement. The management services agreement was novated from INEOS Capital Partners to INEOS AG in April 2010. INEOS AG (previously INEOS Capital Partners) management fees of €74.2 million were charged to the income statement for the year ended December 31, 2012 as compared to €70.6 million and €67.4 million for the years ended December 31, 2011 and December 31, 2010, respectively. The Group recovered costs of €nil million during the year ended December 31, 2012 as compared to €2.9 million and €nil million for the years ended December 31, 2011 and December 31, 2010, respectively. As at December 31, 2012 amounts owed to INEOS AG (previously INEOS Capital Partners) were €23.5 million as compared to €87.0 million and €54.1 million for the years ended December 31, 2011 and December 31, 2010, respectively. Amounts due from INEOS Group AG, a wholly owned subsidiary of INEOS AG, were €4.9 million for the year ended December 31, 2012 as compared to €17.8 million and €6.8 million for the years ended December 31, 2011 and December 31, 2010, respectively.

### Relationship with other INEOS subsidiaries

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 year ended December 31, 2012 the Group has made sales to these subsidiaries of €416.7 million (2011: €509.2 million, 2010: €441.3 million), recovered costs of €174.2 million (2011: €19.9 million, 2010: €8.6 million) and made purchases of €83.8 million (2011: €151.2 million, 2010: €15.0 million). As at December 31, 2012, €196.2 million (2011: €93.8 million, 2010: €10.0 million) was owed by and €13.8 million (2011: €23.4 million, 2010: €8.4 million) was owed to these subsidiaries.

INEOS Bamble AS, a subsidiary of the INEOS Group Holdings S.A., holds a 50.0% interest in Noretyl AS, with the Kerling Group holding the other 50.0% interest in the joint venture. Noretyl AS operates a hydrocarbon cracking plant in Rafnes, Norway, from which the Kerling Group is entitled to obtain approximately 288 kilotonnes of ethylene per year (approximately 50% of the facility's total production) pursuant to a processing agreement between them and INEOS Bamble AS. Pursuant to the agreement, the ethylene is piped directly to Kerling's VCM and PVC plant at Rafnes and shipped to their Stenungsund, Sweden facility.

In connection with the recently announced proposed business combination of our affiliate, Kerling, with a third party, we intend to purchase from Kerling its 50% interest in our Rafnes cracker in Norway, giving us 100% ownership of that cracker. We expect the purchase price for the interest to be between €200 million and €250 million, which we intend to fund using cash on hand. The purchase of the interest in the cracker is subject to successful completion of the transaction by Kerling, which is itself subject to various conditions, including competition approvals. There can be no assurance that the acquisition will be completed. The timing of any such transaction remains uncertain, and we do not expect it to occur before the end of the year.

### Relationship with the Entrepreneurial (Refining) Business JV and the Refining Business JV

INEOS Investments, a newly formed entity, whose shareholders are the principal shareholders of the Issuer, holds a 49.9%, a 50.1% and a 50.0% direct interest in the Entrepreneurial (Refining) Business JV, the Refining Business JV and the Infrastructure Entity, respectively. INEOS Investments holds a 25.05% indirect interest in the Infrastructure Entity by virtue of its 50.1% stake in the Refining Business JV. The Refining Business and Entrepreneurial JVs, the Infrastructure Entity and their subsidiaries may be "Affiliates" of the Issuer for the purposes of the Indenture because each is owned in part by, and in some cases operated or controlled by, entities controlled by or under common control with the principal shareholders of the Issuer. We transferred certain businesses to the Refining and Entrepreneurial JVs that related to our Refining Business segment and related entrepreneurial activities. See "The Refining Divestiture."

Upon the consummation of the Refining Divestiture, we entered into various contractual agreements with the Refining and Entrepreneurial JVs and the Infrastructure Entity in order to continue the provision by the Refining and Entrepreneurial JVs of various feedstocks and entrepreneurial activities to our business on an ongoing basis. In addition, we entered into agreements with the Infrastructure Entity pursuant to which the Infrastructure Entity provides access to our business of certain shared utilities and infrastructure assets located on the sites. See “The Refining Divestiture.”

There may be certain ongoing liabilities on the part of the Group under existing guarantees and indemnities, which may extend to liabilities of the Refining Business. Except as described below, PetroChina is required to procure the release of these guarantees and indemnities and, in the interim, has provided a counter-indemnity in respect of such liabilities.

Certain indemnities relating to losses that may be incurred by BP in connection with the Refining business and third-party claims regarding the refining intellectual property that was provided by INEOS LLC and INEOS European Holdings Limited (which is not part of the joint venture business) to BP under a Master Reorganization Agreement (“MRA”) and an Intellectual Property and Information Technology Separation Agreement at the time of the separation of Innovene from BP (prior to the Innovene Acquisition) will remain in place. PetroChina has no obligation to procure the release of the indemnity related to the MRA or provide an indemnity in relation to it.

During the year ended December 31, 2012 the Group has made sales to the Refining joint ventures of €347.1 million (2011: €315.9 million), recovered costs of €6.1 million (2011: €nil million) and made purchases of €1648.8 million (2011: €1,435.0 million). As at December 31, 2012, €34.1 million (2011: €47.0 million) was owed by the Refining joint ventures and €99.9 million (2011: €74.6 million) was owed to the Refining joint ventures.

### **Relationship with Styrolution**

Styrolution is a joint venture among INEOS Industries Holdings Limited (which owns 50% of Styrolution through its shareholding in Styrolution Holding GmbH), BASF SE (which owns 34.05% of Styrolution through its shareholding in Styrolution Holding GmbH) and BASF Antwerpen N.V. (which owns 15.95% of Styrolution through its shareholding in Styrolution Holding GmbH). INEOS Industries Holdings Limited is a wholly owned subsidiary of INEOS Industries Limited, and INEOS Industries Limited is a wholly owned subsidiary of INEOS AG, thereby making it an affiliate of ours.

Styrolution began operating on October 1, 2011, and is involved in the business of developing, manufacturing, distributing, marketing, selling and commercialization of styrene monomer, polystyrene, acrylonitrile butadiene styrene, styrene-butadiene block copolymers and other styrene-based copolymers, as well as copolymer blends and compounds.

Styrolution has entered into a series of supply agreements with members of the INEOS Group for the purchase of feedstock and other raw material supplies, such as ethylene, benzene, butadiene and acrylonitrile. Each feedstock supply agreement will run for an initial five-year term from October 1, 2011, and will be automatically extended for an indefinite term at the end of the initial term unless terminated by either party by giving notice at least 24 months in advance. Following the expiry of the initial term and automatic extension (if any), each party may terminate the relevant agreement by giving notice 24 months in advance, provided that the relevant member of the INEOS Group may not exercise its right to terminate to the extent that, and so long as, there is no reasonably obtainable alternative source of supply of the relevant products. Purchase volumes levels are set forth in the agreements, and unit prices are determined by market price indicators, such as the U.S. Gulf Coast net transaction price and CMAI spot price.

During the year ended December 31, 2012 the Group has made sales to the Styrolution joint venture of €334.7 million (2011: €73.8 million), recovered costs of €119.7 million (2011: €4.9 million) and made purchases of €105.3 million (2011: €nil million). As at December 31, 2012, €32.2 million (2011: €56.0 million) was owed by the Styrolution joint venture and €1.2 million (2011: €nil million) was owed to the Styrolution joint venture.



## DESCRIPTION OF OTHER INDEBTEDNESS

The following summary of certain provisions of the documents listed below governing certain of our indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

### Senior Secured Term Loans

#### *Overview*

On May 8, 2013, we entered into the Amendment Agreement in order to, among other things, (i) decrease the interest rates applicable to all existing borrowings under the Senior Secured Term Loans Agreement and (ii) make other amendments to the Senior Secured Term Loans Agreement in line with the evolving needs of the Group. On the Issue Date, we borrowed New Senior Secured Term Loans under the amended Senior Secured Term Loans Agreement and used the proceeds of the borrowings (less fees, costs and expenses related to the borrowings) to redeem all of the 2015 Senior Secured Notes outstanding on May 15, 2013 and for general corporate purposes. What follows below is a summary of the provisions of our Senior Secured Term Loans Agreement, as amended by the Amendment Agreement.

The Existing Senior Secured Term Loans under the Senior Secured Term Loans Agreement comprise (a) \$375,000,000 of short-dated term loans denominated in dollars (the “Existing Short-Dated Dollar Term Loans”) made available to US Finco, (b) €500,000,000 of term loans denominated in euro (the “Existing Euro Term Loans”) made available to INEOS Finance plc and (c) \$2,000,000,000 of term loans denominated in dollars (the “Existing Dollar Term Loans”) made available to US Finco. As of December 31, 2012, there were \$372,187,500 Existing Short-Dated Dollar Term Loans, €496,250,000 Existing Euro Term Loans and \$1,985,000,000 Existing Dollar Term Loans outstanding. The New Senior Secured Term Loans under the Senior Secured Term Loans Agreement comprise (a) €350,000,000 of term loans denominated in euro (the “New Euro Term Loans” and, together with the Existing Euro Term Loans, the “Euro Term Loans”) made available to INEOS Finance plc and (b) \$640,000,000 of term loans denominated in dollars (the “New Dollar Term Loans” and, together with the Existing Dollar Term Loans, the “Dollar Term Loans”) made available to US Finco. The New Senior Secured Term Loans are subject to the same repayment schedule as the Existing Euro Term Loans and the Existing Dollar Term Loans.

For additional information about the Existing Senior Secured Term Loans, please see Note 20 “Borrowings” to the financial statements of the Issuer as of and for the year ended December 31, 2012, included elsewhere in this offering memorandum.

#### *Interest and Fees*

The 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 specified below for such loan, and the Existing Short-Dated Dollar Term Loans and Dollar Term Loans will bear interest a rate per annum equal to, at the option of US Finco, LIBOR divided by 100% minus the LIBOR Reserve Percentage (as defined in the Senior Secured Term Loans Agreement) (subject to a floor of 1.00% per annum, except in the case of the Existing Short-Dated Dollar Term Loans) plus the Applicable Margin specified below for such loan or the Alternate Base Rate (subject to a floor of 2.00% per annum, except in the case of the Existing Short-Dated Dollar Term Loans) plus the Applicable Margin specified below for such loan.

The Applicable Margin is:

- in the case of Euro Term Loans, if (x) the ratio of consolidated total net debt to consolidated EBITDA exceeds 3.75:1.00, 3.25% *per annum* or (y) otherwise, 3.00% *per annum*;
- in the case of Short-Dated Dollar Term Loans bearing interest at a rate determined by reference to LIBOR, 2.00% *per annum*;
- in the case of Short-Dated Dollar Term Loans bearing interest at a rate determined by reference to the Alternate Base Rate, 1.00% *per annum*;
- in the case of Dollar Term Loans bearing interest at a rate determined by reference to LIBOR (together with the Euro Term Loans, and the Short-Dated Dollar Term Loans bearing interest by reference to LIBOR, the “LIBOR

Loans”), if (x) the ratio of consolidated total net debt to consolidated EBITDA exceeds 3.75:1.00, 3.00% *per annum*, or (y) otherwise, 2.75% *per annum*; and

- in the case of Dollar Term Loans bearing interest at a rate determined by reference to the Alternate Base Rate (together with the Short-Dated Dollar Term Loans bearing interest by reference to the Alternate Base Rate, “ABR Loans”), if (x) the ratio of consolidated total net debt to consolidated EBITDA exceeds 3.75:1.00, 2.00% *per annum* or (y) otherwise, 1.75% *per annum*.

The Alternate Base Rate will be a rate per annum determined as the highest of (a) the administrative agent’s prime rate, (b) the Federal Funds rate plus 0.50% and (c) LIBOR for an interest period of one month (after giving effect to the applicable LIBOR floor) plus 1.00%.

Overdue amounts owing under the Senior Secured Term Loans Agreement will bear interest (a) in the case of overdue principal, at the interest rate that would otherwise be applicable plus 2% per annum and (b) in the case of other overdue amounts, at the interest rate that would apply to ABR Loans plus 2% per annum.

### ***Security and Guarantees***

The Senior Secured Term Loans share the same security package as the 2020 Senior Secured Notes, the 2019 Senior Secured Notes, certain hedging liabilities and certain cash management liabilities.

The obligations under the Senior Secured Term Loans are jointly and severally guaranteed on a senior basis by the Issuer and the Guarantors. The obligations under the Senior Secured Term Loans are secured by the same collateral securing the 2019 Senior Secured Notes and the 2020 Senior Secured Notes, including, subject to certain exceptions, substantially all of the assets of the Guarantors. Such security includes first priority security interests over the Collateral that secures the notes on a second priority basis (i.e., the IHL Pledged Shares and the Proceeds Loans).

No later than 150 days after the end of each financial year, commencing with the financial year ending on December 31, 2012 (or such longer period as the administrative agent may agree to), (i) the Consolidated EBITDA (as defined in the Senior Secured Term Loans Agreement) of the guarantors of the Senior Secured Term Loans must exceed 85% of the Consolidated EBITDA of the Financial Group (defined in the Senior Secured Term Loans Agreement as IGH, Lux I and the Restricted Subsidiaries (as defined in the Senior Secured Term Loans Agreement) of Lux I) and (ii) the total assets of the guarantors of the Senior Secured Term Loans must exceed 85% of the consolidated total assets of the Financial Group, in each case subject to certain exceptions.

### ***Covenants***

Subject to certain agreed exceptions, the Senior Secured Term Loans Agreement contains negative covenants substantially similar to the negative covenants applicable to the 2020 Senior Secured Notes, including covenants restricting the ability of Lux I, the Borrowers and the other restricted subsidiaries of Lux I to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- layer debt;
- make restricted payments, including dividends or other distributions;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create or incur certain liens;
- transfer, lease or sell certain assets;
- enter into arrangements that impose restrictions on the ability of restricted subsidiaries to pay dividends or make other payments to Lux I;

- engage in certain transactions with affiliates;
- designate unrestricted subsidiaries;
- consolidate, merge or transfer all or substantially all assets;
- impair the security interests for the benefit of the Term Loan lenders; and
- amend certain documents.

The Issuer, Lux I and the Borrowers are also subject to more stringent restrictions upon their activities (for example, in relation to the ownership of assets and the liabilities that they may incur).

The Senior Secured Term Loans Agreement also contains customary affirmative covenants, including covenants relating to:

- the provision of financial statements and certain other information and notices;
- inspections;
- maintenance of certain insurance;
- payment of taxes;
- preservation of existence and consolidated corporate franchises;
- compliance with laws (including environmental laws);
- certain ERISA and pension matters;
- maintenance of certain properties;
- changes in fiscal years and fiscal quarters;
- additional guarantors and security;
- use of proceeds;
- further assurances;
- use commercially reasonable efforts to maintain certain ratings;
- auditors, books and records;
- maintenance of cash in bank accounts subject to security interests; and
- certain other covenants, including a covenant relating to the Intercreditor Deed (as defined below) and additional intercreditor agreements.

The Senior Secured Term Loan Agreement does not contain any financial maintenance covenants.

### ***Repayment***

The Senior Secured Term Loans made under the Senior Secured Term Loans Agreement are to be repaid in equal quarterly installments, in aggregate annual amounts equal to 1% of the original principal amount of the Term Loans (subject to adjustment as set forth below). The respective balances of the Euro Term Loans and Dollar Term Loans are payable,

subject to certain exceptions, on May 4, 2018. The balances of the Existing Short-Dated Dollar Term Loans are payable, subject to certain exceptions, on May 4, 2015. The balance of any additional Senior Secured Term Loans outstanding are payable on the New Term Loan Maturity Date (as defined in the Senior Secured Term Loans Agreement). No amounts repaid by the Borrowers in respect of the Senior Secured Term Loans may be reborrowed.

### ***Prepayments***

Mandatory prepayments of the Senior Secured Term Loans are required in an amount equal to:

- starting with the financial year ending on December 31, 2012, 50% (reduced to 25% when the ratio of consolidated total net debt to consolidated EBITDA is less than or equal to 3.75 to 1.00 but greater than 3.25 to 1.00 and 0% when the ratio of consolidated total net debt to consolidated EBITDA is less than or equal to 3.25 to 1.00) of annual excess cash flow (subject to certain adjustments). For the financial year ended December 31, 2012, the annual excess cash flow with any applicable adjustments was reduced by a certain percentage to reflect the number of days that elapsed from May 4, 2012 to and including December 31, 2012;
- 100% of the net cash proceeds from certain sales or other dispositions of material assets outside the ordinary course of business (subject to reinvestment rights and pro rata repayment of certain other senior debt); and
- 100% of the net cash proceeds from any issuance or incurrence of debt, other than debt permitted under the Senior Secured Term Loans Agreement.

All mandatory prepayments of the Senior Secured Term Loans will be made without premium or penalty (except for reimbursement of breakage and redeployment costs in the case of LIBOR Loans) and will be applied first to the next four scheduled amortization installments in direct order of maturity and thereafter ratably to the remaining scheduled amortization installments of principal of the Senior Secured Term Loans.

Voluntary prepayments of the Senior Secured Term Loans are permitted without premium or penalty (except as set forth below and except for reimbursement of breakage and redeployment costs in the case of LIBOR Loans) and will be applied to the remaining scheduled amortization installments of principal of the Term Loans as directed by the Borrowers. A 2% prepayment premium will be applicable to voluntary prepayments of the Term Loans prior to the first anniversary of the funding date of the Senior Secured Term Loans Agreement, and a 1% prepayment premium will be applicable to voluntary prepayments of the Term Loans after the first anniversary of the funding date but prior to the six-month anniversary of the effective date of the Amendment Agreement, in each case if the Term Loans are repaid as a result of (a) an amendment of the Senior Secured Term Loans Agreement that lowers the effective interest rate (such premium to be payable to the non-consenting lenders on account of their Term Loans that are mandatorily assigned pursuant to “yank-a-bank” provisions) or (b) the incurrence of long term bank debt with lower effective interest rates.

### ***Events of Default***

The Senior Secured Term Loans Agreement sets out certain events of default, the occurrence of which would allow the lenders to accelerate all outstanding loans, including, among other events and subject in certain cases to agreed to grace periods, thresholds and other qualifications:

- non-payment of amounts due under the Senior Secured Term Loans or under the other Senior Finance Documents (as defined in the Senior Secured Term Loans);
- breach of covenants;
- inaccuracy of representations and warranties in any material respect;
- cross defaults and certain judgment defaults;
- invalidity or unlawfulness of the Senior Secured Term Loans Agreement and other Senior Finance Documents;
- certain bankruptcy and insolvency events;

- the occurrence of certain ERISA-related events;
- the occurrence of a change of control; and
- certain breaches of the Intercreditor Deed and the Credit Support Deed (as defined in the Intercreditor Deed) and related documents.

### ***Miscellaneous***

The Senior Secured Term Loans Agreement permits the Borrowers to request the establishment of one or more additional tranches of term loans (the “New Term Loans”) in principal amounts of not less than \$50,000,000 individually, subject to certain conditions specified in the Senior Secured Term Loans Agreement. During the first two years after May 4, 2012, in the event that we borrow New Term Loans, the interest rate on the original Senior Secured Term Loans may be subject to upward adjustment such that, in the case of Dollar Term Loans and Euro Term Loans, the yield will be adjusted to equal the yield on the New Term Loans less 50 basis points and in the case of such adjustment the yield on the Short-Dated Dollar Term Loans will be adjusted upward to preserve the pricing differential from the other Senior Secured Term Loans as of May 4, 2012.

The Senior Secured Term Loans Agreement permits the Borrowers to request extensions of the final maturity of all or a portion of the Senior Secured Term Loans (in principal amounts of not less than \$50,000,000) and, in that connection, there may be an increase in the interest rates and/or fees payable with respect to the extended Senior Secured Term Loans. Such extensions shall be subject to certain conditions described in the Senior Secured Term Loans.

The Senior Secured Term Loans Agreement contains customary “yank-a-bank” provisions allowing the Borrowers to replace a non-consenting lender in connection with (1) amendments and waivers requiring the consent of all lenders or all affected lenders so long as the required lenders have consented to such amendments or waivers and (2) requests by lenders for compensation for increased costs, taxes and similar items.

The Senior Secured Term Loans Agreement contains customary loan buyback provisions, which permits the Borrowers to purchase Senior Secured Term Loans from lenders pursuant to a Dutch auction, subject to certain conditions, including a requirement that the loans purchased are automatically and permanently cancelled.

The Senior Secured Term Loans Agreement includes parameters in relation to the issue of further senior secured debt (including under incremental facilities), second secured debt and high yield debt.

The Senior Secured Term Loans Agreement is governed by New York law.

### **Senior Secured Notes due 2020**

#### ***Overview***

On May 4, 2012, INEOS Finance plc issued \$775,000,000 aggregate principal amount 7<sup>1</sup>/<sub>2</sub>% Senior Secured Notes due 2020 (the “2020 Senior Secured Notes”) under an indenture dated May 4, 2012, as amended, among INEOS Finance plc, each of the guarantors named therein, The Bank of New York Mellon, as trustee (the “2020 Senior Secured Notes Trustee”), principal paying agent and transfer agent, The Bank of New York Mellon, as U.S. paying agent and transfer agent, the Bank of New York Mellon (Luxembourg) S.A., as registrar, Luxembourg paying agent and Luxembourg transfer agent and Barclays Bank PLC, as security trustee.

#### ***Ranking***

The 2020 Senior Secured Notes are the general senior secured obligations of INEOS Finance plc and rank equally in right of payment with its existing and future indebtedness that is not expressly subordinated to the 2020 Senior Secured Notes (including, without limitation, the Senior Secured Term Loans and the 2019 Senior Secured Notes), are guaranteed on a senior secured basis by the 2020 Senior Secured Notes Guarantors (as defined below), rank effectively senior to all existing and future indebtedness of INEOS Finance plc that is unsecured or secured by liens ranking behind the liens securing the 2020 Senior Secured Notes to the extent of the value of the collateral and rank senior in right of payment to all existing and future obligations of INEOS Finance plc subordinated in right of payment to the 2020 Senior Secured Notes, including its

guarantee of obligations under the 2016 IGH Notes and the notes. In addition, the 2020 Senior Secured Notes are effectively subordinated in right of payment to all existing and future indebtedness and other liabilities, including trade payables and letters of credit issued by, Lux I's non-guarantor subsidiaries.

***Interest Rates, Payment Dates and Maturity***

The 2020 Senior Secured Notes bear interest at a rate of 7<sup>1</sup>/<sub>2</sub>% per annum. Interest on the 2020 Senior Secured Notes is payable semi-annually in arrears on May 1 and November 1 of each year, beginning November 1, 2012. The 2020 Senior Secured Notes will mature on May 1, 2020.

***Guarantees***

The 2020 Senior Secured Notes are jointly and severally guaranteed on a senior secured basis by the Issuer and the Guarantors (other than INEOS Finance plc, which is the issuer of the 2020 Senior Secured Notes) (the “2020 Senior Secured Notes Guarantors”).

The guarantee of each 2020 Senior Secured Notes Guarantor is its general senior secured obligation and (i) ranks equally in right of payment with all existing and future indebtedness of such 2020 Senior Secured Notes Guarantor that is not expressly subordinated in right of payment to such guarantee, including with respect to the guarantee of the 2020 Senior Secured Notes by each 2020 Senior Secured Notes Guarantor, indebtedness under the Senior Secured Term Loans and the 2019 Senior Secured Notes and, with respect to the guarantee of the 2020 Senior Secured Notes by the Issuer, the 2016 IGH Notes and the notes, (ii) ranks effectively senior to all existing and future indebtedness of such 2020 Senior Secured Notes Guarantor that is unsecured or secured by liens ranking behind the liens securing the 2020 Senior Secured Notes to the extent of the value of the collateral, (iii) ranks senior in right of payment to all existing and future indebtedness of such 2020 Senior Secured Notes Guarantor that is expressly subordinated in right of payment to such guarantee, including the guarantees of the 2016 IGH Notes and the notes (but not, in the case of the Issuer, its obligations under the 2016 IGH Notes and the notes) and (iv) is effectively subordinated to any existing and future indebtedness and other obligations of such 2020 Senior Secured Notes Guarantor that are secured by liens senior to the liens securing such guarantee, or secured by property and assets that do not secure such guarantee, to the extent of the value of the property and assets securing such indebtedness and other liabilities, including the BP Creditor Liabilities secured on a first priority basis by the BP Receivables. In the event of a bankruptcy or insolvency, each such secured lender of each 2020 Senior Secured Notes Guarantor will have a prior secured claim to any collateral of such 2020 Senior Secured Notes Guarantor securing the debt owed to them.

***Security***

The 2020 Senior Secured Notes and the related guarantees are secured by first priority liens (subject to certain exceptions) on the same assets that secure the obligations under the Senior Secured Term Loans, the 2019 Senior Secured Notes and certain hedging liabilities and certain cash management liabilities.

***Optional Redemption and Change of Control***

At any time prior to May 1, 2015, INEOS Finance plc may redeem all or part of the 2020 Senior Secured Notes at a redemption price equal to 100% of the principal amount of the 2020 Senior Secured Notes redeemed plus the greater of (1) 1.0% of the principal amount of such note; and (2) the excess of (a) the present value at such redemption date of such 2020 Senior Secured Note at May 1, 2015, plus all required interest payments that would otherwise be due to be paid on such 2020 Senior Secured Note during the period between the redemption date and May 1, 2015, excluding accrued but unpaid interest, computed using a discount rate equal to the treasury rate at such redemption date plus 50 basis points, over (b) the principal amount of such 2020 Senior Secured Note.

The 2020 Senior Secured Notes are subject to redemption at any time on or after May 1, 2015, at the option of INEOS Finance plc, 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 May 1 of the year indicated below:

<b>Year</b>	<b>2020 Senior Secured Notes Redemption Price</b>
2015 .....	105.625%
2016 .....	103.750%

2017 .....	101.875%
2018 and thereafter .....	100.000%

together with certain additional amounts, if applicable, and 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).

At any time on or prior to May 1, 2015, INEOS Finance plc or any Parent Holdco (as defined in the 2020 Senior Secured Notes Indenture), at its option, may redeem up to 35% of the aggregate principal amount of each of the 2020 Senior Secured Notes and any additional 2020 Senior Secured Notes issued under the 2020 Senior Secured Notes Indenture (the “Additional 2020 Senior Secured Notes”) with the net cash proceeds of certain public equity offerings at 107.500% of the aggregate principal amount of the 2020 Senior Secured Notes originally issued and the initial aggregate principal amounts of any Additional 2020 Senior Secured Notes, in each case, plus certain additional amounts, if applicable, and accrued and unpaid interest, if any, to the redemption date, if at least 65% of the sum of the originally issued aggregate principal amount of the 2020 Senior Secured Notes and any Additional 2020 Senior Secured Notes remains outstanding.

Upon the occurrence of certain change of control events, each holder of 2020 Senior Secured Notes may require INEOS Finance plc to repurchase all or a portion of its 2020 Senior Secured Notes at a purchase price equal to 101% of the principal amount of such 2020 Senior Secured Notes, plus accrued and unpaid interest to, but not including, the date of purchase.

If INEOS Finance plc sells assets under certain circumstances, it is required to make an offer to purchase the 2020 Senior Secured Notes at 100% of the principal amount of the 2020 Senior Secured Notes, plus accrued and unpaid interest to, but not including, the date of purchase, with the excess proceeds from the sale of the assets.

In addition, in the event that INEOS Finance plc becomes obligated to pay Additional Amounts (as defined in the 2020 Senior Secured Notes Indenture) to holders of the 2020 Senior Secured Notes as a result of changes affecting withholding taxes applicable to payments on the 2020 Senior Secured Notes, it may redeem the 2020 Senior Secured Notes in whole but not in part at any time at 100% of the principal amount of the 2020 Senior Secured Notes plus accrued and unpaid interest to the redemption date.

### ***Covenants***

The 2020 Senior Secured Notes Indenture contains covenants that, among other things, limit the ability of our subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- layer debt;
- make restricted payments, including dividends or other distributions;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create or permit to exist certain liens;
- transfer, lease or sell certain assets;
- enter into arrangements that impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to Lux I;
- engage in certain transactions with affiliates;
- engage in prohibited activities (solely with respect to INEOS Finance plc and the Issuer);

- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis;
- impair the security interests for the benefit of the holders of the 2020 Senior Secured Notes; and
- amend certain documents.

These covenants are subject to a number of important limitations and exceptions. Currently, all of IGH's subsidiaries are restricted subsidiaries, as defined in the 2020 Senior Secured Notes Indenture.

### ***Events of Default***

The 2020 Senior Secured Notes Indenture contains customary events of default, including, among others, the non-payment of principal or interest on the 2020 Senior Secured Notes, certain failures to perform or observe any other obligation under the 2020 Senior Secured Notes Indenture or security documents, the failure to pay certain indebtedness or judgments and the bankruptcy or insolvency of IHL or any Significant Restricted Subsidiary (as defined in the 2020 Senior Secured Notes Indenture). The occurrence of any of the events of default would permit or require the acceleration of all obligations outstanding under the 2020 Senior Secured Notes.

### **Senior Secured Notes due 2019**

#### ***Overview***

On February 10, 2012, INEOS Finance plc issued €500,000,000 aggregate principal amount of Floating Rate Senior Secured Notes due 2019 (the "2019 Senior Secured Euro Floating Rate Notes") and \$1,000,000,000 8<sup>3</sup>/<sub>8</sub>% Senior Secured Notes due 2019 (the "2019 Senior Secured Dollar Fixed Rate Notes" and, together with the 2019 Senior Secured Euro Floating Rate Notes, the "2019 Senior Secured Notes") under an indenture dated February 10, 2012, as amended, among INEOS Finance plc, each of the guarantors named therein, The Bank of New York Mellon, as trustee (the "2019 Senior Secured Notes Trustee"), principal paying agent and transfer agent, The Bank of New York Mellon, as U.S. paying agent and transfer agent, the Bank of New York Mellon (Luxembourg) S.A., as registrar, Luxembourg paying agent and Luxembourg transfer agent and Barclays Bank PLC, as security trustee. As of December 31, 2012, there were €500,000,000 aggregate principal amount of 2019 Senior Secured Euro Floating Rate Notes and \$1,000,000,000 aggregate principal amount of 2019 Senior Secured Dollar Fixed Rate Notes issued and outstanding.

#### ***Ranking***

The 2019 Senior Secured Notes are the general senior secured obligations of INEOS Finance plc and rank equally in right of payment with INEOS Finance plc's existing and future indebtedness that is not subordinated to the 2019 Senior Secured Notes (including, without limitation, the 2020 Senior Secured Notes and the Senior Secured Term Loans), are guaranteed on a senior secured basis by the 2019 Senior Secured Notes Guarantors (as defined below), rank effectively senior to all existing and future indebtedness of INEOS Finance plc that is unsecured or secured by liens ranking behind the liens securing the 2019 Senior Secured Notes to the extent of the value of the collateral and rank senior in right of payment to all existing and future obligations of INEOS Finance plc subordinated in right of payment to the 2019 Senior Secured Notes, including INEOS Finance plc's guarantee of obligations under the 2016 IGH Notes and the notes. In addition, the 2019 Senior Secured Notes are effectively subordinated in right of payment to all existing and future indebtedness and other liabilities of INEOS Finance plc's non-guarantor subsidiaries.

#### ***Interest Rates, Payment Dates and Maturity***

The 2019 Senior Secured 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 Senior Secured 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 Senior Secured Dollar Fixed Rate Notes bear interest at a rate of 8<sup>3</sup>/<sub>8</sub>% per annum. Interest on the 2019 Senior Secured Dollar Fixed Rate Notes is payable semi-annually in arrears on February 15 and August 15 of each year, beginning August 15, 2012. The 2019 Senior Secured Notes will mature on February 15, 2019.



## ***Guarantees***

The 2019 Senior Secured Notes are jointly and severally guaranteed on a senior secured basis by the Issuer and the Guarantors (other than INEOS Finance plc, which is the issuer of the 2019 Senior Secured Notes) (the “2019 Senior Secured Notes Guarantors”).

The guarantee of each 2019 Senior Secured Notes Guarantor is its general senior secured obligation and (i) ranks equally in right of payment with all existing and future indebtedness of such 2019 Senior Secured Notes Guarantor that is not subordinated in right of payment to such guarantee, including with respect to the guarantee of the 2019 Senior Secured Notes by each 2019 Senior Secured Notes Guarantor, indebtedness under the Senior Secured Term Loans, the 2020 Senior Secured Notes and, with respect to the guarantee of the 2019 Senior Secured Notes by the Issuer, the 2016 IGH Notes and the notes, (ii) ranks effectively senior to all existing and future indebtedness of such 2019 Senior Secured Notes Guarantor that is unsecured or secured by liens ranking behind the liens securing the 2020 Senior Secured Notes to the extent of the value of the collateral, (iii) ranks senior in right of payment to all existing and future indebtedness of such 2019 Senior Secured Notes Guarantor that is subordinated in right of payment to such guarantee, including the guarantees of the 2016 IGH Notes and the notes (but not, in the case of the Issuer, its obligations under the 2016 IGH Notes and the notes) and (iv) is effectively subordinated to any existing and future indebtedness and other liabilities of such 2019 Senior Secured Notes Guarantor that are secured by liens senior to the liens securing such guarantee, or secured by property and assets that do not secure such guarantee, to the extent of the value of the property and assets securing such indebtedness and other liabilities, including the BP Creditor Liabilities secured on a first priority basis by the BP Receivables.

## ***Security***

The 2019 Senior Secured Notes and the related guarantees are secured by first ranking liens (subject to certain exceptions) on the same assets that secure the obligations under the Senior Secured Term Loans, the 2020 Senior Secured Notes and certain hedging liabilities and certain cash management liabilities.

## ***Optional Redemption and Change of Control***

At any time prior to February 15, 2015, INEOS Finance plc may redeem all or part of the 2019 Senior Secured Euro Floating Rate Notes at a redemption price equal to 100% of the principal amount of the 2019 Senior Secured Euro Floating Rate Notes redeemed plus the greater of (1) 1.0% of the principal amount of such note; and (2) the excess of (a) the present value at such redemption date of such 2019 Senior Secured Euro Floating Rate Note at February 15, 2015, plus all required interest payments that would otherwise be due to be paid on such 2019 Senior Secured Euro Floating Rate Note during the period between the redemption date and February 15, 2015, excluding accrued but unpaid interest, computed using a discount rate equal to the bund rate at such redemption date plus 50 basis points and assuming that the rate of interest on the 2019 Senior Secured Euro Floating Rate Notes for the period from the redemption date through February 15, 2015, will equal the rate of interest on the 2019 Senior Secured Euro Floating Rate Notes in effect on the date which the applicable notice of redemption is given, over (b) the principal amount of such 2019 Senior Secured Euro Floating Rate Note.

At any time prior to February 15, 2015, INEOS Finance plc may redeem all or part of the 2019 Senior Secured Dollar Fixed Rate Notes at a redemption price equal to 100% of the principal amount of the 2019 Senior Secured Dollar Fixed Rate Notes redeemed plus the greater of (1) 1.0% of the principal amount of such note; and (2) the excess of (a) the present value at such redemption date of the redemption price of such Dollar Fixed Rate Note at February 15, 2015, plus all required interest payments that would otherwise be due to be paid on such 2019 Senior Secured Dollar Fixed Rate Note during the period between the redemption date and February 15, 2015, excluding accrued but unpaid interest, computed using a discount rate equal to the treasury rate at such redemption date plus 50 basis points, over (b) the principal amount of such 2019 Senior Secured Dollar Fixed Rate Note.

The 2019 Senior Secured Euro Floating Rate Notes are subject to redemption at any time on or after February 15, 2015, at the option of INEOS Finance plc, 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 Senior Secured Euro Floating Rate Notes Redemption Price</b>
2015 .....	102.000%
2016 .....	101.000%
2017 and thereafter .....	100.000%

together with certain additional amounts, if applicable, and 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 2019 Senior Secured Dollar Fixed Rate Notes are subject to redemption at any time on or after February 15, 2015, at the option of INEOS Finance plc, 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 Senior Secured Dollar Fixed Rate Notes Redemption Price</b>
2015 .....	106.281%
2016 .....	104.188%
2017 .....	102.094%
2018 and thereafter .....	100.000%

together with certain additional amounts, if applicable, and 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).

At any time on or prior to February 15, 2015, INEOS Finance plc may redeem up to 35% of the aggregate principal amount of each of the 2019 Senior Secured Dollar Fixed Rate Notes and any additional 2019 Senior Secured Dollar Fixed Rate Notes issued under the 2019 Senior Secured Notes Indenture (the “Additional 2019 Senior Secured Dollar Fixed Rate Notes”) with the net cash proceeds of certain public equity offerings at 108.375% of the principal amount of the 2019 Senior Secured Dollar Fixed Rate Notes originally issued and the initial aggregate principal amounts of any Additional 2019 Senior Secured Dollar Fixed Rate Notes, in each case, plus certain additional amounts, if applicable, and accrued and unpaid interest, if any, to the redemption date, if at least 65% of the sum of the originally issued aggregate principal amount of the 2019 Senior Secured Dollar Fixed Rate Notes and any Additional 2019 Senior Secured Dollar Fixed Rate Notes remains outstanding.

Upon the occurrence of certain change of control events, each holder of 2019 Senior Secured Notes may require INEOS Finance plc to repurchase all or a portion of its 2019 Senior Secured Notes at a purchase price equal to 101% of the principal amount of the 2019 Senior Secured Notes, plus accrued and unpaid interest to, but not including, the date of purchase.

If INEOS Finance plc sells assets under certain circumstances, INEOS Finance plc is required to make an offer to purchase the 2019 Senior Secured Notes at 100% of the principal amount of the 2019 Senior Secured Notes, plus accrued interest to, but not including, the date of purchase, with the excess proceeds from the sale of the assets.

In addition, in the event that INEOS Finance plc becomes obligated to pay additional amounts (as defined in the 2019 Senior Secured Notes Indenture) to holders of the 2019 Senior Secured Notes as a result of changes affecting withholding taxes applicable to payments on the 2019 Senior Secured Notes, INEOS Finance plc may redeem the 2019 Senior Secured Notes in whole but not in part at any time at 100% of the principal amount of the 2019 Senior Secured Notes plus accrued and unpaid interest to the redemption date.

### ***Covenants***

The 2019 Senior Secured Notes Indenture contains covenants that, among other things, limit the ability of our subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- layer debt;
- make restricted payments, including dividends or other distributions;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create or permit to exist certain liens;
- transfer, lease or sell certain assets;
- enter into arrangements that impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to Lux I;
- engage in certain transactions with affiliates;
- engage in prohibited activities (solely with respect to INEOS Finance plc and the Issuer);
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis;
- impair the security interests for the benefit of the holders of the 2019 Senior Secured Notes; and
- amend certain documents.

These covenants are subject to a number of important limitations and exceptions. Currently, all of IGH's subsidiaries are restricted subsidiaries, as defined in the 2019 Senior Secured Notes Indenture.

### ***Events of Default***

The 2019 Senior Secured Notes Indenture contains customary events of default, including, among others, the non-payment of principal or interest on the 2019 Senior Secured Notes, certain failures to perform or observe any other obligation under the 2019 Senior Secured Notes Indenture or security documents, the failure to pay certain indebtedness or judgments and the bankruptcy or insolvency of IHL or any Significant Restricted Subsidiary (as defined in the 2019 Senior Secured Notes Indenture). The occurrence of any of the events of default would permit or require the acceleration of all obligations outstanding under the 2019 Senior Secured Notes.

### **IGH Notes due 2016**

#### ***Overview***

On February 7, 2006, INEOS Group Holdings plc (now INEOS Group Holdings Limited) issued €1,750,000,000 aggregate principal amount of 7<sup>7</sup>/<sub>8</sub>% Senior Notes due 2016 (the "2016 IGH Euro Notes") and \$750,000,000 8<sup>1</sup>/<sub>2</sub>% Senior Notes due 2016 (the "2016 IGH Dollar Notes" and together with the 2016 IGH Euro Notes, the "2016 IGH Notes") under an indenture dated February 7, 2006, as amended, among INEOS Group Holdings plc (now INEOS Group Holdings Limited), each of the guarantors named therein, The Bank of New York Mellon, as trustee (the "2016 IGH Notes Trustee"), collateral agent, registrar and principal paying agent and the Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent and Luxembourg transfer agent. On January 31, 2011, the Issuer replaced INEOS Group Holdings plc (now INEOS Group Holdings Limited) as the issuer of the 2016 IGH Notes. As of December 31, 2012, there were €1,532,130,000 aggregate principal amount of 2016 IGH Euro Notes and \$677,513,000 aggregate principal amount of 2016 IGH Dollar Notes issued and outstanding.

All of the 2016 IGH Dollar Notes were redeemed on May 15, 2013 and €500,000,000 aggregate principal amount of the 2016 IGH Euro Notes were redeemed on June 5, 2013, in each case with the proceeds of the Offering.

### **Ranking**

The 2016 IGH Notes are the general unsubordinated obligations of the Issuer and rank equally with the Issuer's existing and future senior indebtedness, including the notes, rank senior to all of the Issuer's existing and future subordinated indebtedness and are effectively subordinated to all of its existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness, unless such assets also secure the 2016 IGH Notes on an equal and ratable basis. In addition, the 2016 IGH Notes are effectively subordinated to all existing and future indebtedness and other liabilities of the Issuer's non-guarantor subsidiaries.

### **Interest Rates, Payment Dates and Maturity**

The 2016 IGH Euro Notes bear interest at a rate of 7<sup>7</sup>/<sub>8</sub>% per annum. Interest on the 2016 IGH Notes is payable semi-annually in arrears on February 15 and August 15, beginning August 15, 2006. The 2016 IGH Notes will mature on February 15, 2016.

### **Guarantees**

The 2016 IGH Notes are jointly and severally guaranteed on an unsecured senior subordinated basis by certain guarantors (collectively, the "IGH Note Guarantors").

The guarantees by the IGH Note Guarantors are their senior subordinated obligations and rank behind all of the existing and future senior indebtedness (including any second secured liabilities) of the IGH Note Guarantors, which includes the subsidiary guarantees under our 2020 Senior Secured Notes, our 2019 Senior Secured Notes and the Senior Secured Term Loans, rank equally with the existing and future senior subordinated indebtedness of the IGH Note Guarantors (including the guarantees of the notes), rank senior to all of the existing and future subordinated indebtedness of the IGH Note Guarantors other than indebtedness of the IGH Note Guarantors that is secured by liens on the assets of the IGH Note Guarantors, and are effectively subordinated to all of the existing and future secured indebtedness of the IGH Note Guarantors to the extent of the value of the assets securing such indebtedness.

### **Security**

The 2016 IGH Notes are currently secured by a second ranking assignment over the 2016 IGH Notes Proceeds Loans and a second ranking share charge over 100% of the shares of IHL. The 2016 IGH Notes are also secured by a second ranking assignment over the Dollar IGH Notes Proceeds Loan and the Euro IGH Notes Proceeds Loan. This security ranks (i) behind the security granted over these assets which secures certain senior indebtedness, including indebtedness under the 2020 Senior Secured Notes, the 2019 Senior Secured Notes and the Senior Secured Term Loans and (ii) *pari passu* with the security that will be granted over these assets to secure the notes.

### **Optional Redemption and Change of Control**

The 2016 IGH Notes are subject to redemption at any time, at the option of IGH, 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>2016 IGH Euro Notes Redemption Price</b>
2013 .....	101.313%
2014 and thereafter .....	100.000%

Upon the occurrence of certain change of control events, each holder of 2016 IGH Notes may require IGH to repurchase all or a portion of its 2016 IGH Notes at a purchase price equal to 101% of the principal amount of the 2016 IGH Notes, plus accrued interest to, but not including, the date of purchase.

If IGH sells assets under certain circumstances, IGH is required to make an offer to purchase the 2016 IGH Notes at 100% of the principal amount of the 2016 IGH Notes, plus accrued interest to, but not including, the date of purchase, with the excess proceeds from the sale of the assets.

In addition, in the event that IGH becomes obligated to pay Additional Amounts (as defined in the 2016 IGH Notes Indenture) to holders of the 2016 IGH Notes as a result of changes affecting withholding taxes applicable to payments on the 2016 IGH Notes, IGH may redeem the 2016 IGH Notes in whole but not in part at any time at 100% of the principal amount of the 2016 IGH Notes plus accrued interest to the redemption date.

### ***Covenants***

The 2016 IGH Notes Indenture contains covenants that, among other things, limit our ability and the ability of our subsidiaries to:

- incur additional indebtedness;
- make restricted payments, including dividends or other distributions;
- create certain liens;
- sell assets;
- in the case of our restricted subsidiaries, enter into arrangements that restrict dividends or other payments to us;
- in the case of our restricted subsidiaries, guarantee or secure debt;
- engage in transactions with affiliates;
- create unrestricted subsidiaries; and
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

These covenants are subject to important exceptions and qualifications. Currently, all of IGH's subsidiaries are restricted subsidiaries, as defined in the 2016 IGH Notes Indenture.

### ***Events of Default***

The 2016 IGH Notes Indenture contains customary events of default, including, among others, the non-payment of principal or interest on the 2016 IGH Notes, certain failures to perform or observe any other obligation under the 2016 IGH Notes Indenture or security documents, the failure to pay certain indebtedness or judgments and the bankruptcy or insolvency of IGH or any Significant Restricted Subsidiary (as defined in the 2016 IGH Notes Indenture). The occurrence of any of the events of default would permit or require the acceleration of all obligations outstanding under the 2016 IGH Notes.

### **Senior Secured Notes due 2015**

On May 12, 2010, INEOS Finance plc issued €300,000,000 aggregate principal amount of 9<sup>1</sup>/<sub>4</sub>% Senior Secured Notes due 2015 (the "2015 Senior Secured Euro Notes") and \$570,000,000 9% Senior Secured Notes due 2015 (the "2015 Senior Secured Dollar Notes" and together with the 2015 Senior Secured Euro Notes, the "2015 Senior Secured Notes") under an indenture dated May 12, 2010, as amended (the "2015 Senior Secured Notes Indenture"), among INEOS Finance plc, each of the guarantors named therein, The Bank of New York Mellon, as trustee (the "2015 Senior Secured Notes Trustee"), principal paying agent and transfer agent, The Bank of New York Mellon, as U.S. paying agent and transfer agent, the Bank of New York Mellon (Luxembourg) S.A., as registrar, Luxembourg paying agent and Luxembourg transfer agent and Barclays Bank PLC, as security trustee.

On the Issue Date, we borrowed the New Senior Secured Term Loans under the amended Senior Secured Term Loans Agreement in order to redeem all of the 2015 Senior Secured Notes on May 15, 2013. The gross proceeds from the borrowing of New Senior Secured Term Loans under the amended Senior Secured Term Loans Agreement were, in respect of the dollar term loan, \$640 million (the "Dollar Term Loan") and in respect of the euro term loan, €350 million (the "Euro Term Loan"). The proceeds of the Dollar Term Loan (less fees, costs and expenses relating to the borrowing) were applied in permanent repayment of all outstanding dollar-denominated 2015 Senior Secured Notes. The proceeds of the Euro Term

Loan (less fees, costs and expenses relating to the borrowing) were applied in permanent repayment of all outstanding euro-denominated 2015 Senior Secured Notes and for general corporate purposes. All the 2015 Senior Secured Notes having been redeemed, and the Issuer having delivered (in accordance with the terms of the 2015 Senior Secured Note Indenture) a notice of satisfaction and discharge relating to the 2015 Senior Secured Notes and the 2015 Senior Secured Indenture, the 2015 Senior Secured Notes Trustee acknowledged the satisfaction and discharge of the 2015 Senior Secured Notes Indenture, save for some provisions which by their terms survive the termination thereof.

### **Letter of Credit Facility**

On May 4, 2012, INEOS Treasury (UK) Limited (the “LC Borrower”), a wholly owned subsidiary of INEOS Investment Holdings (Germany) Limited, entered into an on-demand letter of credit facility (the “LC Facility”) with Barclays Bank PLC (the “Issuing Bank”), under which the LC Borrower may request (on its own behalf or on behalf of other Group companies) the Issuing Bank to issue letters of credit, guarantees, performance bonds and indemnities (or any other instrument in a form agreed by the Issuing Bank) (“LC Utilizations”), the outstanding aggregate base currency amount of which is not more than €250 million. Under the terms of the LC Facility, the LC Borrower undertakes to provide cash collateral in an amount at least equal to the aggregate of 100% of the maximum actual and/or contingent liability of the Issuing Bank under each outstanding LC Utilization (or 105%, to the extent cash cover is provided in a currency other than the currency of an LC Utilization) standing to the credit of an account or certain accounts of the LC Borrower which are subject to a lien in favor of the Issuing Bank.

### **Securitization Program**

In July 2006, IHL and certain of the other Group companies (the “Sellers”) entered into a five-year €1,500.0 million receivables securitization (as amended, supplemented, varied, novated, extended or replaced from time to time, the “Securitization Program”). The margins on amounts drawn and the commitment fee on amounts undrawn under the Securitization Program have been amended from time to time, most recently on December 20, 2011. The overall facility amount has also been amended from time to time, most recently to €1,200.0 million pursuant to an amendment deed dated October 8, 2010. On December 20, 2011, the scheduled termination date for the facility was extended to December 31, 2014. The Securitization Program complies with the terms for a Permitted Receivables Securitization as defined in the Senior Secured Term Loans Agreement.

Under the Securitization Program, the trade receivables originated by the Sellers (other than those receivables that are specifically identified as “excluded receivables”) are sold to a bankruptcy-remote special purpose vehicle incorporated under the laws of the Republic of Ireland, INEOS Finance (Ireland) Limited (the “SPV”). The SPV finances these purchases from borrowings, primarily funded through asset-backed commercial paper (“ABCP”) conduits. The cost of funding for the ABCP conduits reflects the rating of the pooled financial assets in which they invest, thus allowing the Securitization Program to benefit from financing costs that are not linked to the group’s corporate rating.

The Securitization Program is restricted to receivables denominated in U.S. dollars, euro or sterling that are sold to the SPV at face value less a small discount to reflect the carry cost until settlement. In some jurisdictions, the sale of the receivables requires the involvement of an intermediate purchaser in order to comply with local securities and banking regulations. The SPV acquires title, on a non-recourse basis, to new receivables as the liability arises and settles its purchases with the Sellers on a twice-monthly basis. Between settlement dates, the Sellers have the use of the cash received from customers which has been paid into segregated bank accounts, either in the name of the SPV or held on trust for the SPV. Responsibility for the administration of the receivables, including adherence to established credit and collection policies, remains with the Sellers, with IHL acting on their behalf in its capacity as Master Servicer.

The twice-monthly settlement period is tied to the term of the loans advanced to the SPV by the lenders against the security of the outstanding receivables. The lenders’ advance rate is adjusted each month to reflect the actual performance of the receivables portfolio and standard Rating Agency methodology for calculating loss and dilution reserves and other potential shortfalls is applied. The balance of the SPV’s funding requirements is provided by IHL through a subordinated loan facility.

### **Intercreditor Deed**

Unless the context otherwise requires, terms defined below in this description of the Intercreditor Deed apply only to this section.

## Overview

Lux I and certain of its subsidiaries (including IHL and INEOS Finance plc) (together, the “Obligors”), the Parent (as the issuer of the 2016 IGH Notes and the notes) and INEOS Holdings Luxembourg S.A. (together, and collectively with certain other entities referred to in the Intercreditor Deed, the “Subordinated Creditors”), certain affiliates of BP plc (the “BP Creditors”), and certain INEOS intra-group creditors (the “Intra-Group Creditors”) are subject to an intercreditor deed dated May 12, 2010 (as amended and restated by a first amendment deed dated December 23, 2010, as further amended by a second amendment deed dated February 18, 2011, as further supplemented by a third amendment deed dated February 6, 2012 and as further amended and restated by a fourth amendment deed dated May 4, 2012 and as further amended and restated on the Issue Date) (the “Intercreditor Deed”) entered into with the lenders under the Senior Secured Term Loans Agreement (the “Senior Lenders”), Barclays Bank PLC as senior facility agent (the “Senior Facility Agent”) for the Senior Lenders and as senior security agent (the “Senior Security Agent”) for itself, the Senior Lenders, the institutions named therein as hedge counterparties or cash management banks, the holders of the 2019 Senior Secured Notes, the holders of the 2020 Senior Secured Notes and any other permitted senior secured notes issued from time to time (the “Additional Senior Secured Notes”), the trustee under the 2016 IGH Notes Indenture (the “2016 IGH Notes Trustee”), the trustee under the 2019 Senior Secured Notes Indenture (the “2019 Senior Secured Notes Trustee”), the trustee with respect to the 2020 Senior Secured Notes (the “2020 Senior Secured Notes Trustee”) and BP International Limited (the “BP Collateral Agent”) and the Trustee became a party by acceding thereto on the Issue Date.

The Intercreditor Deed sets out, by way of agreement between the parties to it, among other things, provisions relating to:

- the relative ranking of certain liabilities of the Obligors;
- the relative ranking of certain security granted by the Obligors and the Parent;
- when payments can be made in respect of certain liabilities of the Obligors and the Parent;
- when enforcement action can be taken in respect of those liabilities;
- the terms pursuant to which certain of those liabilities will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions; and
- when security and guarantees may be released to permit an enforcement sale.

The following description is a summary of certain provisions contained in the Intercreditor Deed. It does not restate the Intercreditor Deed in its entirety and we urge you to read that document because it, and not the discussion that follows, will regulate and govern, among other things, certain of the rights of the holders of the notes, the holders of the 2016 IGH Notes, the holders of the 2019 Senior Secured Notes, the holders of the 2020 Senior Secured Notes, the 2016 IGH Notes Trustee, the 2019 Senior Secured Notes Trustee, the 2020 Senior Secured Notes Trustee and the Trustee.

## Ranking and Priority

The Intercreditor Deed provides that, subject to the provisions in respect of permitted payments (summarized below), the liabilities of the Obligors in respect of the Senior Secured Term Loans, the 2016 IGH Notes, the 2019 Senior Secured Notes, the 2020 Senior Secured Notes, the notes and certain other liabilities rank, in summary, in the following order and are postponed and subordinated to any prior ranking liabilities of the Obligors as follows:

- first, each of the following, *pari passu* among themselves: (i) the liabilities of the Obligors under the Senior Secured Term Loans Agreement and under any other Additional Senior Finance Documents (as defined in the Intercreditor Deed), the liabilities of any Obligor party to certain hedging agreements and cash management arrangements, the liabilities of INEOS Finance plc and the guarantors under the 2019 Senior Secured Notes Indenture, the liabilities of INEOS Finance plc and the guarantors under the 2020 Senior Secured Notes Indenture and any Additional Senior Secured Notes (together, the “Senior Liabilities”), (ii) fees, costs and expenses of, and amounts incurred by or payable to, the 2016 IGH Notes Trustee or the Trustee (the “High

Yield Note Trustee Amounts”), (iii) fees, costs and expenses incurred by or payable to the Senior Facility Agent or any agent appointed to act as security trustee, facility agent or other similar representative for or with respect to any Additional Senior Finance Parties (as defined in the Intercreditor Deed) or any agents appointed to act as security agent and security trustee on behalf of more than one class of holders of the 2016 IGH Notes or any other High Yield Notes or fees, costs and expenses incurred by any Second Secured Representative (as defined in the Intercreditor Deed) (other than in respect of any Second Secured Liabilities (as defined in the Intercreditor Deed)) in the form of notes issued pursuant to one or more indentures) (“Agency Amounts”), (iv) fees, costs and expenses of, and amounts incurred by or payable to, the 2020 Senior Secured Notes Trustee, the 2019 Senior Secured Notes Trustee and the trustee of any Additional Senior Secured Notes (the “Additional Senior Secured Notes Trustee”) (collectively, the “Senior Secured Notes Trustees”) (the “Senior Secured Note Trustee Amounts”), and (v) fees, costs and expenses of, and amounts incurred by or payable to any Second Secured Note Trustee (the “Second Secured Note Trustee Amounts”);

- second, any Second Secured Liabilities;
- third, the liabilities of the Obligor in relation to the 2016 IGH Notes and the notes (other than in respect of High Yield Note Trustee Amounts) and the liabilities owed by IHL or Lux I (to the extent it is a borrower of a High Yield Proceeds Loan (as defined in the Intercreditor Deed)) to the Parent or any other permitted lenders (such other lenders, together with Parent, the “High Yield Proceeds Lenders”) under any loan of the proceeds of the 2016 IGH Notes and the notes or any other High Yield Notes, (together, the “Subordinated High Yield Liabilities”);
- fourth, (i) the liabilities of the Obligor to the Subordinated Creditors (other than in respect of any High Yield Proceeds Loan or any loan of the proceeds of any funds made available under any documents pursuant to or in connection with which any Second Secured Liabilities arise (the “Second Secured Documents”) to IHL or Lux I (each, a “Second Secured Proceeds Loan”), (ii) any liabilities owed by IHL, the Parent, or any other High Yield Note Issuer (as defined in the Intercreditor Deed) or any Additional Second Secured Borrower (as defined in the Intercreditor Deed) to any Subordinated Creditor under certain investor documents, (iii) any other money or liabilities due, owing or payable by any Obligor to the Parent, or any other High Yield Note Issuer or any Additional Second Secured Borrower or any parent holding company of the Parent which has acceded to the Intercreditor Deed (other than in respect of any High Yield Proceeds Loan or any Second Secured Proceeds Loan) (the liabilities referred to in paragraphs (i) to (iii) being, together, the “Subordinated Liabilities”), and (iv) any liabilities of the Obligor to the Intra-Group Creditors in such capacity (other than liabilities under the 2019 Senior Secured Notes Proceeds Loans or certain other loans of the proceeds of any Senior Liabilities to IHL or any Restricted Subsidiary of the Bottom Swiss Subsidiary (as defined in the Intercreditor Deed) (collectively, the “Senior Proceeds Loans”)) (the “Intra-Group Liabilities”).

The Intercreditor Deed does not purport to rank any of the Subordinated Liabilities or Intra-Group Liabilities as between themselves. The Intercreditor Deed also provides that, subject to the provisions in respect of permitted payments, the Subordinated Liabilities are postponed and subordinated until the Senior Liabilities, liabilities of the Obligor and the Parent to the holders of the 2016 IGH Notes or the notes and 2016 IGH Notes Trustee or the Trustee (the “High Yield Liabilities”) and the Second Secured Liabilities have been discharged in full.

The parties to the Intercreditor Deed agree in the Intercreditor Deed that the liens and other security provided by the Parent and the Obligor (including the Issuer) rank in the following order:

- first, the security provided in respect of the Senior Liabilities other than any security granted in respect of the BP Receivables;
- second, any security provided separately in respect of the Second Secured Liabilities, if any; and
- third, the security provided in respect of the 2016 IGH Notes Indenture, the Indenture and the 2016 IGH Notes and the notes.

Under the Intercreditor Deed, all proceeds from enforcement of security to which the Intercreditor Deed applies are required to be applied in accordance with the terms of the Intercreditor Deed, summarized below under “—Application of Proceeds.” Certain security granted by members of the Group (being, for the purposes of the Intercreditor Deed, Lux I and its



subsidiaries), for example certain liens granted by the Obligors, such as BP's first-priority lien over the BP Receivables, are not governed by the Intercreditor Deed.

### ***Permitted Payments***

The Intercreditor Deed permits, *inter alia*, payments to be made by the Obligors, each Additional Senior Secured Borrower (as defined in the Intercreditor Deed), and the Parent and each other High Yield Note Issuer to the Senior Lenders under the Senior Secured Term Loans Agreement, the holders of the 2019 Senior Secured Notes and the 2019 Senior Secured Notes Trustee, the holders of the 2020 Senior Secured Notes and the 2020 Senior Secured Notes Trustee, (subject to certain restrictions) certain hedge counterparties, certain cash management banks and to lenders under any Additional Senior Finance Documents and holders of any Additional Senior Secured Notes and the Additional Senior Secured Notes Trustees with respect thereto and does not in any way limit or restrict any payment due to be made by any Obligor to BP plc or any of its subsidiaries under or in connection with certain agreements between the Obligors and BP plc and certain of its subsidiaries or otherwise in the ordinary course of business. The Intercreditor Deed also permits payments to be made without further consents being obtained:

- by the Obligors in respect of any Second Secured Liabilities (x) to the extent that the payment is (i) a payment of scheduled interest (or default interest), (ii) a payment under any customary tax gross-up, tax indemnity, illegality or increased costs provision, currency indemnity or indemnity in respect of costs and expenses contained in the Second Secured Documents, or (iii) any consent fee payment customary for the amendment of the Second Secured Documents, in each case so long as such payment is then due and not prohibited by any payment blockage described below, and (y) for so long as such payment is not prohibited by any payment blockage described below, any Obligor may (i) on or after the original maturity date of the Second Secured Liabilities; and (ii) at any time in connection with any provision of the Second Secured Documents specifying a mandatory repayment, offer to purchase or redemption which is either permitted or, if not permitted, provided that consent is obtained from the Majority Senior Lenders, each relevant Additional Senior Facilities Representative and each relevant Senior Secured Notes Trustee (as applicable), pay the principal amount due or any other amount payable by it with respect to the Second Secured Liabilities or redeem, acquire or defease the Second Secured Liabilities;
- by the Obligors to the 2016 IGH Notes Trustee or the Trustee or holders of the 2016 IGH Notes or the notes and any other High Yield Notes or High Yield Note Trustee pursuant to the guarantees to the extent that the payment is (i) a payment of scheduled interest (or default interest), (ii) a payment under any tax gross-up, tax indemnity or increased costs provisions, provided such provisions are in customary form, or (iii) a consent fee payment customary for the amendment of the 2016 IGH Notes Indenture or the Indenture and certain other documents entered into in connection with the 2016 IGH Notes Indenture, the Indenture or any other High Yield Documents, in each case so long as such payment is then due and not prohibited by any payment blockage as described below (except that payments in respect of High Yield Note Trustee Amounts may always be made);
- by IHL or Lux I as borrowers under any High Yield Proceeds Loan to the Parent or any other High Yield Proceeds Lenders in respect of cash interest on any High Yield Proceeds Loan to enable the Parent or any other High Yield Note Issuer to make a payment of scheduled interest and default interest in respect of the 2016 IGH Notes or the notes or any additional High Yield Notes (as defined in the Intercreditor Deed) (the "Additional High Yield Notes", together with the 2016 IGH Notes and the notes, the "High Yield Notes"), which payment must fall due within five (5) days of the date of payment of the corresponding interest by IHL or Lux I to the applicable High Yield Note Issuer, and certain other payments by IHL or Lux I to the Parent or any other High Yield Proceeds Lender in respect of sums due under any High Yield Notes (as applicable) and related documents permitted by the Intercreditor Deed, so long as any such payment is not prohibited by any payment blockage as described below (except that payments in respect of High Yield Note Trustee Amounts may always be made); and
- by the Obligors in respect of Intra-Group Liabilities if (i) at the time of the payment no Enforcement Action (as defined below) has occurred and is continuing in respect of the Senior Liabilities or any Second Secured Liabilities, (ii) prior to the date on which all Senior Liabilities have been unconditionally discharged in full (the "Senior Discharge Date"), the consent of the "Instructing Group" (as defined in the Intercreditor Deed) to the relevant payment is obtained or (iii) on or after the Senior Discharge Date but prior to the date on which all

Second Secured Liabilities have been unconditionally discharged in full (the “Second Secured Discharge Date”), the consent of the Majority Second Secured Creditors (as defined in the Intercreditor Deed) is obtained.

Prior to the later of the Senior Discharge Date and the Second Secured Discharge Date, no Obligor, Additional Second Secured Borrower or High Yield Note Issuer or any of their subsidiaries may make any payments in respect of the Subordinated Liabilities unless, prior to the Senior Discharge Date, where the relevant action is prohibited under the Senior Secured Term Loans Agreement, the Additional Senior Finance Documents or the Senior Secured Note Documents, the prior consent of the Majority Senior Lenders (as defined in the Intercreditor Deed), each security trustee, facility agent or other similar representative with respect to the creditors under each Additional Senior Finance Document (the “Additional Senior Facilities Representative”), each Senior Secured Notes Trustee (as applicable and relevant) is obtained and, following the Senior Discharge Date but prior to the Second Secured Discharge Date, where the relevant action is prohibited under any Second Secured Document, of the Majority Second Secured Creditors is obtained.

As defined in the Intercreditor Deed, the term “Instructing Group” means the senior creditors under the Intercreditor Deed whose senior credit participations at the relevant time constitute the simple majority in aggregate principal amount of the total senior credit participations at the relevant time.

### ***Payment Blockage***

Prior to the Senior Discharge Date, if any Obligor fails to pay on the due date or within any applicable grace period any amount payable under the Senior Finance Documents (including relevant Hedging Agreements and Cash Management Arrangements), any Additional Senior Finance Document, the 2019 Senior Secured Notes Indenture or the 2019 Senior Secured Notes, the 2020 Senior Secured Notes Indenture or the 2020 Senior Secured Notes or any indenture of any Additional Senior Secured Notes (the “Additional Senior Secured Notes Indenture”) or any Additional Senior Secured Notes (all such senior secured notes and indentures, collectively, the “Senior Secured Notes And Notes Indentures”) (other than an amount not constituting principal, interest or fees not in excess of €1,000,000 (or its equivalent in any other currency)), the Obligors may not make payments in respect of the Second Secured Liabilities while that failure is continuing. Permitted payments in respect of the Second Secured Liabilities may be resumed when such payment default is cured or waived.

Prior to the Senior Discharge Date, if there is any other default that occurs and is continuing under the Senior Secured Term Loans Agreement, any Additional Senior Finance Documents, any Senior Secured Notes And Notes Indentures, the Senior Facility Agent (on the instructions of the Majority Senior Lenders (as defined in the Intercreditor Deed)), or the relevant Additional Senior Facilities Representative, any Senior Secured Notes Trustee (as applicable) may issue a written stop notice (a “Second Secured Stop Notice”) to each note trustee, security trustee, facility agent or other similar representative with respect to any holders of interests representing Second Secured Liabilities (the “Second Secured Creditors”) (each, a “Second Secured Representative”) and notify IHL. From the date of the issue of such notice, the Obligors may not make payments in respect of the Second Secured Liabilities for a period of 179 days (the “Second Secured Stop Period”), subject to certain exceptions described below.

Prior to the Senior Discharge Date, from the date of issue of a Second Secured Stop Notice for the duration of the Second Secured Stop Period, no payments may be made that would otherwise be permitted by the Intercreditor Deed in respect of the Second Secured Liabilities unless:

- the event in respect of which the Second Secured Stop Notice was issued has been cured or waived in writing by (if the default has occurred and is (or immediately prior to the waiver was) continuing at such time with respect to the Senior Secured Term Loans Agreement) the Senior Facility Agent and (if the default is (or immediately prior to the waiver was) continuing with respect to any Additional Senior Finance Documents) the relevant Additional Senior Facilities Representative, (if the default is (or immediately prior to the waiver was) continuing with respect to the 2019 Senior Secured Notes) the 2019 Senior Secured Notes Trustee, (if the default is (or immediately prior to the waiver was) continuing with respect to the 2020 Senior Secured Notes) the 2020 Senior Secured Notes Trustee and (if the default is (or immediately prior to the waiver was) continuing with respect to any Additional Senior Secured Notes), the Additional Senior Secured Notes Trustee relating thereto or has ceased to exist;
- (if at any time of cancellation or consent, a default is continuing under the Senior Secured Term Loans Agreement) the Senior Facility Agent and, (if at the time of cancellation or consent, a default is continuing under any Additional Senior Finance Documents) the relevant Additional Senior Facilities Representative, (if at

the time of cancellation or consent, a default is continuing under the 2019 Senior Secured Notes) the 2019 Senior Secured Notes Trustee, and (if at the time of cancellation or consent, a default is continuing under the 2020 Senior Secured Notes) the 2020 Senior Secured Notes Trustee cancels the Second Secured Stop Notice or consents to such payment; or

- if applicable, any Second Secured Standstill Period (as defined below) in effect at the time the Second Secured Stop Notice was issued has expired and the relevant event of default to which the Second Secured Standstill Period relates has not been cured or waived.

No Second Secured Stop Notice may be served by the Senior Facility Agent, any Additional Senior Facilities Representative or any Senior Secured Notes Trustee in reliance on a particular payment blockage event more than 75 days after the Senior Facility Agent, any Additional Senior Facilities Representative, or any Senior Secured Notes Trustee (as applicable) receives notice in writing specifying the occurrence constituting that payment blockage event. Not more than one Second Secured Stop Notice may be served with respect to the same event or set of circumstances. No Second Secured Stop Notice in relation to a payment blockage event may be served unless (i) 365 days have elapsed since the delivery of any previous Second Secured Stop Notice in relation to a payment blockage event and (ii) all scheduled payments of interest on the Second Secured Liabilities that have become due as a result of any previous Second Secured Stop Notice have been paid in full in cash.

Any failure to make a payment due in respect of the Second Secured Liabilities as a result of the issue of a Second Secured Stop Notice will not prevent the occurrence of an event of default under the Second Secured Documents as a consequence of such non-payment or the commencement of an Enforcement Action (defined below) otherwise permitted by the Intercreditor Deed.

If any Obligor fails to pay on the due date or within any applicable grace period any amount payable under the Senior Finance Documents (including relevant Hedging Agreements and Cash Management Arrangements), any Additional Senior Finance Document, any Senior Secured Notes And Notes Indentures or any Second Secured Document (other than an amount not constituting principal, interest or fees not in excess of €1,000,000 (or its equivalent in any other currency)), the Obligors may not make payments (except if such payment is in the form of Permitted High Yield Note Junior Securities (as defined in the Intercreditor Deed) or comprises High Yield Note Trustee Amounts) in respect of the Subordinated High Yield Liabilities while that failure is continuing. Such payments in respect of any High Yield Notes may be resumed to the extent permitted under the Intercreditor Deed when such payment default is cured or waived.

Prior to the later of the Senior Discharge Date and the Second Secured Discharge Date, if there is any other default that occurs and is continuing under the Senior Secured Term Loans Agreement, any Additional Senior Finance Document, any Senior Secured Notes And Notes Indentures or, following the Senior Discharge Date, under any Second Secured Document, the Senior Facility Agent (on the instructions of the Majority Senior Lenders) or the relevant Additional Senior Facilities Representative, any Senior Secured Trustee or the relevant Second Secured Representative (as applicable) may issue a payment blockage notice (a “Stop Notice”) to the 2016 IGH Notes Trustee, the Trustee and other High Yield Note Trustees and notify each High Yield Representative (as defined in the Intercreditor Deed). From the date of the issue of such notice, the Obligors may not make any payments (except if such payment comprises High Yield Note Trustee Amounts) in respect of the Subordinated High Yield Liabilities or any High Yield Proceeds Loan for a period of 179 days (the “High Yield Stop Period”), subject to certain exceptions described below.

Prior to the later of the Senior Discharge Date and the Second Secured Discharge Date, from the date of issue of a Stop Notice for the duration of the High Yield Stop Period, blocked payments may not be made unless:

- the event in respect of which the Stop Notice was issued has been cured or, prior to the Senior Discharge Date, waived in writing (if the default is (or immediately prior to the waiver was) continuing with respect to the Senior Secured Term Loans Agreement) by the Senior Facility Agent and (if the default is (or immediately prior to the relevant waiver was) continuing with respect to any Additional Senior Finance Documents) the relevant Additional Senior Facilities Representative, (if the default is (or immediately prior to the waiver was) continuing with respect to the 2019 Senior Secured Notes) the 2019 Senior Secured Notes Trustee, (if the default is continuing with respect to the 2020 Senior Secured Notes) the 2020 Senior Secured Notes Trustee and (if the default is (or immediately prior to the waiver was) continuing with respect to any Additional Senior Secured Notes), the relevant Senior Secured Notes Trustee or, following the Senior Discharge Date and prior to

the Second Secured Discharge Date, waived in writing by the relevant Second Secured Representative or has ceased to exist;

- prior to the Senior Discharge Date, (if at the time of cancellation or consent, a default is continuing under the Senior Facilities) the Senior Facility Agent and (if at the time of cancellation or consent, a default is continuing under any Additional Senior Finance Documents) the relevant Additional Senior Facilities Representative, (if at the time of cancellation or consent, a default is continuing under the 2019 Senior Secured Notes) the 2019 Senior Secured Notes Trustee, (if at the time of cancellation or consent, a default is continuing under the 2020 Senior Secured Notes) the 2020 Senior Secured Notes Trustee and (if at the time of cancellation or consent, a default is continuing under any Additional Senior Secured Notes) the relevant Senior Secured Notes Trustee cancels the Stop Notice or consents to such payment;
- prior to the Senior Discharge Date, the Senior Liabilities have been repaid in full and all the commitments of the Senior Creditors (as defined in the Intercreditor Deed) cancelled or following the Senior Discharge Date the Second Secured Liabilities have been repaid in full; or
- if applicable, any High Yield Standstill Period (as defined below) in effect at the time the payment Stop Notice was issued has expired and the relevant event of default to which the High Yield Standstill Period relates has not been cured or waived.

No Stop Notice may be served by the Senior Facility Agent, an Additional Senior Facilities Representative or any Senior Secured Notes Trustee or a Second Secured Representative (as applicable) in reliance on a particular payment blockage event more than 75 days after the Senior Facility Agent, each Additional Senior Facilities Representative, a Senior Secured Notes Trustee or a Second Secured Representative receives notice in writing specifying the occurrence constituting that payment blockage event. Not more than one Stop Notice may be served by the Senior Facility Agent, each Senior Secured Notes Trustee or each Second Secured Representative (as applicable) with respect to the same event or set of circumstances. No Stop Notice in relation to a payment blockage event may be served unless (i) 365 days have elapsed since the delivery of any previous Stop Notice in relation to a payment blockage event, and (ii) all scheduled payments of interest on any High Yield Notes that have become due as a result of any previous Stop Notice have been paid in full in cash.

Any failure to make a payment due under the 2016 IGH Notes Indenture, the Indenture or the indenture for any Additional High Yield Notes (the “Additional High Yield Notes Indenture”, together with the 2016 IGH Notes Indenture and the Indenture, the “High Yield Notes Indentures”) or the guarantees of any High Yield Notes as a result of the foregoing will not prevent the occurrence of an event of default under the 2016 IGH Notes, the notes or any other High Yield Notes as a consequence of such non-payment or the commencement of an Enforcement Action otherwise permitted by the Intercreditor Deed.

### ***Entitlement to Enforce***

The Intercreditor Deed provides that the Senior Security Agent will (subject to certain exceptions) enforce the senior security only at the direction of the Instructing Group. Subject to certain exceptions in relation to the Second Secured Security (as defined in the Intercreditor Deed), prior to the Senior Discharge Date, the Second Secured Creditors may only take Enforcement Action with respect to the guarantees or security granted pursuant to the Intercreditor Deed in respect of the Second Secured Liabilities or any Second Secured Proceeds Loan if:

- the prior written consent of the Instructing Group is obtained;
- the Senior Creditors have taken certain Enforcement Action in which case the Second Secured Creditors may take the same Enforcement Action against the same Obligor;
- the Second Secured Creditors have become entitled to do so as a result of the expiry of any Second Secured Standstill Period unless on the expiry of the Second Secured Standstill Period the relevant default to which the Second Secured Standstill Period relates has been waived or cured; or
- certain insolvency events have occurred and are continuing, provided that any such insolvency event is not the result of actions of a Second Secured Creditor prohibited under the Intercreditor Deed and provided Enforcement Action may only be taken against the entity in respect of which the insolvency event has occurred.

Prior to the Senior Discharge Date and the Second Secured Discharge Date, the holders of any High Yield Notes and the 2016 IGH Notes Trustee, the Trustee or the trustee under any Additional High Yield Notes (the “Additional High Yield Notes Trustee”, together with the 2016 IGH Notes Trustee and the Trustee, the “High Yield Notes Trustees”) and any lender under any High Yield Proceeds Loan (together, the “High Yield Creditors”) may only take Enforcement Action with respect to the guarantees and security granted in respect of any High Yield Notes or the High Yield Proceeds Loan if:

- the prior written consent of (prior to the Senior Discharge Date) the Instructing Group and (prior to the Second Secured Discharge Date) the Majority Second Secured Creditors (as defined in the Intercreditor Deed) is obtained;
- the Senior Creditors and/or any Second Secured Creditors have taken Enforcement Action against an Obligor in which case the High Yield Creditors may take Enforcement Action against the same Obligor but may not take any other Enforcement Action until the Senior Discharge Date and any Second Secured Discharge Date shall have occurred except after expiry of a High Yield Standstill Period;
- the High Yield Creditors, as applicable, have become entitled to do so as a result of the expiry of any High Yield Standstill Period unless on the expiry of the High Yield Standstill Period the relevant default to which the High Yield Standstill Period relates has been waived or cured; or
- if certain insolvency events have occurred and are continuing, provided that any such insolvency event is not the result of actions of a High Yield Creditors prohibited under the Intercreditor Deed and provided Enforcement Action may only be taken against the entity in respect of which the insolvency event has occurred.

A “Second Secured Standstill Period” is defined in the Intercreditor Deed to mean a period of 179 days after written notice has been given by the Majority Second Secured Creditors (as defined in the Intercreditor Deed) to the Senior Facility Agent, each Additional Senior Facilities Representative and each Senior Secured Notes Trustee that an event of default has occurred as a result of any failure to pay any amount of the Second Secured Liabilities when due and payable and is continuing, and specifying that a Second Secured Standstill Period is to commence.

A “High Yield Standstill Period” is defined in the Intercreditor Deed to mean a period of 179 days after written notice has been given by any High Yield Notes Trustee to the Senior Facility Agent, each Additional Senior Facilities Representative, any Senior Secured Notes Trustee and each Second Secured Representative that an event of default under any High Yield Notes has occurred and is continuing, and specifying that a High Yield Standstill Period is to commence.

An “Enforcement Action” is defined in the Intercreditor Deed to mean:

- (a) the acceleration of any liabilities or any declaration that any liabilities are prematurely due and payable or the making of demand for payment of any liabilities after such liabilities have been made payable on demand;
- (b) the designation by a hedge counterparty of an early termination date under any hedging agreement or the making of a demand by a hedge counterparty for payment of all or any amount which would become payable in connection with the occurrence of an early termination date;
- (c) the making of any demand against any Obligor in relation to any guarantee in respect of any liabilities which are due and payable but unpaid or exercising any right to require the Group to acquire any liability (including exercising any put or call option against any member of the Group for the redemption or purchase of any liability);
- (d) the enforcement of any Security Document (as defined in the Intercreditor Deed) or any other security interest granted by any Obligor, any Additional Second Secured Borrower, the Parent or any other High Yield Note Issuer (including taking any action to crystallize any floating charge forming part of any Security Document);
- (e) the exercise of any right of set-off against any Obligor in respect of any liabilities due and payable but unpaid (excluding, for the avoidance of doubt, any netting under any hedging agreements or any set-off under any cash management arrangements);

- (f) the suing for, commencing or joining of any legal or arbitration proceedings against any Obligor to recover any liabilities; or
- (g) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, administrator or similar officer) which could reasonably be expected to lead to an insolvency event in relation to any Obligor,

*provided* that the following shall not constitute Enforcement Action:

- (i) the taking of any action falling within paragraph (f) above necessary to preserve the validity and existence of claims, including the registration of such claims before any court or governmental authority;
- (ii) to the extent entitled by law, the taking of any actions against any creditor (or any agent, trustee or receiver acting on behalf of such creditor) to challenge the basis on which any sale or disposal is to take place pursuant to powers granted to such persons under any security documentation;
- (iii) bringing legal proceedings against any person in connection with any securities violation or common law fraud or to restrain any actual or putative breach of the Finance Documents (as defined in the Intercreditor Deed) or for specific performance with no claim for damages; or
- (iv) demand being made for payment of any of the liabilities as a result of it being unlawful for any Senior Creditor, Second Secured Creditor (other than any Second Secured Proceeds Lender) or High Yield Creditor (other than any High Yield Proceeds Lender) to perform any obligation under the Finance Documents,

unless in the case of any of the actions listed above in paragraphs (i) - (iv) above, such action will result in an insolvency event.

The Intercreditor Deed also contains enforcement provisions in relation to hedge counterparties, Intra-Group Liabilities, Senior Proceeds Loans and Subordinated Liabilities.

### ***Subordination***

Upon the occurrence of an insolvency event in relation to an Obligor, claims against that Obligor:

- in respect of any Second Secured Liabilities will be subordinate in right of payment to the claims against that Obligor in respect of Senior Liabilities;
- in respect of the Subordinated High Yield Liabilities will be subordinate in right of payment to the claims against that Obligor in respect of Senior Liabilities and Second Secured Liabilities; and
- in respect of Intra-Group Liabilities and Subordinated Liabilities will be subordinate in right of payment to the claims against that Obligor in respect of Senior Liabilities, Second Secured Liabilities and liabilities with respect to the Subordinated High Yield Liabilities.

Upon the occurrence of an insolvency event in relation to an Additional Second Secured Borrower or a High Yield Note Issuer claims against that High Yield Note Issuer or Additional Second Secured Borrower in respect of the Subordinated Liabilities will be subordinate in right of payment to the claims against that High Yield Note Issuer or Additional Second Secured Borrower in respect of Senior Liabilities, Senior Secured Liabilities and High Yield Liabilities (as applicable).

### ***Turnover***

Except to the extent prohibited by law and subject to certain exceptions, if at any time on or before the Senior Discharge Date and the Second Secured Discharge Date, any High Yield Creditor or any High Yield Note Issuer:

- receives or recovers any payment or distribution of, or on account of or in relation to, any of the Subordinated High Yield Liabilities which is not a permitted payment under the Intercreditor Deed;
- receives or recovers any amount by way of set-off in respect of any of the Subordinated High Yield Liabilities owed to them which does not give effect to a permitted payment under the Intercreditor Deed;
- receives or recovers proceeds pursuant to any Enforcement Action in respect of the Subordinated High Yield Liabilities except in accordance with the Intercreditor Deed or receives or recovers proceeds pursuant to any Enforcement Action in respect of the collateral for any High Yield Notes (as applicable);
- receives any payment or distribution of any kind whatsoever in relation to the purchase or acquisition of any High Yield Liabilities by any member of the Group;
- receives any distribution in cash or in kind in respect of any liability owed by IHL or the other Obligor in respect of the Subordinated High Yield Liabilities which is made as a result of the occurrence of an insolvency event of any Obligor; or
- receives or recovers any payment or distribution in respect of the High Yield Liabilities as a result of any High Yield Note Issuer receiving or recovering an amount in contravention of the Intercreditor Deed,

that High Yield Creditor or High Yield Note Issuer, as the case may be, will notify the Senior Security Agent and (following the Senior Discharge Date and prior to the Second Secured Discharge Date) each Second Secured Representative and hold that amount in a separate account on trust for (prior to the later of the Senior Discharge Date) the Senior Security Agent or (following the Senior Discharge Date prior to the Second Secured Discharge Date) each Second Secured Representative and promptly pay that amount (prior to the Senior Discharge Date) to the Senior Security Agent or (following the Senior Discharge Date prior to the Second Secured Discharge Date) a Second Secured Representative or (after deducting from the amount received or recovered the costs and expenses (if any) actually incurred by it in recovering such amount) to be held in trust by such person for application in accordance with the order of priority under the Intercreditor Deed as described below in “Application of Proceeds.” The foregoing provision does not, however, apply to any amounts received or recovered by any High Yield Notes Trustee that have been distributed by it to the holders of any High Yield Notes as applicable, if at the time it distributed such payment it had no actual knowledge that such payment was so prohibited.

The Intercreditor Deed also contains a turnover provision in relation to the Second Secured Liabilities, Intra-Group Liabilities and Subordinated Liabilities as well as certain amounts received by the Obligor generally.

#### ***Application of Proceeds***

Subject to rights of creditors mandatorily preferred by law applying to companies generally, amounts received by the Senior Security Agent, a Second Secured Representative or trustee or representative under any High Yield Notes Indenture, any hedge counterparty or any cash management bank representing (i) the proceeds of enforcement of any security, (ii) recoveries under any guarantee contained in the Finance Documents and (iii) all amounts paid pursuant to the Intercreditor Deed (but excluding in each case all recoveries under any BP Credit Document (as defined in the Intercreditor Deed)) will be applied in the following order of priority:

- in discharging any sums owing to the Senior Security Agent or any additional agent appointed by the Senior Security Agent, any High Yield Note Trustee Amounts, any Agency Amounts, any Senior Secured Note Trustee Amounts and any Second Secured Note Trustee Amounts, on a *pari passu* basis;
- in payment of all costs and expenses incurred by or on behalf of the Senior Creditors in connection with the enforcement of their security;
- in payment to the Senior Facility Agent (for itself and the Senior Lenders) to discharge the liabilities in respect of the Senior Secured Term Loans Agreement, to hedging counterparties to discharge the liabilities owed to them, to cash management banks to discharge the liabilities owed to them, to the 2020 Senior Secured Notes Trustee for application towards the discharge of the liabilities under the 2020 Senior Secured Notes Indenture, the 2020 Senior Secured Notes and related documents, to the 2019 Senior Secured Notes Trustee for application towards the discharge of the liabilities under the 2019 Senior Secured Notes Indenture and the 2019 Senior

Secured Notes and related documents, to any Additional Senior Secured Notes Trustee for application towards the discharge of the liabilities under the Additional Senior Secured Notes Indenture relating thereto, the applicable Additional Senior Secured Notes and related documents and each Additional Senior Facilities Representative (for itself and the creditors under such Additional Senior Finance Documents) for application towards the discharge of the Additional Senior Lender Liabilities (as defined in the Intercreditor Deed) owing under the Additional Senior Finance Documents, on a *pro rata* basis;

- in payment to each Second Secured Representative on behalf of the Second Secured Creditors which it represents for application towards the discharge of any Second Secured Liabilities, on a *pro rata* basis;
- in payment to the 2016 IGH Notes Trustee for application towards the discharge of the liabilities in respect of the 2016 IGH Notes Indenture and the 2016 IGH Notes, to the Trustee on application towards the discharge of the liabilities in respect of the Indenture and the notes and to any Additional High Yield Notes Trustee for application towards the discharge of the liabilities in respect of the applicable Additional High Yield Notes Indenture and the applicable Additional High Yield Notes, on a *pro rata* basis;
- if none of the Obligor is under any further actual or contingent liability under any Senior Finance Document, Senior Secured Note Document (as defined in the Intercreditor Deed), Second Secured Document, under any High Yield Notes Indenture and related documents, in payment to any person to whom the Senior Security Agent, Second Secured Representative or the trustee or representative under any High Yield Notes Indenture is obliged to pay in priority to any Obligor; and
- the balance, if any, in payment to the relevant Obligor.

#### ***Release of the Guarantees and the Security***

The Intercreditor Deed provides that, subject to certain provisions in relation to BP Receivables and any consents required from the Majority Senior Lenders and each Senior Secured Notes Trustee in certain circumstances being obtained, the Senior Security Agent is authorized to (i) release any security created by the security documents over the relevant asset, and (ii) (if the relevant asset comprises all of the shares in the capital of a member of the Group (as defined in the Intercreditor Deed)) to release that member of the Group and any of its direct or indirect subsidiaries from all past, present and future liabilities (both actual and contingent) and/or its obligations in its capacity as a guarantor, issuer or borrower of the whole or any part of its liabilities in respect of the Senior Secured Term Loans Agreement, any Senior Secured Notes, Second Secured Documents, any High Yield Notes and certain other liabilities and to release any security granted by that member of the Group or any of its direct or indirect subsidiaries over any asset under any security document if:

- in connection with any permitted Enforcement Action, the Senior Security Agent or any receiver or administrator sells or otherwise disposes of (or proposes to sell or otherwise dispose of) any asset under any security document; or
- following a default under the Senior Secured Term Loans Agreement, any Additional Senior Finance Document, the 2019 Senior Secured Notes Indenture, the 2020 Senior Secured Notes Indenture or any Additional Senior Secured Notes Indenture (collectively, such indentures, the “Senior Secured Notes Indentures”), a member of the Group sells or otherwise disposes of (or proposes to sell or otherwise dispose of) any asset at the request or direction of the Senior Security Agent.

Notwithstanding the preceding paragraph, in the case of any release of the guarantees or security for the Second Secured Liabilities or for any High Yield Notes, the Second Secured Creditors and the High Yield Creditors will only be obliged to release and authorize the release set out above in respect of any Obligor or other person which has granted security or provided a guarantee to the Second Secured Creditors or the High Yield Creditors:

- in the case of the Second Secured Liabilities and any security in respect thereof, if the Majority Second Secured Creditors (as defined in the Intercreditor Deed) have approved the release; or
- in the case of guarantees and security for the 2016 IGH Notes and the 2016 IGH Notes Indenture, the notes and the Indenture or any Additional High Yield Notes and Additional High Yield Notes Indenture, if the trustee or other representative under any High Yield Notes Indenture, as applicable, confirms to the Senior Security Agent



that the holders of the 2016 IGH Notes, the notes or any Additional High Yield Notes which it represents have approved the release; or

- if the shares or assets of an Obligor (or the shares of any direct or indirect holding company of such Obligor) are sold or otherwise disposed of pursuant to Enforcement Action taken by the Senior Security Agent (or any receiver or administrator) or at the request or direction of the Senior Security Agent, and the sale or disposal is completed in accordance with applicable law and for a consideration all or substantially all of which is in the form of cash or certain cash equivalents and:
  - (1) in the case of a sale or disposal of shares of an Obligor (or the shares of any direct or indirect holding company of such Obligor) (but only to the extent that any guarantees and security for the 2016 IGH Notes and the 2016 IGH Notes Indenture, the notes and the Indenture or any Additional High Yield Notes or Additional High Yield Notes Indenture are to be released), concurrently with the completion of such sale or disposal, the indebtedness of the relevant members of the Group being disposed of to (x) the Senior Creditors, (y) the Second Secured Creditors and (z) the lenders of all Subordinated Debt (as defined in the Intercreditor Deed) and Public Debt (as defined in the 2016 IGH Notes Indenture) that is *pari passu* Debt (as defined in the Intercreditor Deed) are discharged or released (and not assumed by the relevant purchaser or any affiliate thereof); *provided, however*, that performance bonds and similar instruments will not be required to be so discharged or released; and
  - (2) if applicable, in the case of a sale or disposal of assets other than shares in an Obligor as provided above, concurrently with the completion of such sale or disposal the prior ranking security in favor of the Senior Creditors over such assets is released,

and, in the case of paragraphs (1) and (2) above, either (x) the sale or disposal is made pursuant to a Public Auction (as defined below) or (y) an internationally recognized investment bank or an internationally recognized accounting firm selected by the Senior Security Agent has delivered in respect of the sale or disposal an opinion to (in the case of a sale by or at the request of the Senior Security Agent (or any receiver or administrator)) the trustee or representative under any High Yield Notes Indenture and each Second Secured Representative that the amount received in connection with such sale is fair from a financial point of view taking into account all relevant circumstances including the method of enforcement; *provided* that the liability of such investment bank or accounting firm in giving such opinion may be limited to the amount of its fees in respect of such engagement.

A “Public Auction” is defined in the Intercreditor Deed to mean an auction in which more than one bidder participates or is invited to participate conducted with the advice of an internationally recognized investment bank and in which if the sale is undertaken by or at the request of the Senior Security Agent (or any receiver or administrator), pursuant to an enforcement requested by (a) the Instructing Group, in which case the Second Secured Creditors and the High Yield Creditors will have a right to participate in such auction and (b) the Second Secured Creditors, in which case the High Yield Creditors will have a right to participate in such auction.

The Intercreditor Deed also provides that, subject to any consents required from the Majority High Yield Creditors being obtained, the Senior Security Agent, any High Yield Notes Trustee and the applicable Second Secured Representative are authorized to release any security created by the security documents over (i) any assets disposed of in a manner permitted pursuant to the terms of the Senior Secured Term Loans, any Additional Senior Secured Term Loans, any Senior Secured Notes Indenture and the Second Secured Documents; or (ii) any receivables disposed of pursuant to the Securitization Program in a manner permitted pursuant to the terms of the Senior Secured Term Loans, any Additional Senior Secured Term Loans, the 2019 Senior Secured Notes Indenture, the 2020 Senior Secured Notes Indenture and any Additional Senior Secured Notes Indenture and the Second Secured Documents with effect from whichever is the earlier of (1) the date such receivable is disposed of or (2) the date such receivable is offered for disposal or, if not in existence when offered for disposal, the date it subsequently comes into existence.

The Intercreditor Deed further provides that, if it is necessary to do so in order to give effect to certain provisions of the Intercreditor Deed providing that in connection with any refinancing, restructuring, replacement, extension, supplement, increase or inurrence of additional Senior Liabilities and any Second Secured Liabilities such indebtedness shall be secured in priority to the Subordinated High Yield Liabilities, each High Yield Notes Trustee or other representative shall release any

security interest which has been granted to it *provided* that such release occurs on the date of such refinancing, restructuring, replacement, extension, supplement, increase or incurrence and a new security interest is granted to the High Yield Notes Trustee or other representative immediately upon the grant of security interests in respect of such refinancing, restructuring, replacement, extension, supplement, increase or incurrence.

#### ***Option to Purchase Debt under the Senior Secured Term Loans Agreement and the 2020 Senior Secured Notes Indenture***

If the Senior Creditors under the Senior Secured Term Loans Agreement, any Senior Secured Notes Indenture or any Additional Senior Finance Document have taken any Enforcement Action, any High Yield Notes Trustee may, at the direction of the requisite percentage of the holders of the 2016 IGH Notes under the 2016 IGH Notes Indenture, a majority of the holders of the notes under the Indenture or the requisite percentage of the holders of any Additional High Yield Notes under any Additional High Yield Notes Indenture, as applicable, within 60 days after commencement of that Enforcement Action, on giving not less than 14 days' written notice to the Senior Facility Agent, each Additional Senior Facilities Representative, the 2019 Senior Secured Notes Trustee, the 2020 Senior Secured Notes Trustee, any Additional Senior Secured Notes Trustee and each Second Secured Representative, and subject to satisfying certain conditions, purchase all but not part of the debt under the Senior Secured Term Loans, any Additional Senior Secured Term Loans, the 2019 Senior Secured Notes Indenture, the 2020 Senior Secured Notes Indenture, any Additional Senior Secured Notes Indenture, Hedging Agreements, Cash Management Arrangements and Second Secured Documents (i) in the case of the Senior Secured Term Loans, any Additional Senior Secured Term Loans, at a price equal to the principal amount of such debt and accrued and unpaid interest and fees and expenses, (ii) in the case of any Senior Secured Notes, at a price equal to the principal amount of such debt and accrued and unpaid interest, any prepayment fees and other fees and expenses and (iii) in the case of any Second Secured Documents, at a price equal to the principal amount of such debt and accrued and unpaid interest, any prepayment fees and other fees and expenses. The Intercreditor Deed also provides for the price to be paid in relation to Hedging Agreements and Cash Management Arrangements. Upon such purchase, the purchasers will assume the rights and obligations of the lenders under the Senior Secured Term Loans, including hedging arrangements, and the rights and obligations of the holders of any Senior Secured Notes and any Second Secured Documents.

#### ***Amendment***

The terms of the Intercreditor Deed may only be amended or waived with the written agreement of each of the Senior Facility Agent, each Additional Senior Facilities Representative, any High Yield Notes Trustee (including the Trustee), any Second Secured Representative, any Senior Secured Notes Trustee and IHL unless (i) any amendments are made to cure defects, resolve ambiguities or reflect changes of a minor, technical or administrative nature, which may be made by the Senior Security Agent and IHL, (ii) any amendments are made to meet the requirements of any person proposing to act as a senior secured note trustee or high yield note trustee which are customary for persons acting in such capacity, which amendments may be made by the Senior Security Agent and IHL, (iii) any amendments which only affect the rights and obligations of one party or class of parties and are not adverse to the rights of the other parties or class of parties, which may be made by only IHL and the party or class of parties affected thereby, or (iv) any amendments are made to give effect to the appointment of an Additional Senior Facilities Representative in respect of the Additional Senior Finance Parties or a Second Secured Representative in respect of the Second Secured Creditors, which amendments may be made by the Senior Security Agent and IHL. Subject to (i) and (ii) in the previous sentence, no amendment or waiver of the Intercreditor Deed may impose new or additional obligations on any party to the Intercreditor Deed or affect the rights or obligations of the Senior Facility Agent, any Senior Secured Notes Trustee, the Senior Security Agent or the trustee or representative under the 2016 IGH Notes Indenture, the Indenture or any Additional High Yield Notes Trustee, or certain other persons in each case without their prior written consent. Notwithstanding the foregoing, no amendment or waiver of the Intercreditor Deed which would adversely affect any rights or obligations expressed to be rights or obligations of, or concerning any provision which is expressly for the benefit of, the BP Collateral Agent or the BP Creditors can be made without the prior written consent of the BP Creditors. In addition, no amendment or waiver which would result in IHL no longer being in compliance with the Credit Support Deed may be made without the prior written consent of the BP Creditors.

The terms of the Intercreditor Deed will be amended and restated, amongst other things, to facilitate the transfer of certain loans and commitments by lenders who do not consent to the terms of the amendments or who do consent but otherwise wish to resign as lenders and subsequently wish to re-assume all or part of their previous (or additional) loans and commitments. The amendment will be effected in reliance on the permission summarized at (i) in the paragraph above.

The Senior Security Agent may amend the terms of, waive any of the requirements of, or grant consents under, any of the Senior Security Documents (as defined in the Intercreditor Deed) acting on the instructions of the Senior Facility

Agent and (where such consent is required under any Additional Senior Finance Document) of each relevant Additional Senior Facilities Representative and (where such consent is required under any Senior Secured Notes Indenture or related documents) of any Senior Secured Notes Trustee. Any such amendment, waiver or consent will be deemed to be an amendment, waiver or consent of any equivalent Security Document (as defined in the Intercreditor Deed) granted in favor of the Second Secured Creditors or the 2016 IGH Notes Trustee and the holders of the 2016 IGH Notes or the Trustee of the holders of the notes or any Additional High Yield Notes Trustee and the holders of any Additional High Yield Notes but only to the same extent and to no greater extent than the amendment, waiver or consent in relation to the relevant Senior Security Document. Any such amendment, waiver or consent will also be binding on the hedge counterparties save to the extent that in respect of such amendment, waiver or consent the hedge counterparties are treated in a manner which is different to the other Senior Creditors in which event the consent of the hedge counterparties shall also be required. No such amendment, waiver or consent will (without prejudice to any other provision of the Intercreditor Deed) release any security granted to the Second Secured Creditors or the 2016 IGH Notes Trustee or any Additional High Yield Notes Trustee or holders of the 2016 IGH Notes or holders of the notes or the holders of any Additional High Yield Notes except as permitted under the Second Secured Documents or the 2016 IGH Notes Indenture and the 2016 IGH Notes or the Indenture of the notes such Additional High Yield Notes Trustee and such Additional High Yield Notes.

Notwithstanding the above, any High Yield Notes Trustee each Second Secured Representative, any Senior Secured Notes Trustee, the Senior Facility Agent, each Additional Senior Facilities Representative and the Senior Security Agent are authorized to enter into such agreement or agreements with, among others, the Obligors and each High Yield Notes Issuer, whether by way of supplement, amendment or restatement of the Intercreditor Deed or by a separate deed, as may be necessary to give effect to the provisions under the Intercreditor Deed relating to, among others, a permitted refinancing of the Senior Liabilities, the Second Secured Liabilities or the liabilities in respect of the 2016 IGH Notes or the notes.

Unless expressly stated otherwise in the Intercreditor Deed, the provisions of the Intercreditor Deed override anything in any of the finance documents entered into in connection with the Offering, including the Indenture, to the contrary.

The Intercreditor Deed is governed by English law.

## DESCRIPTION OF THE NOTES

The \$678,000,000 aggregate principal amount of 6<sup>1</sup>/<sub>8</sub>% Senior Notes due 2018 (the “**Dollar IGH Notes**”) and the €500,000,000 aggregate principal amount of 6<sup>1</sup>/<sub>2</sub>% Senior Notes due 2018 (the “**Euro IGH Notes**”) were issued under an indenture (the “**Indenture**”) dated as of May 14, 2013 (such date, the “**Issue Date**”) among, *inter alios*, INEOS Group Holdings S.A., a Luxembourg public limited liability company (*société anonyme*) registered with the Luxembourg Register of Commerce and Companies under number 157.810 having its registered office at 58 rue Charles Martel, L-2134 Luxembourg, as issuer (the “**Issuer**”), the guarantors party thereto (the “**Guarantors**”) and The Bank of New York Mellon, London Branch, as trustee (in such capacity, the “**Trustee**”) and as collateral agent (in such capacity, the “**Collateral Agent**”). Unless the context otherwise requires, in this “Description of the Notes,” references to the “Notes” include the Dollar IGH Notes, the Euro IGH Notes and any Additional Notes that are issued under the Indenture. A copy of the form of the Indenture will be made available to prospective purchasers of the Notes upon request to the Issuer or, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange’s Euro MTF Market, upon request to the Paying Agent in Luxembourg.

The following is a summary of the material provisions of the Indenture, the Notes, the Guarantees and the Notes Proceeds Loans Agreements and refers to the Security Document and the Intercreditor Deed. It does not restate these agreements in their entirety. Where reference is made to particular provisions of those agreements, such provisions, including the definitions of certain terms, are qualified in their entirety by reference to all of the provisions of such agreements.

The Indenture, the Notes and the Guarantees are subject to the terms of the Intercreditor Deed and any additional intercreditor agreements entered into in the future. The terms of the Intercreditor Deed are important to understanding the terms and ranking of the Notes and the Guarantees. Please see the section entitled “Description of Other Indebtedness—Intercreditor Deed” for a summary of certain material terms of the Intercreditor Deed.

The registered holder of a Note will be treated as its owner for all purposes. Only registered holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been registered under the U.S. Securities Act and are subject to certain transfer restrictions. The Indenture is not required to be nor will it be qualified under the U.S. Trust Indenture Act.

For definitions of certain capitalized terms used in the following summary, please see “—Certain Definitions.”

### Brief Description of the Notes, the Guarantees and the Security

#### *The Notes*

The Notes:

- are general unsubordinated obligations of the Issuer;
- rank *pari passu* with the holders of the Existing 2016 IGH Notes, have the benefit of security (as described under “—Security”) in the form of second ranking Security Interests over (i) 100% of the Capital Stock of IHL (the “**IHL Shares**”) and (ii) the Existing High Yield Notes Proceeds Loans, the Dollar IGH Notes Proceeds Loan and the Euro IGH Notes Proceeds Loan (collectively, the “**Notes Proceeds Loans**”), in each case ranking behind the security interests in respect thereof granted in favor of the lenders under the Senior Secured Credit Facilities, holders of the Existing Senior Secured Notes, the Hedge Counterparties to the extent that they are owed Hedging Liabilities and the Cash Management Banks to the extent they are owed Cash Management Liabilities;
- are guaranteed on a senior subordinated basis by the Guarantors;
- rank equally in right of payment with all existing and future Senior Indebtedness of the Issuer, including the Existing 2016 IGH Notes and the guarantees by the Issuer of the Existing Senior Secured Notes and the Senior Secured Term Loans Agreement;

- rank effectively senior to all existing and future Indebtedness or other liabilities of the Issuer that is unsecured or secured by Liens behind the Liens securing the Notes to the extent of the value of the Collateral (as defined below under “—Security”);
- rank senior in right of payment to all existing and future obligations of the Issuer that are expressly subordinated in right of payment to the Notes;
- are effectively subordinated in right of payment to all of the liabilities of, including trade payables and letters of credit issued by, the Issuer’s Subsidiaries that do not guarantee the Notes.

As of December 31, 2012, after giving *pro forma* effect to the issuance of the Notes, the application of the proceeds therefrom and the other Transactions as described under “Use of Proceeds,” the Issuer would have had total consolidated loans and borrowings of €7,502.7 million.

Under the terms of the Intercreditor Deed, the proceeds of any enforcement of the Collateral will be applied, subject to the rights of creditors mandatorily preferred by law applying to companies generally, *pro rata* to repayment of the Senior Secured Credit Facilities, the Existing Senior Secured Notes, the Hedging Obligations to the extent the relevant counterparties accede to the Intercreditor Deed (the “**Hedging Liabilities**”) and the Cash Management Arrangements to the extent the relevant counterparties accede to the Intercreditor Deed (the “**Cash Management Liabilities**”) prior to repayment of the Notes and *pro rata* to repayment of the Notes and the Existing 2016 IGH Notes. The Intercreditor Deed limits the ability of the holders of the Notes and the Trustee to take enforcement action. Please see “—Enforcement of Security,” and “Description of Other Indebtedness—Intercreditor Deed.”

The Notes are effectively subordinated to all existing and future secured Indebtedness of the Issuer to the extent of the value of the assets securing such Indebtedness, including with respect to the Existing Senior Secured Notes, the Senior Secured Credit Facilities, the Hedging Liabilities, the Cash Management Liabilities and the BP Creditor Liabilities. In addition, the Notes are effectively subordinated to all existing and future Indebtedness and other liabilities of the Issuer’s subsidiaries that do not guarantee the Notes. The Notes Proceeds Loans and the ownership of 100% of the shares of Lux I are the only significant assets of the Issuer. The security granted over the Notes Proceeds Loans and the pledges of the IHL Shares rank junior to security granted over or, the pledges of, as the case may be, these assets securing certain Indebtedness, including Indebtedness under the Existing Senior Secured Indentures, the Senior Secured Term Loans Agreement, the Hedging Liabilities, the Cash Management Liabilities and the Credit Support Deed.

The Indenture and the Intercreditor Deed permit the Issuer to issue Indebtedness secured by Liens on the Collateral securing the Notes, which Liens may, under certain circumstances, rank ahead of the Security Interests on the Collateral securing the Notes. Please see “—Certain Covenants—Limitation on Indebtedness” and “—Certain Covenants—Limitation on Liens.”

### ***The Guarantees***

The Notes are guaranteed by the Guarantors. Each Guarantee:

- is a senior subordinated obligation of the Guarantors;
- is joint and several and will be subordinated in right of payment to all existing and future Senior Indebtedness (including any Second Secured Liabilities, to the extent incurred in the future) of the applicable Guarantor, which includes the subsidiary guarantees under the Existing Senior Secured Notes and the Senior Secured Credit Facilities;
- ranks equally in right of payment with all existing and future senior subordinated Indebtedness of the applicable Guarantor, including, with respect to the Guarantee of each Guarantor, Indebtedness under the Existing High Yield Notes Indenture and, with respect to the Guarantee by IHL, the Notes Proceeds Loans; and
- ranks senior in right of payment to all existing and future Subordinated Indebtedness of the applicable Guarantor.

The Guarantees are effectively subordinated to any existing and future secured Indebtedness of the applicable Guarantor (including the Senior Secured Credit Facilities, the Existing Senior Secured Notes, the Hedging Liabilities and the Cash Management Liabilities) and other obligations, including the BP Creditor Liabilities, to the extent of the value of the assets securing such Indebtedness (unless such assets also secure the Guarantees on an equal and ratable or senior basis). In the event of a bankruptcy or insolvency, each applicable Guarantor's secured lenders will have a prior secured claim to any collateral of such Guarantor securing the debt owed to them. The Guarantees are subject to the subordination, payment blockage and turnover provisions set forth in the Intercreditor Deed. Please see "—Description of Other Indebtedness—Intercreditor Deed."

Not all of the Issuer's Restricted Subsidiaries will guarantee the Notes. However, each of the Issuer's Subsidiaries that as of the Issue Date will guarantee the Existing Senior Secured Notes, the Senior Secured Credit Facilities and, on a senior subordinated basis, the Existing 2016 IGH Notes will also guarantee the Notes. On the Issue Date, the Notes were jointly and severally guaranteed on a senior subordinated basis by the Initial Stage Guarantors. The Initial Stage Guarantors together represent 79.8% of the Issuer's consolidated EBITDA for the fiscal year ended December 31, 2012 and hold 69.7% of the Issuer's consolidated total assets as of December 31, 2012.

The Issuer and the Initial Stage Guarantors were required to take such necessary actions, and the Issuer was to cause its Restricted Subsidiaries to take such necessary actions, so that on the date that is 30 days following the Issue Date, the Second Stage Guarantors would become Guarantors by executing and delivering to the Trustee a supplemental indenture substantially in the form attached as an exhibit to the Indenture. The Second Stage Guarantors delivered the afore-mentioned executed supplemental indenture and became Guarantors on June 5, 2013. The Guarantors (upon the Second Stage Guarantors becoming Guarantors) represent 90.2% of the Issuer's consolidated EBITDA for the fiscal year ended December 31, 2012 and will hold 88.0% of the Issuer's consolidated total assets as of December 31, 2012.

The obligations of the Guarantors under their Guarantees are limited as necessary to recognize certain limitations imposed due to local law and defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. Please see "Description of the Collateral and the Guarantees," "Risk Factors—Risks Relating to the Notes and Our Capital Structure—Insolvency laws—Relevant insolvency laws in England and other jurisdictions may provide you with less protection than U.S. bankruptcy law" and "Risk Factors—Risks Relating to the Notes and Our Capital Structure—Guarantees and Collateral limitations—The guarantees and pledges of collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability".

The obligations of any Guarantor under its Guarantee will be automatically and unconditionally released and discharged in certain circumstances. Please see "—Description of Other Indebtedness—Intercreditor Deed" and "—Release of the Guarantees."

### ***Release of the Guarantees***

A Guarantor's Guarantee will be automatically and unconditionally released:

- (a) in connection with any sale or other disposition (including any transfer to a Permitted Joint Venture) of all or substantially all of the assets of such Guarantor (including by way of merger or consolidation) (including, for the avoidance of doubt, after giving effect to any substantially concurrent sales or other dispositions to the Issuer, a Guarantor or a Restricted Subsidiary) to a Person that is not (either before or after giving effect to such transaction) the Issuer, a Guarantor or a Restricted Subsidiary, if the sale or other disposition does not violate the requirements of the covenant set forth under the heading "—Certain Covenants—Limitation on Sale of Assets";
- (b) in connection with any other sale or other disposition (including any transfer to a Permitted Joint Venture) of all or substantially all of the Capital Stock (or the shares of any holding company of such Guarantor) of such Guarantor to a Person that is not (either before or after giving effect to such transaction) the Issuer, a Guarantor or a Restricted Subsidiary, if the sale or other disposition does not violate the requirements of the covenant set forth under the heading "—Certain Covenants—Limitation on Sale of Assets";

- (c) if the Issuer designates such Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;
- (d) upon covenant defeasance as provided below under the caption “—Defeasance or Covenant Defeasance of Indenture”;
- (e) upon legal defeasance or satisfaction and discharge of the Indenture as provided below under the captions “—Defeasance or Covenant Defeasance of Indenture” and “—Satisfaction and Discharge”;
- (f) so long as no Event of Default has occurred and is continuing and such Guarantor is unconditionally released and discharged from its liability with respect to Indebtedness in connection with which such guarantee was executed pursuant to the covenant described under the caption “—Certain Covenants—Limitation on Issuance of Guarantees of Indebtedness by Restricted Subsidiaries”;
- (g) as described under “—Consolidation, Merger, Sale of Assets” and “—Modifications and Amendments”;  
and
- (h) with respect to a Guarantor that is an Immaterial Subsidiary, so long as no Event of Default has occurred and is continuing, to the extent that such Guarantor (i) is unconditionally released and discharged from its liability with respect to the Senior Secured Credit Facilities, the Existing Senior Secured Notes and the Existing 2016 IGH Notes and (ii) does not guarantee any other Credit Facilities or Public Debt.

In addition, the Intercreditor Deed provides for the release of certain Guarantees upon an enforcement sale specified in the Intercreditor Deed. See “Description of Other Indebtedness—Intercreditor Deed.” The Indenture provides that any release of a Guarantee may be evidenced, at the Issuer’s option, by the delivery by the Issuer to the Trustee of an Officer’s Certificate of the Issuer, and the Trustee may acknowledge and confirm receipt of such Officer’s Certificate.

### *Security*

The obligations of the Issuer under the Notes and the Existing 2016 IGH Notes are secured on a *pari passu* basis by second ranking security over the IHL Shares and the Notes Proceeds Loans, in each case ranking junior to the security granted over those assets in favor of the lenders under the Senior Secured Credit Facilities, the holders of the Existing Senior Secured Notes, the Hedge Counterparties under the Hedging Liabilities and the Cash Management Banks under the Cash Management Liabilities. The IHL Shares, the Notes Proceeds Loans and any future collateral securing any Notes are referred to as the “**Collateral**”. The security agreement in respect of the charge over the IHL Shares and the assignment of the Notes Proceeds Loans is referred to as the “**Security Document**”. The security interests created by the Security Document that secure the obligations under the Notes are referred to as the “**Security Interests**”. So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange’s Euro MTF Market, a copy of the Security Document will be made available upon request to our Paying Agent in Luxembourg.

The requirements for the granting of Liens under the Indenture, arising at any time on or after the Issue Date, will generally be subject to certain security principles described under “—Security Principles.” In addition, the Liens on the Collateral are, or will be, subject to certain limitations and are at all times in all cases subject to the requirements of applicable law. Please see “Risk Factors—Risks Relating to the Notes and Our Capital Structure—Insolvency laws—Relevant insolvency laws in England and other jurisdictions may provide you with less protection than U.S. bankruptcy law” and “Risk Factors—Risks Relating to the Notes and Our Capital Structure—Guarantees and Collateral limitations—The guarantees and pledges of Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.”

The Indenture provides that each of the Issuer and the Guarantors shall take such necessary actions and shall cause its respective Restricted Subsidiaries to take such necessary actions so that Liens over the Collateral in respect of the Notes shall be granted to the Collateral Agent on behalf of, and for the benefit of, the holders of the Notes pursuant to the Security Document as contemplated by the Indenture.

The Issuer and each Guarantor shall, and shall procure that each of its respective Subsidiaries shall, at its own expense, execute and do all such acts and things and provide such assurances as the Collateral Agent may reasonably require (i) for registering the Security Document in any required register and for perfecting or protecting the security intended to be

afforded by such Security Document relating to the Collateral and (ii) if the Security Document has become enforceable in accordance with the terms of the Indenture, the Security Document and the Intercreditor Deed, for facilitating the realization of all or any part of the assets which are subject to such Security Document and for facilitating the exercise of all powers, authorities and discretions vested in the Collateral Agent or in any receiver of all or any part of the Collateral. The Issuer and each Guarantor shall, and shall procure that each of its respective Subsidiaries shall, execute such transfers, conveyances, assignments and releases of that property whether to the Collateral Agent or to its nominees and give such notices, orders and directions which the Collateral Agent may reasonably request.

Subject to certain conditions, including compliance with the covenants described under “—Certain Covenants—Impairment of Security Interest” and “—Certain Covenants—Limitation on Liens,” the Issuer and its Restricted Subsidiaries are permitted to grant Liens on the Collateral in connection with certain future incurrences of Indebtedness, including any Additional Notes permitted under the Indenture, on terms consistent with the relative priority of such Indebtedness. In addition, the Indenture and the Intercreditor Deed also permit the Issuer and its Restricted Subsidiaries to issue Indebtedness secured by Liens on the Collateral, which Liens may, under certain circumstances, rank ahead of the Security Interests on the Collateral. Please see “—Certain Covenants—Limitation on Liens” and “—Certain Covenants—Impairment of Security Interest.”

Each holder of the Notes, by accepting a Note, shall be deemed (i) to have authorized (a) the Trustee and the Collateral Agent to enter into the Intercreditor Deed and (b) the Collateral Agent to enter into the Security Document and (ii) in each case to have agreed to be bound thereby. Each holder of the Notes, by accepting a Note, appoints the Collateral Agent as its agent under the Security Document and authorizes it to act as such.

The Indenture provides that, subject to the terms thereof and of the Security Document (including the terms described under “—Enforcement of Security” and “—Release of Security”), the Notes and the Indenture, as applicable, are secured by the Security Interests in the Collateral until all obligations under the Notes and the Indenture have been discharged.

In the event that the Issuer or any of its Subsidiaries enters into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Document could be subject to potential challenges. If any challenge to the validity of the Security Interests is successful, the holders of the Notes may not be able to recover any amounts under the Security Document. Please see “Risk Factors—Risks Relating to the Notes and our Capital Structure—Insolvency laws—Relevant insolvency laws in England and other jurisdictions may provide you with less protection than U.S. Bankruptcy Law” and “Risk Factors—Risks Relating to the Notes and Our Capital Structure—Guarantees and Collateral limitations—The guarantees and pledges of Collateral are, or will be, subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability”.

### ***Security Principles***

The Indenture provides that certain requirements for the granting of Liens in favor of the Notes are generally subject to the following security principles, which provides that no Lien is required to be created or perfected, as applicable, by any person if such Lien could reasonably be expected to give rise to or result in:

- (1) personal liability for the officers, directors or shareholders of such Person;
- (2) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to the Issuer or its Restricted Subsidiary or such other Person; or
- (3) any significant cost, expense, liability or obligation (including with respect of any taxes) other than reasonable out of pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (2) above undertaken in connection with, such Lien, which cannot be avoided through measures reasonably available to the Issuer or its Restricted Subsidiaries or such other Person; *provided* that this clause (3) will not apply in respect of Liens to secure assets that also (i) secure the Senior Secured Term Loans Agreement or (ii) in the case of Liens required to be created under the covenant set forth under the heading “—Certain Covenants—Limitation on Liens”, any other Indebtedness secured by Initial Liens.



Each Lien will also be limited as necessary to recognize certain defenses generally available to grantors of Liens (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

### ***Enforcement of Security***

The Security Document provides that the rights of the holders of the Notes with respect to the assignment of the Collateral must be exercised by the Collateral Agent or a Person appointed to act for or on behalf of the Collateral Agent. Because the holders of the Notes are not a party to the Security Document, holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Document. The holders may only act through the Trustee. The affirmative vote of the holders of more than 50% in aggregate principal amount of, collectively, the Notes and any Pari Passu Indebtedness (including the Existing 2016 IGH Notes), will be required in order to direct any action to enforce any rights in their favor under the Security Document. The Trustee will not be entitled to take any enforcement action under the Security Document after the occurrence of a Default or any other event that would cause the Notes to become due and payable unless:

- (a) the Senior Discharge Date and (to the extent there are Second Secured Liabilities incurred in the future) the Second Secured Discharge Date have occurred;
- (b) the High Yield Standstill Period (under and as defined in the Intercreditor Deed, please see “Description of Other Indebtedness—”Intercreditor Deed—Entitlement to Enforce”) has expired; or
- (c) the Collateral Agent is otherwise entitled by the terms of the Intercreditor Deed to take enforcement action under the Security Document.

Any instruction to the Trustee or Collateral Agent by holders of the Notes in respect of enforcement of the Collateral must be given by the holders of more than 50% of aggregate principal amount of the Notes then outstanding.

The order of the application of proceeds from an enforcement of the Collateral will be governed by the terms of the Intercreditor Deed. Please see “—Description of Other Indebtedness—Intercreditor Deed—Application of Proceeds.”

### ***Release of Security***

The Security Interests on the Collateral will be automatically and unconditionally released without any action by the Trustee, the Collateral Agent or the holders of the Notes, as the case may be:

- (a) in connection with any sale or other disposition of the property or assets to a Person that is not the Issuer or a Restricted Subsidiary, if the sale or other disposition does not violate the requirements of the covenant set forth under “—Certain Covenants—Limitation on Sale of Assets” or is otherwise permitted in accordance with the Indenture; *provided* that this clause (a) shall not apply to the IHL Shares and the Notes Proceeds Loans;
- (b) if such Collateral is an asset of a Guarantor or any of its Subsidiaries, in connection with any sale or other disposition of Capital Stock of that Guarantor to a Person that is not the Issuer or a Restricted Subsidiary that does not violate the requirements of the covenant set forth under “—Certain Covenants—Limitation on Sale of Assets”; *provided* that this clause (b) shall not apply to the IHL Shares and the Notes Proceeds Loans;
- (c) in the case of a Guarantor that is released from its Guarantee pursuant to the terms of the Indenture, the Security Document, the Intercreditor Deed or any additional intercreditor agreement (which release shall be of the Security Interests on the property and assets, and Capital Stock, of such Guarantor); *provided* that this clause (c) shall not apply to the IHL Shares and the Notes Proceeds Loans;
- (d) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture (which release shall be of the Security Interests on the property and

assets, and Capital Stock, of such Subsidiary); *provided* that this clause (d) shall not apply to the IHL Shares and the Notes Proceeds Loans;

- (e) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions “—Defeasance or Covenant Defeasance of Indenture” and “—Satisfaction and Discharge;”
- (f) as described under “—Modifications and Amendments;”
- (g) in connection with an enforcement sale pursuant to or other sales contemplated and permitted by the Intercreditor Deed (please see “Description of Other Indebtedness—Intercreditor Deed”);
- (h) with respect to Security Interests on the Notes Proceeds Loans, upon the payment in full or other discharge of the applicable Notes Proceeds Loans; and
- (i) to release and/or re-take any Security Interest on any Collateral to the extent otherwise permitted by the terms of the Indenture, the Security Document or the Intercreditor Deed or any additional intercreditor agreement.

Notwithstanding the above, the Issuer and each Guarantor that granted a Security Interest under a Security Document, may, without any release or consent by the Trustee or the Collateral Agent, take any action in the ordinary course in respect of the Collateral not prohibited under the Security Document, the Intercreditor Deed and this Indenture including, without limitation, selling, transferring or otherwise disposing of assets in the ordinary course of business; *provided, however*, that any sale, transfer or other disposal of the IHL Shares and the Notes Proceeds Loans will be deemed not to be in the ordinary course of business. See “Risk Factors—Risks Relating to the Notes and our Capital Structure—There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the guarantees will be released automatically and under which the guarantees will be released automatically, without your consent or the consent of the Trustee.”

The Indenture provides that any release of a Security Interest on Collateral may be evidenced, at the Issuer’s option, by the delivery by the Issuer to the Trustee and the Collateral Agent of an Officer’s Certificate of the Issuer, and that the Trustee and the Collateral Agent may acknowledge and confirm receipt of such Officer’s Certificate.

#### ***Other***

Subject to the terms of the Security Document, and subject to certain exceptions required to ensure the Security Interests under the Security Document are perfected, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral, to collect, invest and dispose of any income therefrom and to vote in relation to the pledged shares.

No appraisal of any of the Collateral has been prepared by or on behalf of the Issuer in connection with the issuance of the Notes. There can be no assurance that the proceeds from the sale of the Collateral remaining after the satisfaction of all obligations owed to holders of senior priority liens which have priority over the Security Interest pledged in favor of the holders of the Notes and after sharing with other creditors entitled to share in such proceeds would be sufficient to satisfy the obligations owed to the holders of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral will be able to be sold in a short period of time, if at all. In addition, the Intercreditor Deed places limitations on the ability of the Senior Security Agent or (after the Senior Discharge Date but prior the Second Secured Discharge Date, a Second Secured Representative (to the extent there are Second Secured Liabilities incurred in the future)) to cause the sale of the Collateral, by reference to the interests of certain creditors, including lenders under the Senior Secured Term Loans Agreement, holders of the Notes, holders of the Existing Senior Secured Notes and holders of the Existing 2016 IGH Notes. These limitations may include requirements that some or all of the Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation.

The Indenture provides that each holder, by accepting a Note, shall be deemed to have authorized the execution and delivery of, and to have agreed to and accepted the terms and conditions of, the Security Document and the Intercreditor Deed.

### ***The Notes Proceeds Loans***

The Issuer, as lender, and IHL, as borrower, entered into a proceeds loans agreement pursuant to which the Issuer loaned to IHL the proceeds from the issuance of the Dollar IGH Notes (the “**Dollar IGH Notes Proceeds Loan**”) and the Euro IGH Notes (the “**Euro IGH Notes Proceeds Loan**”). On or about the Issue Date, the Existing High Yield Notes Proceeds Loans were partly repaid with the proceeds of the Dollar IGH Notes Proceeds Loan and the Euro IGH Notes Proceeds Loan. The Existing High Yield Notes Proceeds Loans Agreement and the agreement in respect of the Dollar IGH Notes Proceeds Loan and the Euro IGH Notes Proceeds Loan are collectively referred to as the “**Notes Proceeds Loans Agreements**”).

The Dollar IGH Notes Proceeds Loan is denominated in dollars in an aggregate principal amount equal to the aggregate principal amount of the Dollar IGH Notes. The Euro IGH Notes Proceeds Loan is denominated in euro in an aggregate principal amount equal to the aggregate principal amount of the Euro IGH Notes. The Dollar IGH Notes Proceeds Loan bears interest at a rate equal to no greater than the amount required to enable the Issuer to make payments of principal, premium and interest (including Additional Amounts and default interest) and any costs, fees and expenses under the Dollar IGH Notes. The Euro IGH Notes Proceeds Loan bears interest at a rate equal to no greater than the amount required to enable the Issuer to make payments of principal, premium and interest (including Additional Amounts and default interest) and any costs, fees and expenses under the Euro IGH Notes. Interest on the Dollar IGH Notes Proceeds Loan will be payable semi-annually in arrears on or prior to each February 15 and August 15, commencing with February 15, 2014 and interest on the Dollar IGH Notes Proceeds Loan will be payable semi-annually in arrears on or prior to each February 15 and August 15, commencing with February 15, 2014. IHL’s obligations to repay the Notes Proceeds Loans will not be secured.

The Notes Proceeds Loans Agreement in respect of the Dollar IGH Notes Proceeds Loan and the Euro IGH Notes Proceeds Loan is subject to the terms of the Intercreditor Deed and provides that IHL will pay the Issuer interest and principal due and payable on the Dollar IGH Notes and the Euro IGH Notes and, in each case, any Additional Amounts due thereunder. All amounts payable under the Notes Proceeds Loans is payable to such account or accounts with such Person or Persons as the Issuer may designate. The maturity date for each of the Dollar IGH Notes Proceeds Loan and the Euro IGH Notes Proceeds Loan is the same as the maturity date of the Dollar IGH Notes and the Euro IGH Notes, respectively.

The obligations of IHL in respect of the Notes Proceeds Loans ranks *pari passu* with the obligations of IHL in respect of its guarantee of the Notes and the Existing 2016 IGH Notes and, in accordance with the Intercreditor Deed, junior to the obligations of IHL in respect of its guarantee of the Senior Secured Credit Facilities, the Existing Senior Secured Notes and its obligations under the Existing Senior Secured Notes Proceeds Loans and the SFA Proceeds Loans. Except as otherwise required by law, all payments under the Notes Proceeds Loans Agreements will be made without deductions or withholding for, or on account of, any applicable tax. In the event that IHL is required to make any such deduction or withholding, it shall gross-up each payment to the Issuer to ensure that the Issuer receives and retains a net payment equal to the payment which it would have received had no such deduction or withholding been made.

The Notes Proceeds Loans Agreement in respect of the Dollar IGH Notes Proceeds Loan and Euro IGH Notes Proceeds Loan provides that IHL will make all payments pursuant thereto on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Dollar IGH Notes and the Euro IGH Notes, as the case may be, and the Indenture, taking into account the administrative and timing requirements under the Indenture with respect to amounts payable on the Dollar IGH Notes and the Euro IGH Notes; *provided* however, pursuant to the Intercreditor Deed, IHL will only make payments on the any Notes Proceeds Loans to the extent that payments are not prohibited under a payment blockage notice.

The Notes Proceeds Loans were assigned by way of security to the Security Trustee for the benefit of holders of the Existing Senior Secured Notes, the creditors under the Senior Secured Credit Facilities, the Hedge Counterparties and the Cash Management Banks on a first priority basis and will be assigned by way of security to the Collateral Agent for the benefit of holders of the Dollar IGH Notes, the Euro IGH Notes and the Existing 2016 IGH Notes on a second ranking basis as described in “Description of the Collateral and the Guarantees.”

### **Principal, Maturity and Interest**

The Dollar IGH Notes initially were issued in the aggregate principal amount of \$678 million and will mature at par, on August 15, 2018, unless redeemed prior thereto as described herein. The Euro IGH Notes initially will be issued in the aggregate principal amount of €500 million and will mature on August 15, 2018, unless redeemed prior thereto as described

herein. The Indenture permits additional Dollar IGH Notes (the “**Additional Dollar IGH Notes**”) and additional Euro IGH Notes (the “**Additional Euro IGH Notes**”, together with the Additional Dollar IGH Notes, the “**Additional Notes**”) to be issued from time to time, subject to certain limitations described under “—Certain Covenants—Limitation on Indebtedness”; *provided*, however, that any Additional Notes that are issued with the same CUSIP, ISIN or common code number will be fungible with the previously issued Notes for U.S. federal income tax purposes. Each of the Dollar IGH Notes and the Euro IGH Notes constitute a separate series of Notes. The Notes are, and any Additional Notes will be, treated as a single class for all purposes of the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise provided for in the Indenture.

The Dollar IGH Notes bears interest at the rate of 6.125% per annum and the Euro IGH Notes bears interest at the rate of 6.500% per annum, in each case, from and including May 14, 2013 or from and including the most recent interest payment date to which interest has been paid, payable semi-annually in arrears on February 15 and August 15 in each year, commencing on February 15, 2014. The Issuer will make each interest payment to the holders of record of the Notes on the immediately preceding February 1 and August 1. Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the interest payment date it was most recently paid. Interest on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on overdue principal and, to the extent permitted by law, on overdue installments of interest will accrue at the rate of interest borne by the Notes.

Principal of, premium, if any, any applicable Additional Amounts and interest on the Notes will be payable, and the Notes will be exchangeable and transferable, at the office or agency of the Issuer in London maintained for such purposes (which initially will be the corporate trust office of the Trustee) and, so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange’s Euro MTF Market, at the offices of the Paying Agent in Luxembourg. Principal, interest and premium, if any, on the global notes (as described below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to Notes represented by one or more global notes registered in the name of or held by a nominee of DTC, Euroclear and/or Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the holder or holders thereof.

The Dollar IGH Notes are initially represented by one or more global notes and were issued in fully registered form without coupons attached and in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof. The Euro IGH Notes are initially represented by one or more global notes and will be issued in fully registered form without coupons attached and in minimum denominations of €100,000 and integral multiples of € 1,000 in excess thereof. The global notes were deposited with a custodian for DTC or with a common depository for Euroclear or Clearstream or its nominee, as applicable. Ownership of interests in the global notes, referred to as “book-entry interests,” will be limited to Persons that have accounts with DTC, Euroclear and/or Clearstream, as applicable, or Persons that may hold interests through their participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC, Euroclear and/or Clearstream, as applicable, and their participants. Please see “Book-Entry, Delivery and Form.”

Settlement for the Notes will be made in same day funds. All payments of principal, any applicable Additional Amounts and interest will be made by the Issuer in same day funds.

When issued, the Notes were a new issue of securities with no established trading market. No assurance can be given as to the liquidity of the trading market for the Notes. Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be traded on the Luxembourg Stock Exchange’s Euro MTF Market.

## **Optional Redemption**

### ***Dollar IGH Notes***

The Dollar IGH Notes are subject to redemption at any time prior to May 15, 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 a redemption price equal to 100% of the principal amount thereof, plus the Applicable Redemption Premium and accrued and unpaid interest and applicable Additional Amounts (if any) to, but not including, the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

The Dollar IGH Notes are subject to redemption at any time on or after May 15, 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 15 of the year indicated below:

<u>Year</u>	<u>Dollar IGH Notes Redemption Price</u>
2015 .....	103.063%
2016 .....	101.531%
2017 and thereafter .....	100.000%

together with any applicable Additional Amounts and 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).

In addition, at any time on or prior to May 15, 2015, the Issuer or any Parent, at its option, may use the net cash proceeds of one or more Public Equity Offerings to redeem the Dollar IGH Notes and Additional Dollar IGH Notes in an amount up to an aggregate of 35% of the sum of the initial aggregate principal amount of the Dollar IGH Notes originally issued under the Indenture and the initial aggregate principal amounts of any Additional Dollar IGH Notes issued under the Indenture after the Issue Date at a redemption price equal to 106.125% of the aggregate principal amount of the Dollar IGH Notes, plus any applicable Additional Amounts and 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); *provided* that the Dollar IGH Notes and Additional Dollar IGH Notes in an amount equal to at least 65% of the sum of the initial aggregate principal amount of Dollar IGH Notes originally issued under the Indenture and the initial aggregate principal amount of any Additional Dollar IGH Notes issued under the Indenture after the Issue Date remains outstanding immediately after the occurrence of such redemption. In order to effect the foregoing redemption, the Issuer must mail a notice of redemption no later than 60 days after the closing of the related sale and must consummate such redemption within 90 days of the closing of the sale.

#### ***Euro IGH Notes***

The Euro IGH Notes will be subject to redemption at any time prior to May 15, 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 a redemption price equal to 100% of the principal amount thereof, plus the Applicable Redemption Premium and accrued and unpaid interest and applicable Additional Amounts (if any) to, but not including, the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

The Euro IGH Notes will be subject to redemption at any time on or after May 15, 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 15 of the year indicated below:

<u>Year</u>	<u>Euro IGH Notes Redemption Price</u>
2015 .....	103.250%
2016 .....	101.625%
2017 and thereafter .....	100.000%

together with any applicable Additional Amounts and 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).

In addition, at any time on or prior to May 15, 2015, the Issuer or any Parent, at its option, may use the net cash proceeds of one or more Public Equity Offerings to redeem the Euro IGH Notes and Additional Euro IGH Notes in an amount up to an aggregate of 35% of the sum of the initial aggregate principal amount of the Euro IGH Notes originally issued under the Indenture and the initial aggregate principal amounts of any Additional Euro IGH Notes issued under the Indenture after the Issue Date at a redemption price equal to 106.500% of the aggregate principal amount of the Euro IGH Notes, plus any applicable Additional Amounts and 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); *provided* that the Euro IGH Notes and Additional Euro IGH Notes in an amount equal to at least 65% of the sum of the initial aggregate principal

amount of Euro IGH Notes originally issued under the Indenture and the initial aggregate principal amount of any Additional Euro IGH Notes issued under the Indenture after the Issue Date remains outstanding immediately after the occurrence of such redemption. In order to effect the foregoing redemption, the Issuer must mail a notice of redemption no later than 60 days after the closing of the related sale and must consummate such redemption within 90 days of the closing of the sale.

### ***Selection and Notice of Optional Redemption***

If less than all of the Dollar IGH Notes or Euro IGH Notes, as the case may be, are to be redeemed at any time, the Trustee shall select such Dollar IGH Notes or Euro IGH Notes for redemption on a *pro rata* basis or by lot (or, in the case of Notes issued in global form as discussed under “Book-Entry, Delivery and Form,” based on a method that most nearly approximates a *pro rata* or by lot selection as the Trustee deems fair and appropriate) unless otherwise required by applicable law or applicable stock exchange or depository requirements. The Trustee shall not be liable for any selection made by it under this paragraph.

No Dollar IGH Notes shall be redeemed in part if the resulting Dollar IGH Note would have a minimum denomination that is less than \$200,000. No Euro IGH Note shall be redeemed in part if the resulting Euro IGH Note would have a minimum denomination that is less than €100,000. Notices of redemption shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture, in each case in accordance with the provisions of the Indenture.

A notice of redemption shall state: the redemption date and record date; the redemption price and the amount of accrued and unpaid interest, if any, and applicable Additional Amounts, if any, to be paid; the paragraph of the Dollar IGH Notes or the Euro IGH Notes pursuant to which such Notes are being redeemed; the name and address of the Paying Agent; that the Dollar IGH Notes or Euro IGH Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price, plus accrued and unpaid interest, if any, and applicable Additional Amounts, if any, that unless the Issuer defaults in making the redemption payment, interest, if any, and applicable Additional Amounts, if any, on the Dollar IGH Notes or the Euro IGH Notes called for redemption shall cease to accrue on and after the redemption date; if any Dollar IGH Note or Euro IGH Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed, and that the only remaining right of the holders of such Dollar IGH Notes or the Euro IGH Notes is to receive payment of the redemption price upon surrender to the Paying Agent of such Notes; that, if less than all the Dollar IGH Notes or Euro IGH Notes are to be redeemed, the identification of the particular Notes and the principal amount (or portion thereof) of such Dollar IGH Notes or Euro IGH Notes to be redeemed and the aggregate principal amount of Dollar IGH Notes or Euro IGH Notes to be outstanding after such partial redemption; whether the redemption is conditioned on any events and, if so, a detailed explanation of such conditions; and that no representation is made as to the correctness or accuracy of the CUSIP, ISIN or Common Code numbers, if any, listed in such notice or printed on the Dollar IGH Notes or Euro IGH Notes is made. Subject to the satisfaction of any conditions precedent set forth in a notice of redemption, Dollar IGH Notes or Euro IGH Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on the Dollar IGH Notes or Euro IGH Notes or portions of them called for redemption.

So long as any Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange’s Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will inform the Luxembourg Stock Exchange of any such redemption and will publish a notice regarding such redemption in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the Luxembourg Stock Exchange’s official website, [www.bourse.lu](http://www.bourse.lu).

### **Redemption upon Changes in Withholding Taxes**

If, as a result of:

- (a) any amendment to, or change in, the laws (or regulations or rulings promulgated thereunder) of any Relevant Taxing Jurisdiction (as defined below under “—Payment of Additional Amounts”); or
- (b) any change in the official application or the official interpretation or administration of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice) (each of the foregoing in clauses (a) and (b), a “**Change in Tax Law**”),

the Issuer, any Guarantor or Surviving Entity (as defined below under “—Consolidation, Merger, Sale of Assets”) would be obligated to pay, on the next date for any payment, Additional Amounts, as described below under “—Certain Covenants— Payment of Additional Amounts,” which the Issuer, such Guarantor or such Surviving Entity cannot avoid by the use of reasonable measures available to it (including, without limitation, making payment through a Paying Agent located in another jurisdiction), then the Issuer or the Surviving Entity, as the case may be, may redeem, at their option, all, but not less than all, of the Notes at any time on or after the Issue Date and following such amendment or change, upon not less than 30 nor more than 60 days’ notice, at a redemption price of 100% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date. In the case of the United Kingdom or any other jurisdiction that is a Relevant Taxing Jurisdiction on the Issue Date, the applicable Change in Tax Law must become effective on or after the date of this offering memorandum. In the case of a jurisdiction that becomes a Relevant Taxing Jurisdiction after the Issue Date, the applicable Change in Tax Law must become effective after the date that such jurisdiction becomes a Relevant Taxing Jurisdiction.

Prior to the giving of any notice of redemption described in this paragraph, the Issuer or the Surviving Entity, as the case may be, will deliver to the Trustee:

- (i) an Officer’s Certificate of the Issuer, or the Surviving Entity, as the case may be, stating that the obligation to pay such Additional Amounts cannot be avoided by the Issuer, such Guarantor or such Surviving Entity taking reasonable measures available to it; and
- (ii) a written opinion of independent legal counsel of recognized standing addressed to the Issuer or the Surviving Entity, as the case may be, to the effect that the Issuer, such Guarantor or such Surviving Entity has or will become obligated to pay such Additional Amounts as a result of a Change in Tax Law described above.

The Trustee will accept such Officer’s Certificate and opinion as sufficient evidence of the satisfaction of the conditions to a redemption upon a Change in Tax Law, including any changes in withholding taxes, in which event it will be conclusive and binding on the holders of the Notes.

Notwithstanding the foregoing, no such notice will be given (a) earlier than 90 days prior to the earliest date on which the Issuer or the relevant Surviving Entity or Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment were then due and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect.

### **Payment of Additional Amounts**

All payments by or on behalf of the Issuer, any Guarantor or any Surviving Entity under or with respect to the Notes, or any Guarantor with respect to any Guarantee, will be made free and clear of, and without withholding or deduction for, or on account of, any present or future tax, duty, levy, impost, assessment, withholding or other governmental charges (including, without limitation, penalties, interest and other similar liabilities related thereto) of whatever nature (collectively, “**Taxes**”), unless required by law or by the official interpretation or administration of law, or by an applicable certification, identification, information or other reporting requirement or agreement, if entering into or complying with such requirement or agreement is required by law as a precondition to relief or exemption from such Tax. If any amount for, or on account of, Taxes imposed or levied by or on behalf of any jurisdiction in which the Issuer, any Guarantor or, if applicable, any Surviving Entity, is incorporated, organized or otherwise subject to Tax or from or through which any payment is made on the Notes or by any taxing authority therein or political subdivision thereof (each, as applicable, a “**Relevant Taxing Jurisdiction**”) is required to be withheld or deducted from any payment made under or with respect to the Notes or any Guarantee, the Issuer, such Guarantor or such Surviving Entity, as the case may be, will pay such additional amounts (“**Additional Amounts**”) as may be necessary to ensure that the net amount received by each holder of the Notes after such withholding or deduction will be not less than the amount the holder would have received if such Taxes had not been required to be withheld or deducted.

Notwithstanding the foregoing, neither the Issuer, any Guarantor nor any Surviving Entity will, however, be required to pay Additional Amounts to a holder or a beneficial owner of Notes in respect of or on account of:

- (a) any Taxes that are imposed or levied by a Relevant Taxing Jurisdiction by reason of the holder’s or beneficial owner’s present or former connection with such Relevant Taxing Jurisdiction, including, without limitation, the holder or beneficial owner being, or having been, a citizen, national, or resident, being, or

- having been, engaged in a trade or business, being, or having been, physically present in or having or having had a permanent establishment in a Relevant Taxing Jurisdiction (but not including, in each case, any connection arising from the mere receipt or holding of Notes or the receipt of payments thereunder or under a Guarantee or the exercise or enforcement of rights under any Notes or the Indenture or a Guarantee);
- (b) any Taxes that are imposed or levied by reason of the failure of the holder or beneficial owner of Notes (or any financial institution through which the holder or beneficial owner holds the Notes or through which payment on the Notes is made), following the written request of the Issuer, any Guarantor or any Surviving Entity (as the case may be) made at a time that would enable the holder or beneficial owner (or any such financial institution) acting reasonably to comply with that request and in accordance with the notice procedures set forth in the Indenture, to comply with any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of withholding or deduction of, Taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction);
  - (c) any estate, inheritance, gift, sale, transfer, personal property or similar Taxes;
  - (d) any Tax that is payable otherwise than by withholding or deduction from payments made under or with respect to the Notes;
  - (e) any Tax that is imposed or levied by reason of the presentation (where presentation is required in order to receive payment) of such Notes for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever is later, except to the extent that the beneficial owner or holder thereof would have been entitled to Additional Amounts had the Notes been presented for payment on any date during such 30 day period;
  - (f) any withholding or deduction in respect of any Taxes where such withholding or deduction is imposed or levied on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;
  - (g) any withholding or deduction in respect of any Taxes where such withholding or deduction is imposed or levied on a payment pursuant to the Law of June 21st, 2005 which has transposed the provisions of the European Council Directive 2003/48/EC into the Luxembourg legislation;
  - (h) any Tax that is imposed or levied on or with respect to a payment made to a holder or beneficial owner of Notes who would have been able to avoid such withholding or deduction by presenting the Notes to another Paying Agent in a Member State of the European Union; or
  - (i) any combination of items (a) through (h) above.

Additional Amounts will not be paid with respect to the Notes to a holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of the payment under or with respect to the Notes, to the extent that payment would be required by the laws of a Relevant Taxing Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in that limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had it been the holder of the Notes.

The Issuer, the relevant Guarantor or the relevant Surviving Entity, as the case may be, will (i) make such withholding or deduction as is required by applicable law and (ii) remit the full amount withheld or deducted to the relevant taxing authority in accordance with applicable law.

At least 30 calendar days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Issuer, any Guarantor or a Surviving Entity will be obligated to pay Additional Amounts with respect to such



payment (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the Notes is due and payable, in which case it will be promptly thereafter), the Issuer, the relevant Guarantor or the relevant Surviving Entity (as the case may be) will deliver to the Trustee an Officer's Certificate stating that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Trustee to pay such Additional Amounts to holders on the payment date. The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary. The Issuer, the relevant Guarantor or the relevant Surviving Entity, as the case may be, will promptly publish a notice in accordance with the notice provisions set forth in the Indenture stating that such Additional Amounts will be payable and describing the obligation to pay such amounts.

Upon written request, the Issuer, the relevant Guarantor or the relevant Surviving Entity, as the case may be, will furnish to the Trustee or to a holder of the Notes copies of tax receipts evidencing the payment of any Taxes by the Issuer, such Guarantor or such Surviving Entity in such form as provided in the normal course by the taxing authority imposing such Taxes and as is reasonably available to the Issuer, such Guarantor or such Surviving Entity. If, notwithstanding the efforts of the Issuer, such Guarantor or such Surviving Entity to obtain such receipts, the same are not obtainable, the Issuer, such Guarantor or such Surviving Entity will provide the Trustee or such holder with other evidence reasonably satisfactory to the Trustee or the holder.

In addition, the Issuer, any Guarantor and any Surviving Entity, as the case may be, will pay any present or future stamp, issue, registration, court, documentation, excise or property taxes or other similar taxes, charges and duties, including interest and penalties with respect thereto, imposed by or in any Relevant Taxing Jurisdiction in respect of the execution, issue, enforcement or delivery of the Notes or any other document or instrument referred to thereunder (other than on or in connection with (i) a transfer of the Notes other than the initial resale by the Initial Purchasers or (ii) the issue of replacement Notes or certificated Notes pursuant to the Indenture).

Whenever the Indenture, the Notes or this "Description of the Notes" refers to, in any context, the payment of principal, premium, if any, interest or any other amount payable under or with respect to any Note or with respect to any Guarantee, such reference includes the payment of Additional Amounts, if applicable.

### **Currency Indemnity**

The dollar is the sole currency of account and payment for all sums payable by the Issuer or any Guarantor under the Dollar IGH Notes and any Guarantee of the Dollar IGH Notes. Any amount received or recovered in currency other than dollars in respect of the Dollar IGH Notes (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer, any Subsidiary of the Issuer or otherwise) by the Trustee or holder in respect of any sum expressed to be due to it from the Issuer or any Guarantor of the Dollar IGH Notes shall constitute a discharge of the Issuer or any Guarantor of the Dollar IGH Notes only to the extent of the dollar amount which the recipient is able to purchase with the amount so received or recovered in other currency on the date of that receipt or recovery (or, if it is not possible to make that purchase on that date, on the first date on which it is possible to do so). If that dollar amount is less than the dollar amount expressed to be due to the recipient under any Dollar IGH Note, the Issuer and each Guarantor of the Dollar IGH Notes, jointly and severally, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this indemnity, it will be sufficient for the holder to certify (indicating the sources of information used) that it would have suffered a loss had the actual purchase of dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of dollars on such date had not been possible, on the first date on which it would have been possible).

The euro is the sole currency of account and payment for all sums payable by the Issuer or any Guarantor under the Euro IGH Notes and any Guarantee of the Euro IGH Notes. Any amount received or recovered in currency other than euro in respect of the Euro IGH Notes (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer, any Subsidiary of the Issuer or otherwise) by the Trustee or holder in respect of any sum expressed to be due to it from the Issuer or any Guarantor of the Euro IGH Notes shall constitute a discharge of the Issuer or any Guarantor of the Euro IGH Notes only to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in other currency on the date of that receipt or recovery (or, if it is not possible to make that purchase on that date, on the first date on which it is possible to do so). If that euro amount is less than the euro amount expressed to be due to the recipient under any Euro IGH Note, the Issuer and each Guarantor of the Euro IGH Notes, jointly and severally, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this indemnity, it will be sufficient for the holder to certify (indicating the sources of information used) that it

would have suffered a loss had the actual purchase of euro been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of euro on such date had not been possible, on the first date on which it would have been possible).

Each of the above indemnities will, to the extent permitted by law:

- constitute a separate and independent obligation from the other obligations of the Issuer and any Guarantor;
- give rise to a separate and independent cause of action;
- apply irrespective of any waiver granted by any holder; and
- continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

The indemnities described in this paragraph shall be subordinated with respect to the Guarantors on the same basis as all other payment obligations of the Guarantors hereunder.

### **Sinking Fund**

The Notes will not be entitled to the benefit of any sinking fund.

### **Open Market Purchases**

The Issuer and the Restricted Subsidiaries may at any time and from time to time purchase Notes in the open market or otherwise.

### **Purchase of Notes upon a Change of Control**

If a Change of Control shall occur at any time, then each holder of Notes shall have the right to require that the Issuer purchase such holder's Notes in whole or in part (equal to \$200,000 or € 100,000, as the case may be, or an integral multiple of \$1,000 or €1,000, as the case may be, in excess thereof), at a purchase price (the "**Change of Control Purchase Price**") in cash in an amount equal to 101% of the principal amount of such Notes, plus any Additional Amounts and accrued and unpaid interest, if any, to, but not including, the date of purchase (the "**Change of Control Purchase Date**") (subject to the rights of holders of record on relevant record dates to receive interest due on an interest payment date), pursuant to the offer described below (the "**Change of Control Offer**") and in accordance with the other procedures set forth in the Indenture; *provided, however*, that the Issuer shall not be obliged to repurchase Notes as described under this heading "**—Purchase of Notes upon a Change of Control**" in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes as described under "**—Optional Redemption.**" No such purchase in part shall reduce the principal amount at maturity of the Notes held by any holder to below \$200,000, in the case of the Dollar IGH Notes, or €100,000, in the case of the Euro IGH Notes.

Within 30 days of any Change of Control, the Issuer shall notify the Trustee in writing thereof and give written notice of such Change of Control to each holder of Notes by first class mail, postage prepaid, at the address appearing in the security register, stating, among other things:

- that a Change of Control has occurred and the date of such event;
- the circumstances and relevant facts regarding such Change of Control (including, but not limited to, applicable information with respect to *pro forma* historical income, cash flow and capitalization after giving effect to the Change of Control);
- the purchase price and the purchase date which shall be fixed by the Issuer on a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed, or such later date as is necessary to comply with requirements under the U.S. Exchange Act;

- that any Note not tendered will continue to accrue interest and unless the Issuer defaults in payment of the Change of Control Purchase Price, any Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Purchase Date; and
- any other procedures that a holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

Notwithstanding the foregoing, the above referenced 30-day period will be extended (up to a maximum of 30 days) to the extent a change of control offer has commenced and is continuing with respect to the Existing 2019 Senior Secured Notes until such date necessary for payments made in connection with the Change of Control Offer to be made after the period required for payments made in connection with a change of control offer under Section 4.05(c)(v) of the Existing 2019 Senior Secured Notes Indenture as in effect as of the Issue Date.

The Issuer shall cause to be published through the newswire service of Bloomberg (or if Bloomberg does not then operate, any similar agency) and, so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, in Luxembourg (which is expected to be the Luxemburger Wort) or on the Luxembourg Stock Exchange's official website, [www.bourse.lu](http://www.bourse.lu), the notice described above.

The ability of the Issuer to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would constitute a mandatory prepayment event and/or an event of default under the Senior Secured Term Loans Agreement. In addition, certain events that may constitute a change of control under the Senior Secured Term Loans Agreement may not constitute a Change of Control under the Indenture. The future Indebtedness of the Issuer and its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of the Notes of their right to require the Issuer to repurchase the Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the ability of the Issuer to pay cash to the holders of the Notes upon a repurchase may be limited by its then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

The terms of the Senior Secured Term Loans Agreement and the Existing Senior Secured Indentures will (and other Indebtedness may) require us to prepay such Indebtedness either in advance of making a Change of Control Offer or substantially concurrently with making a Change of Control Offer. Consequently, if the Guarantors are not able to offer to prepay the Senior Secured Credit Facilities and the Existing Senior Secured Notes and any such Indebtedness containing similar restrictions or obtain requisite consents, as described above, the Issuer will be unable to fulfill its repurchase obligations if holders of the Notes exercise their repurchase rights following a Change of Control, thereby resulting in a default under the Indenture. A default under the Indenture may result in a cross-default under the Senior Secured Term Loans Agreement.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture will not contain provisions that permit the holders of the Notes to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a holder's right to require the Issuer to repurchase such holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The relevant Paying Agents will promptly mail to each holder of Notes properly tendered the Change of Control Purchase Price for such Notes and the Trustee will, in respect of the global notes, make such notations thereon as are necessary to reflect the Notes (or interest therein) purchased in such Change of Control Offer and, in respect of certificated notes, cause to be authenticated and mailed to each holder a new note or notes equal in principal amount to any unpurchased portion of Notes surrendered, if any; *provided* that each such new note will be in a principal amount of \$200,000 or

€100,000, as applicable, or an integral multiple of \$1,000 or €1,000, as applicable, in excess thereof The Issuer will publicly announce the results of the Change of Control Offer on, or as soon as practicable after, the Change of Control Purchase Date.

The definition of “Change of Control” includes a disposition of “all or substantially all” of the assets of the Issuer. Although there is a limited body of case law interpreting the phrase “all or substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the assets of the Issuer. As a result, it may be unclear as to whether a Change of Control has occurred and whether the Issuer must make an offer to repurchase the Notes as described above.

The Issuer will comply with the applicable tender offer rules, including Rule 14e-1 under the U.S. Exchange Act, and any other applicable securities laws or regulations (including those of the United States and the United Kingdom) in connection with a Change of Control Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the provisions of this covenant (other than the obligation to make an offer pursuant to this covenant), the Issuer will comply with the securities laws and regulations and will not be deemed to have breached its obligations described in this covenant by virtue thereof.

### Certain Covenants

The Indenture contains, among others, the following covenants:

#### *Limitation on Indebtedness*

- (a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, create, issue, incur, assume, guarantee or otherwise in any manner become directly or indirectly liable for the payment of or otherwise incur, contingently or otherwise (collectively, “**incur**”), any Indebtedness (including any Acquired Indebtedness); *provided, however*, that if, on the date of such incurrence and after giving effect thereto on a *pro forma* basis (including giving *pro forma* effect to the use of the proceeds thereof, including, in the case of any Escrow Indebtedness, upon the release of such Indebtedness from escrow) no Default or Event of Default has occurred or is continuing, the Issuer and the Restricted Subsidiaries may incur Indebtedness if the Issuer’s Consolidated Fixed Charge Coverage Ratio for the most recent four full fiscal quarters for which financial statements are available immediately preceding the incurrence of such Indebtedness taken as one period is at least equal to or greater than 2.00 to 1.00.
- (b) Notwithstanding the foregoing, the Issuer and, to the extent specifically set forth below, the Restricted Subsidiaries may incur each and all of the following in each case only if, on the date of such incurrence and after giving effect thereto on a *pro forma* basis (including giving *pro forma* effect to the use of the proceeds thereof, including, in the case of any Escrow Indebtedness, upon the release of such Indebtedness from escrow), no Default or Event of Default has occurred or is continuing (collectively, the “**Permitted Indebtedness**”):
  - (1) Indebtedness of the Issuer and its Restricted Subsidiaries under Credit Facilities in an amount not in excess of €3.3 billion, *plus*, in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing, *less* any permanent repayments of such Indebtedness with the proceeds of Asset Sales made in accordance with the provisions of “—Limitation on Sale of Assets”;
  - (2) [Reserved];
  - (3) Indebtedness of the Issuer pursuant to the Notes (other than Additional Notes) and Indebtedness of the Guarantors pursuant to the Guarantees of the Notes (other than Additional Notes);
  - (4) Indebtedness of the Issuer and the Guarantors pursuant to the Existing Senior Secured Notes outstanding on the Issue Date after giving *pro forma* effect to the use of the proceeds of the offering of the Notes and the other Transactions;

- (5) Indebtedness of the Issuer pursuant to the Existing 2016 IGH Notes and Indebtedness of the Guarantors pursuant to the guarantees of the Existing 2016 IGH Notes outstanding on the Issue Date after giving *pro forma* effect to the use of the proceeds of the offering of the Notes and the other Transactions;
- (6) Indebtedness of the Issuer or any Restricted Subsidiary outstanding on the Issue Date after giving *pro forma* effect to the use of the proceeds of the offering of the Notes and the other Transactions and not otherwise referred to in this definition of “Permitted Indebtedness”;
- (7) Indebtedness of the Issuer owing to a Restricted Subsidiary; *provided* that any Indebtedness of the Issuer owing to a Restricted Subsidiary that is not a Guarantor is unsecured and is subordinated in right of payment to the payment and performance of the Issuer’s obligations under the Notes; *provided, however*, that any disposition or transfer of any such Indebtedness to a Person (other than a disposition or transfer to a Restricted Subsidiary) shall be deemed to be an incurrence of such Indebtedness by the Issuer or other obligor not permitted by this clause (7);
- (8) Indebtedness of a Restricted Subsidiary owing to the Issuer or a Restricted Subsidiary; *provided* that any Indebtedness of a Guarantor owing to a Restricted Subsidiary that is not a Guarantor or the Issuer is unsecured and subordinated in right of payment to the payment and performance of the Guarantor’s obligations under the Guarantee; *provided, however*, that any disposition or transfer of any such Indebtedness to a Person (other than a disposition or transfer to the Issuer or a Restricted Subsidiary) shall be deemed to be an incurrence of such Indebtedness by the obligor not permitted by this clause (8);
- (9) guarantees by any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary made in accordance with the provisions of “—Limitation on Issuance of Guarantees of Indebtedness by Restricted Subsidiaries” and guarantees of Additional Notes by the Guarantors; *provided* that the Indebtedness represented by the Additional Notes is incurred in accordance with the Indenture and provided that if the Indebtedness being guaranteed is subordinated in right of payment to the Notes or any Guarantee, then such guarantee will be subordinated to the Notes or the Guarantee, as applicable, substantially to the same extent as the relevant Indebtedness guaranteed;
- (10) guarantees by the Issuer or any Restricted Subsidiary of Indebtedness made in accordance with the Indenture so long as the incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary is otherwise permitted by the Indenture; *provided* that if the Indebtedness being guaranteed is subordinated in right of payment to any Guarantee, then such guarantee will be subordinated to the Notes or the Guarantee, as applicable, substantially to the same extent as the relevant Indebtedness guaranteed;
- (11) obligations of the Issuer or any Restricted Subsidiaries:
  - (A) pursuant to Interest Rate Agreements,
  - (B) under any Currency Hedging Agreements relating to (i) Indebtedness of the Issuer or any Restricted Subsidiary and/or (ii) obligations to purchase or sell assets or properties, or
  - (C) under any Commodity Price Protection Agreements,

in each case, entered into for bona fide business purposes in the ordinary course of business (including any commodity trading or commodity risk management business) and not for speculative purposes, as determined in good faith by the Board of Directors or senior management of the Issuer (or, in the case of Hedging Obligations of IHL or any of its Restricted Subsidiaries, IHL or the Issuer);
- (12) Indebtedness of the Issuer or any Restricted Subsidiary incurred after the Issue Date represented by Capital Lease Obligations or Purchase Money Obligations or other Indebtedness incurred or

assumed in connection with the acquisition or development of real or personal, movable or immovable, property or other assets, in each case incurred for the purpose of financing or refinancing all or any part of the purchase price, lease expense or cost of construction or improvement of property used in the business of the Issuer and its Restricted Subsidiaries in an aggregate principal amount pursuant to this clause (12) not to exceed €200.0 million outstanding at any time; *provided* that the principal amount of any Indebtedness permitted under this clause (12) did not in each case at the time of incurrence exceed the Fair Market Value of the acquired or constructed asset or improvement so financed;

- (13) Indebtedness of the Issuer or any Restricted Subsidiary represented by Permitted Refinancing Indebtedness with respect to Indebtedness that was permitted to be incurred under paragraph (a) of this covenant or clauses (3), (4), (5), (6), (13) or (18) of this paragraph (b);
- (14) Indebtedness of the Issuer and its Restricted Subsidiaries in respect of (A) letters of credit issued in the ordinary course of business of such Person with respect to trade payables relating to purchase of materials by such Person (including obligations under any LC Facility), (B) other letters of credit, surety, performance or appeal bonds, completion guarantees, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers compensation obligations (including obligations under any LC Facility) or (C) any customary cash management, cash pooling or netting or setting off arrangements; *provided, however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing;
- (15) Indebtedness of the Issuer and its Restricted Subsidiaries owed to their employees in connection with loan stock issued under employee stock purchase plans so long as the aggregate principal amount of all such Indebtedness shall not exceed €10.0 million outstanding at any one time in the aggregate;
- (16) Indebtedness of the Issuer and its Restricted Subsidiaries in connection with any Permitted Receivables Financing and any payments for sales and leasebacks (or similar arrangements) of inventory with customers so long as the Fair Market Value of such inventory shall not exceed 5% of the Fair Market Value of the inventory of the Issuer and its Restricted Subsidiaries at any one time;
- (17) Indebtedness represented by guarantees of any Management Advances;
- (18) Acquired Indebtedness; *provided, however*, with respect to this clause (18), that at the time of the acquisition or other transaction pursuant to which such Acquired Indebtedness was deemed to be incurred (A) the Issuer would have been able to incur €1.00 of additional Indebtedness pursuant to paragraph (a) of this covenant after giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (18) or (b) the Consolidated Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving *pro forma* effect to such acquisition or other transaction;
- (19) Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for customary indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than guarantees of Indebtedness incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition);
- (20) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within five Business Days of incurrence;

- (21) Indebtedness of the Issuer and its Restricted Subsidiaries in respect of Permitted Joint Ventures that together with the outstanding aggregate amount of Investments made pursuant to clause (l) of the definition of “Permitted Investment” does not exceed the greater of (x) €350.0 million and (y) 3.50% of Total Assets in the aggregate outstanding at any one time;
  - (22) any guarantee given by the Issuer and its Restricted Subsidiaries under and in accordance with the Credit Support Documents or Clause 3.2(c) of the Intercreditor Deed or similar provisions of any additional intercreditor agreement;
  - (23) Indebtedness of the Issuer and its Restricted Subsidiaries under the Proceeds Loans Documents; and
  - (24) Indebtedness of the Issuer and its Restricted Subsidiaries in addition to that described in clauses (1) through (23) above, and any renewals, extensions, substitutions, refinancings or replacements of such Indebtedness, so long as the aggregate principal amount of all such Indebtedness outstanding at any one time in the aggregate shall not exceed the greater of (x) €350.0 million and (y) 3.50% of Total Assets.
- (c) For purposes of determining compliance with this “—Limitation on Indebtedness” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (1) through (24) above, or is entitled to be incurred pursuant to paragraph (a) of this covenant, the Issuer will be permitted to classify such item of Indebtedness on the date of its incurrence and, except with respect to the Senior Secured Credit Facilities incurred under (b)(1), reclassify such item of Indebtedness, in each case at any time and in any manner that complies with this covenant. Notwithstanding the foregoing, Indebtedness under the Senior Secured Credit Facilities outstanding on the Issue Date shall be deemed to have been incurred pursuant to clause (b)(1) of this covenant.
  - (d) For purposes of determining any particular amount of Indebtedness under this “—Limitation on Indebtedness” covenant and compliance with this “—Limitation on Indebtedness” covenant, (i) guarantees, Liens or obligations with respect to letters of credit supporting Indebtedness otherwise included in the determination of any such particular amount will not be included and (ii) in the case of any new Indebtedness of the Issuer and its Restricted Subsidiaries the net proceeds of which are to be applied to prepay, repay, redeem or repurchase existing Indebtedness of the Issuer and its Restricted Subsidiaries, the determination of any such particular amount and such compliance will be made on a *pro forma* basis giving effect to the application of the net proceeds of such new Indebtedness as if such application occurred on the date of incurrence thereof.
  - (e) For purposes of determining compliance with this “—Limitation on Indebtedness” covenant and, in the case of clause (iii) below, only for purposes of calculating the Issuer’s Consolidated Fixed Charge Coverage Ratio, (i) the principal amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in conformity with IFRS; (ii) the accrual of interest, the accrual of dividends, the accretion of accreted value and the payment of interest in the form of additional shares of Preferred Stock will not be deemed to be an incurrence of Indebtedness for purposes of this “—Limitation on Indebtedness” covenant; and (iii) any Escrow Indebtedness incurred under the Indenture shall be deemed to be incurred on the date of the original issuance thereof (and, for the avoidance of doubt, not on the date of the release of such Indebtedness from escrow or the date on which the obligor in respect of such Indebtedness becomes a Restricted Subsidiary or transfers its assets to, or merges or consolidates with, the Issuer or any Restricted Subsidiary); *provided* that, for the avoidance of doubt, any Escrow Indebtedness that is redeemed pursuant to a special mandatory redemption or the proceeds of which are not released to the Issuer any Restricted Subsidiary for any other reason shall not be deemed to have been incurred by the Issuer or any Restricted Subsidiary on the date of original issuance thereof.
  - (f) For purposes of determining compliance with any euro-denominated restriction on the incurrence of Indebtedness where Indebtedness is denominated in a different currency, the amount of such Indebtedness will be the Euro Equivalent determined on the date of such determination; *provided, however*, that if any such Indebtedness that is denominated in a different currency is subject to a Currency Hedging Agreement

- (with respect to euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement. The principal amount of any Permitted Refinancing Indebtedness incurred pursuant to clause (13) above, if incurred in the same currency as the Indebtedness being refinanced, will be the Euro Equivalent of the Indebtedness refinanced, determined on the date such Indebtedness being refinanced was initially incurred. The principal amount of any Permitted Refinancing Indebtedness incurred pursuant to clause (13) above, if incurred in a different currency from the Indebtedness being refinanced, will be calculated based on the currency exchange rate applicable to the currencies in which such Permitted Refinancing Indebtedness is denominated that is in effect on the date of such refinancing. Notwithstanding any other provision of this “—Limitation on Indebtedness” covenant, the maximum amount that the Issuer or a Restricted Subsidiary may incur pursuant to this “—Limitation on Indebtedness” covenant shall not be deemed to be exceeded, with respect to any outstanding Indebtedness, due solely to the result of fluctuations in the exchange rates of currencies.
- (g) For the purposes of determining compliance with this covenant, Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness and the Issuer, in its sole discretion, shall classify such Indebtedness at the time of incurrence.

#### ***Limitation on Restricted Payments***

- (a) The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly take any of the following activities (each of which, other than any such action that is a Permitted Payment (as defined below) is a “**Restricted Payment**” and which are collectively known as “**Restricted Payments**”):
- (1) declare or pay any dividend on, or make any distribution on, the Issuer’s Capital Stock to any Person (other than dividends or distributions payable solely in shares of its Qualified Capital Stock or in options, warrants or other rights to acquire shares of such Qualified Capital Stock) or make any payment of cash interest in respect of Subordinated Shareholder Funding;
  - (2) purchase, redeem, defease or otherwise acquire or retire for value, directly or indirectly, (A) the Issuer’s Capital Stock or any Capital Stock of any Affiliate of the Issuer (other than a Restricted Subsidiary) held by Persons other than the Issuer or a Restricted Subsidiary, (B) options, warrants or other rights to acquire such Capital Stock or (C) any Subordinated Shareholder Funding held by any Person;
  - (3) make any principal payment on, or repurchase, redeem, defease, retire or otherwise acquire for value, prior to any scheduled principal payment, sinking fund payment or maturity, any Subordinated Indebtedness (other than the purchase, repurchase, redemption, defeasance or other acquisition or retirement of (A) Subordinated Indebtedness in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement and (B) any Indebtedness incurred pursuant to clauses (7) or (8) of paragraph (b) of the covenant described under “—Limitation on Indebtedness”) or any Subordinated Shareholder Funding;
  - (4) declare or pay any dividend or distribution on any Capital Stock of any Restricted Subsidiary to any Person (other than (A) to the Issuer or any of its Wholly Owned Restricted Subsidiaries, (B) dividends or distributions made by a Restricted Subsidiary on a *pro rata* basis to all stockholders of such Restricted Subsidiary or (C) dividends or distributions payable solely in its Qualified Capital Stock or in options, warrants or other rights to acquire shares of such Qualified Capital Stock or in Subordinated Shareholder Funding); or
  - (5) make any Investment in any Person (other than any Permitted Investments).

If any Restricted Payment described above is not made in cash, the amount of any such Restricted Payment will be the Fair Market Value of the assets proposed to be transferred.



- (b) Notwithstanding the foregoing limitations, the Issuer or any Restricted Subsidiary may make a Restricted Payment if, at the time of and after giving *pro forma* effect to such proposed Restricted Payment:
- (1) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence of such Restricted Payment;
  - (2) the Issuer could incur at least €1.00 of additional Indebtedness (other than Permitted Indebtedness) under the provisions described under “—Limitation on Indebtedness;” and
  - (3) the aggregate amount of all Restricted Payments declared or made after the Issue Date (except as set forth below in clause (d) of this covenant) does not exceed the sum of:
    - (A) 50% of the aggregate Consolidated Net Income (Loss) of the Issuer accrued on a cumulative basis during the period beginning on the Issue Date and ending on the last day of the Issuer’s last fiscal quarter ending prior to the date of the Restricted Payment (or, if such aggregate cumulative Consolidated Net Income (Loss) shall be a loss, minus 100% of such loss);
    - (B) the aggregate Net Cash Proceeds received after the Issue Date by the Issuer either (x) as capital contributions to the Issuer in respect of Qualified Capital Stock of the Issuer or (y) from the issuance or sale (other than to any of its Subsidiaries) of Qualified Capital Stock of the Issuer or any options, warrants or rights to purchase such Qualified Capital Stock of the Issuer or from any Subordinated Shareholder Funding (except, in each case, to the extent such proceeds are used to purchase, redeem or otherwise retire Capital Stock, Subordinated Indebtedness or Subordinated Shareholder Funding as set forth in clause (2) or (3) of paragraph (c) below) (and excluding the Net Cash Proceeds from the issuance of Capital Stock or Subordinated Shareholder Funding financed, directly or indirectly, using funds borrowed from, or the borrowing of which is guaranteed by, the Issuer or any Subsidiary of the Issuer until and to the extent such borrowing is repaid in cash);
    - (C) the aggregate Net Cash Proceeds received after the Issue Date by the Issuer (other than from any of its Subsidiaries) upon the exercise of any options, warrants or rights to purchase Qualified Capital Stock of the Issuer (and excluding the Net Cash Proceeds from the exercise of any options, warrants or rights to purchase Qualified Capital Stock financed, directly or indirectly, using funds borrowed from, or the borrowing of which is guaranteed by, the Issuer or any Subsidiary of the Issuer until and to the extent such borrowing is repaid);
    - (D) the aggregate Net Cash Proceeds received after the Issue Date by the Issuer from the conversion or exchange, if any, of debt securities or Redeemable Capital Stock of the Issuer or its Restricted Subsidiaries into or for Qualified Capital Stock of the Issuer plus, to the extent such debt securities or Redeemable Capital Stock were issued after the Issue Date, the aggregate Net Cash Proceeds from their original issuance (in the case of Redeemable Capital Stock only to the extent such Redeemable Capital Stock was originally sold for cash or Temporary Cash Investments) (and excluding the Net Cash Proceeds from the conversion or exchange of debt securities or Redeemable Capital Stock financed, directly or indirectly, using funds borrowed from, or the borrowing of which is guaranteed by, the Issuer or any Subsidiary of the Issuer until and to the extent such borrowing is repaid);
    - (E) the amount equal to the sum of:
      - (i) 100% of the aggregate Net Cash Proceeds received by the Issuer or a Restricted Subsidiary upon the sale of an Investment that had been a Restricted Payment or from repayments of loans or advances or other transfers of assets (including by

way of dividend, distribution, interest payment or return of capital) by such Person to the Issuer or any Restricted Subsidiary;

- (ii) upon the full and unconditional release of a guarantee that had been a Restricted Payment that was an Investment made by the Issuer or a Restricted Subsidiary to any Person (other than the Issuer or a Restricted Subsidiary), to the extent not included in clause (i) above, an amount equal to the amount of such guarantee;
- (iii) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries not to exceed, in the case of any Unrestricted Subsidiary, the Fair Market Value of the Issuer's or the relevant Restricted Subsidiary's interest in such Unrestricted Subsidiary;
- (iv) 100% of the Net Cash Proceeds received by the Issuer or a Restricted Subsidiary from a sale or disposition of Capital Stock of an Unrestricted Subsidiary (other than to the Issuer or a Restricted Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any of its Subsidiaries for the benefit of its employees); and
- (v) any dividend or distribution made by an Unrestricted Subsidiary to the Issuer or a Restricted Subsidiary,

*provided, however*, that no amount will be included under this clause (E) to the extent it is already included in Consolidated Net Income (Loss); and

- (F) an amount equal to the amount available as of the Issue Date for making Restricted Payments pursuant to clause (b)(iii) of Section 4.05 (i.e., the restricted payments build-up basket) of the Existing 2020 Senior Secured Indenture. We estimate that the amount available for Restricted Payments pursuant to this clause (F) would have been approximately €296.0 million as of December 31, 2012.

(c) Notwithstanding the foregoing, and in the case of clauses (2) through (7) and (12) below, so long as no Default or Event of Default is continuing or would arise therefrom, the foregoing provisions shall not prohibit the following actions (each of clauses (1) through (12) being referred to as a “**Permitted Payment**”):

- (1) the payment of any dividend within 60 days after the date of declaration thereof, if at such date of declaration such payment was permitted by the provisions of paragraph (a) of this covenant and such payment shall have been deemed to have been paid on such date of declaration;
- (2) any Restricted Payment included in clauses (2) and (5) of the definition thereof made by exchange for (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares or scrip) or out of the Net Cash Proceeds of a substantially concurrent issuance and sale (other than to a Subsidiary of the Issuer and excluding the Net Cash Proceeds from the issuance of any Capital Stock or of Subordinated Shareholder Funding financed, directly or indirectly, using funds borrowed from, or the borrowing of which is guaranteed by, the Issuer or any Restricted Subsidiary until and to the extent such borrowing is repaid in cash) of other shares of Qualified Capital Stock, a capital contribution of cash to the Issuer, or Subordinated Shareholder Funding; *provided* that the Net Cash Proceeds from the issuance of such shares of Qualified Capital Stock, of Subordinated Shareholder Funding or from such capital contribution (to the extent the Net Cash Proceeds are used to make any Investment or are used to repurchase, redeem, acquire or retire for value (A) such Capital Stock, (B) options, warrants or other rights to acquire such Capital Stock or (C) Subordinated Shareholder Funding) are excluded from clause (3)(B) of paragraph (b) of this covenant;

- (3) the repurchase, redemption, defeasance, retirement or acquisition for value or payment of principal of any Subordinated Indebtedness in exchange for, or in an amount not in excess of the Net Cash Proceeds of a substantially concurrent issuance and sale for cash (other than to any Subsidiary of the Issuer) of any Qualified Capital Stock or Subordinated Shareholder Funding of, or a capital contribution to, the Issuer; *provided* that the Net Cash Proceeds from the issuance of such shares of Qualified Capital Stock or Subordinated Shareholder Funding (to the extent the Net Cash Proceeds are used to repurchase, redeem, defease, retire or acquire such Subordinated Indebtedness) are excluded from clause (3)(B) of paragraph (b) of this covenant;
- (4) the repurchase, redemption, defeasance, retirement, refinancing, acquisition for value or payment of principal of any Subordinated Indebtedness (other than Redeemable Capital Stock and Subordinated Shareholder Funding) through the substantially concurrent issuance of new Indebtedness of the Issuer or any Restricted Subsidiary that is permitted by paragraph (a) or (b)(24) of the covenant under the caption “—Limitation on Indebtedness” or qualifies as Permitted Refinancing Indebtedness;
- (5) the repurchase, redemption, defeasance, retirement, refinancing or other acquisition of Subordinated Indebtedness (other than Subordinated Shareholder Funding) of the Issuer or any Restricted Subsidiary (other than Subordinated Indebtedness held by Affiliates of the Issuer) upon a Change of Control or Asset Sale to the extent required by the agreement governing such Subordinated Indebtedness, but only (x) if the Issuer shall have complied with the covenant described under the caption “—Purchase of Notes Upon a Change of Control” or “—Limitation on Sale of Assets,” as the case may be, and the Issuer shall have repurchased, or shall repurchase, all Notes tendered pursuant to the offer required by such covenants prior to or substantially concurrently with such repurchase, redemption, defeasance, retirement, refinancing or other acquisition of Subordinated Indebtedness and (y) in the case of an Asset Sale, to the extent of the Excess Proceeds offered to holders of the Notes pursuant to the offer made pursuant to the Asset Sale;
- (6) to the extent constituting Restricted Payments, the Specified Affiliate Payments;
- (7) the declaration or payment of dividends or distributions by the Issuer, or the making of any loan or advance by the Issuer to any Parent, to pay dividends or distributions in respect of Qualified Capital Stock of the Issuer or a Parent issued in a Public Equity Offering of such Qualified Capital Stock; *provided* that the aggregate amount of all such dividends under this clause shall not exceed in any fiscal year 6% of the Net Cash Proceeds received by the Issuer from such Public Equity Offering; *provided* that at the time of such payment, loan or advance, the Consolidated Fixed Charge Coverage Ratio of the Issuer shall be equal to or greater than 2.75 to 1.00;
- (8) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock, not to exceed €10.0 million in the aggregate;
- (9) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;
- (10) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation or any other fees and payments in connection with a Permitted Receivables Financing;
- (11) dividends and other distributions of (A) any and all equity, debt and other interests held by the Issuer and the Restricted Subsidiaries in INEOS Silicas and INEOS Bio as of February 10, 2012 and (B) any dividends, payments or other distributions equal to amounts received as dividends, payments and other distributions or proceeds of any sale or other disposition in respect of such interests since February 10, 2012; and

- (12) any other Restricted Payment; *provided* that the total aggregate amount of Restricted Payments made under this clause (12) does not exceed €50.0 million.
- (d) In determining the amount of Restricted Payments made after the Issue Date, cash amounts expended pursuant to clauses (2), (3), (4), (6) (to the extent described in the definition of Specified Affiliate Payments), (10), (11) and (12) of the immediately preceding paragraph shall be excluded from such calculation. The amount of any non-cash Restricted Payment shall be deemed to be equal to the Fair Market Value thereof at the date of the making of such Restricted Payment.

***Limitation on Transactions with Affiliates***

- (a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, enter into any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets, property or services) with any Affiliate of the Issuer (other than the Issuer or a Restricted Subsidiary) involving aggregate consideration in excess of €5.0 million, unless such transaction or series of related transactions is entered into in good faith and in writing and:
- (1) such transaction or series of related transactions is on terms that are no less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could reasonably be expected to be obtained in a comparable transaction in arm's length dealings with an unrelated third party;
  - (2) with respect to any transaction or series of related transactions involving aggregate value in excess of €25.0 million, the Issuer delivers to the Trustee either (x) a resolution of the Board of Directors of the Issuer (or, in the case of a transaction or series of related transactions to be entered into by IHL or any of its Restricted Subsidiaries, a resolution of the Board of Directors of IHL or the Issuer) set forth in an Officer's Certificate certifying that such transaction or series of related transactions has been approved by a majority of the Disinterested Directors of the Board of Directors of the Issuer or IHL, as applicable, or in the event there is only one Disinterested Director, by such Disinterested Director, or (y) a written opinion of an accounting, appraisal or investment banking firm of international standing, or other recognized independent expert with experience, appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series of related transactions is fair from a financial point of view taking into account all relevant circumstances; *provided* that the liability of such investment bank or accounting firm in giving such opinion may be limited to the amount of its fees in respect of such engagement; and
  - (3) with respect to any transaction or series of related transactions involving aggregate value in excess of €50.0 million, the Issuer delivers to the Trustee (x) a resolution of the Board of Directors of the Issuer (or, in the case of a transaction or series of related transactions to be entered into by IHL or any of its Restricted Subsidiaries, a resolution of the Board of Directors of IHL or the Issuer) set forth in an Officer's Certificate certifying that such transaction or series of related transactions has been approved by a majority of the Disinterested Directors of the Board of Directors of the Issuer or IHL, as applicable, or in the event there is only one Disinterested Director, by such Disinterested Director and (y) a written opinion of an accounting, appraisal or investment banking firm of international standing, or other recognized independent expert with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series of related transactions is on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate; *provided* that, for the avoidance of doubt, the liability of such investment bank or accounting firm in giving such opinion may be limited to the amount of its fees in respect of such engagement.
- (b) The restrictions in paragraph (a) shall not apply to:
- (1) any employment agreement, collective bargaining agreement, consultant agreement, employee benefit arrangements with any employee, consultant, officer or director of the Issuer or any

- Restricted Subsidiary, including under any stock option, stock appreciation rights, stock incentive or similar plans, entered into in the ordinary course of business;
- (2) payment of compensation to employees, consultants, officers or directors in the ordinary course of business;
  - (3) maintenance in the ordinary course of business (and payments required thereby) of benefit programs, or arrangements for employees, consultants, officers or directors, including vacation plans, health and life insurance plans, deferred compensation plans, severance plans, employees', consultants', directors' and officers' indemnification agreements and retirement or savings plans and similar plans so long as the Board of Directors of the Issuer (or, in the case of any such programs, arrangements, plans or agreements of IHL or any of its Restricted Subsidiaries, the Board of Directors of IHL or the Issuer) approved the terms thereof and deemed the services thereto fair, or thereafter to be performed for such compensation or payments (including fees and expenses) to be fair, consideration therefor;
  - (4) Management Advances;
  - (5) transactions between or among the Issuer and its Restricted Subsidiaries or among Restricted Subsidiaries;
  - (6) any Restricted Payment or Permitted Investment; *provided* that in the case of clause (p) of the definition of Permitted Investments, such transaction must be fair to the Issuer and its Restricted Subsidiaries in the reasonable determination of the Board of Directors of the Issuer or the senior management of the Issuer, or otherwise comply with paragraph (a)(1) above;
  - (7) any Permitted Payment;
  - (8) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or a joint venture or similar Person that would otherwise be subject to this covenant solely because the Issuer or a Restricted Subsidiary owns any of the Capital Stock of or otherwise controls such Affiliate, joint venture or similar Person;
  - (9) any payments or other transactions pursuant to Tax Sharing Agreements between the Issuer and any other Person or a Restricted Subsidiary and any other Person with which the Issuer or a Restricted Subsidiary files a consolidated tax return or with which the Issuer or a Restricted Subsidiary is part of a group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation; *provided, however*, that any such tax sharing or arrangement and payment does not permit or require payments in excess of the amounts of tax that would be payable by the Issuer and its Restricted Subsidiaries on a stand alone basis;
  - (10) [Reserved];
  - (11) (a) issuances or sales of Qualified Capital Stock of the Issuer or options, warrants or other rights to acquire such Qualified Capital Stock or issuances of Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding is in compliance with the other provisions of the Indenture and the Intercreditor Deed or any additional intercreditor agreement, as applicable;
  - (12) any transaction effected in connection with a Permitted Receivables Financing;
  - (13) Specified Affiliate Payments; and
  - (14) to the extent that a Refining/Entrepreneurial Entity or the Infrastructure Entity may be deemed to be an Affiliate of the Issuer, the provision of administrative or infrastructure goods or services,

asset sharing, or any other transaction in the ordinary course of business between the Issuer or a Restricted Subsidiary and such Refining/Entrepreneurial Entity or the Infrastructure Entity, as the case may be; *provided* that in each such case such transactions, when taken together with all other transactions between the Issuer and Restricted Subsidiaries, on the one hand, and either the Refining/Entrepreneurial Entities or the Infrastructure Entity, on the other hand, are in all material respects on terms substantially consistent with those that would have been obtained in comparable transactions at such time on an arm's length basis from a Person who is not an Affiliate, as determined by the Issuer in good faith (it being understood that where such transactions are entered into pursuant to a master agreement or similar arrangement, such arm's length determination may be made with respect to such agreement or arrangement, which will cover all transactions entered into pursuant thereto).

### ***Limitation on Liens***

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume, affirm or suffer to exist any Lien (the "**Initial Lien**") of any kind securing any Indebtedness upon any property or assets of the Issuer or any Restricted Subsidiary, including any Capital Stock or intercompany notes or other Indebtedness of any Restricted Subsidiary, owned on the Issue Date or acquired after the Issue Date, or any income, profits or proceeds therefrom, or assign or convey any right to receive any income or profits therefrom, except Permitted Liens; *provided, however*, that any Lien on such property or assets will be permitted notwithstanding that it is not a Permitted Lien if the Notes (or a Guarantee in the case of Liens of a Guarantor) are directly secured equally and ratably with (or, (i) with respect to Indebtedness of a Guarantor, in the case of Senior Indebtedness, behind or junior thereto, with the same relative priority as such Guarantee shall have with respect to such Senior Indebtedness and (ii) in the case of Subordinated Indebtedness, prior or senior thereto, with the same relative priority as the Notes or such Guarantee shall have with respect to such Subordinated Indebtedness) the obligation or liability secured by such Lien.

Any Lien created for the benefit of the holders of the Notes pursuant to this covenant will provide by its terms that such Lien will be automatically and unconditionally released and discharged (a) upon the release and discharge of the Initial Lien, (b) upon the sale or other disposition of the assets subject to such Initial Lien (or the sale or other disposition of the Person that owns such assets) in compliance with the terms of the Indenture, (c) with respect to any Guarantor the assets or the Capital Stock of which are encumbered by such Lien, upon the release of the Guarantee of such Guarantor in accordance with the terms of the Indenture, (d) upon the designation of a Restricted Subsidiary whose property or assets secure such Initial Lien as an Unrestricted Subsidiary in accordance with the terms of the Indenture, (e) upon the effectiveness of any defeasance or satisfaction and discharge of the Notes as specified in the Indenture, (f) in the case of any Lien on a Notes Proceeds Loan, upon the payment in full or other discharge of such Notes Proceeds Loan or (g) as otherwise provided under "*—Security—Release of Security*".

### ***Limitation on Sale of Assets***

- (a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:
  - (1) at least 75% of the consideration from such Asset Sale or series of Asset Sales is received (A) in cash or Temporary Cash Investments or (B) in the form of the assumption by the purchaser of the liabilities of the Issuer or any of its Restricted Subsidiaries (other than the liabilities (or the guarantees thereof) that are by their terms subordinated to the Notes) as a result of which the Issuer and its Restricted Subsidiaries are no longer obligated with respect to such liabilities; and
  - (2) the Issuer or such Restricted Subsidiary receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the shares or assets subject to such Asset Sale.
- (b) Within 365 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Issuer (or any of the Restricted Subsidiaries) may apply all or a portion of such Net Cash Proceeds (at the option of the Issuer or any Restricted Subsidiary):
  - (1) to invest in properties and other assets (including Capital Stock) that (as determined by the Board of Directors of the Issuer (or, in the case of an Asset Sale in respect of assets of IHL or any of its

Restricted Subsidiaries, the Board of Directors of IHL or the Issuer)) replace the properties and assets (including Capital Stock) that were the subject of the Asset Sale or in properties and assets that will be used in or are related to the businesses of the Issuer or its Restricted Subsidiaries existing on the Issue Date or prior to such Asset Sale;

- (2) to either (i) purchase the Dollar IGH Notes or the Euro IGH Notes, as the case may be, pursuant to an offer to all holders of such Notes at a purchase price equal to or greater than 100% of the principal amount thereof, plus accrued and unpaid interest to (but not including) the date of purchase (a “**Notes Offer**”), and/or (ii) redeem the Dollar IGH Notes or the Euro IGH Notes, as the case may be, on a pro rata basis pursuant to the redemption provisions set forth above under the caption “—Optional Redemption”;
- (3) to repurchase, prepay, redeem, repay or otherwise acquire for value any Pari Passu Indebtedness that is secured by a Permitted Collateral Lien that ranks equal to or prior to any Security Interest on such assets securing the Notes or the Indenture;
- (4) to repurchase, prepay, redeem, repay or otherwise acquire for value Indebtedness that is (or, immediately prior to such Asset Sale, was) secured by a Lien (other than a Permitted Collateral Lien) on any of the assets which are the subject of the Asset Sale;
- (5) to repurchase, prepay, redeem, repay or otherwise acquire for value any Indebtedness of the Issuer or a Restricted Subsidiary that is not Pari Passu Indebtedness or Subordinated Indebtedness including any Indebtedness under the Senior Secured Credit Facilities (or any Permitted Refinancing Indebtedness in respect thereof) or the Existing Senior Secured Notes; or
- (6) pursuant to a binding commitment (including pursuant to an offer to purchase), to apply the Net Proceeds pursuant to any of clause (1), (2), (3), (4) or (5) of this paragraph; provided that such binding commitment shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment until the earlier of (i) the date on which such application of net proceeds is consummated, and (ii) the 180th day following the expiration of the aforementioned 365-day period.

Notwithstanding the foregoing, the above mentioned 365-day period after which the launch of an Asset Sale Offer is required will be extended to the extent an Asset Sale Offer (as defined in the Existing 2019 Senior Secured Notes Indenture) has commenced and is continuing with respect to the Existing 2019 Senior Secured Notes until the earlier of (x) the completion of that such asset sale offer and (y) 35 days after such 365-day period has ended.

The amount of Net Cash Proceeds not applied as specified above shall constitute “**Excess Proceeds.**” Pending the final application of the Net Cash Proceeds of any Asset Sale, the Issuer or any Restricted Subsidiary may temporarily reduce Indebtedness or otherwise invest such Net Cash Proceeds in Temporary Cash Investments.

- (c) When the aggregate amount of Excess Proceeds exceeds €50.0 million, the Issuer (or a Restricted Subsidiary on the Issuer’s behalf) will apply the Excess Proceeds to the repayment of Indebtedness under the Notes and any other Pari Passu Indebtedness (which shall be deemed to include any Permitted Receivables Financing) outstanding with similar provisions requiring the Issuer or a Restricted Subsidiary to make an offer to purchase such Indebtedness with the proceeds from any Asset Sale as follows:
  - (1) the Issuer or a Restricted Subsidiary will make an offer to purchase (an “**Asset Sale Offer**”) from all holders of the Notes in accordance with the procedures set forth in the Indenture in respect of an aggregate maximum principal amount of Notes (expressed as a multiple of \$1,000, in the case of the Dollar IGH Notes, or €1,000, in the case of the Euro IGH Notes) (the “**Note Amount**”) equal to the product of such Excess Proceeds multiplied by a fraction, the numerator of which is the outstanding principal amount of the Notes, and the denominator of which is the sum of the outstanding principal amount of the Notes and such Pari Passu Indebtedness (subject to proration

in the event such amount is less than the aggregate Offered Price (as defined herein) of all Notes tendered);

- (2) to the extent required by such Pari Passu Indebtedness to permanently reduce the principal amount of such Pari Passu Indebtedness, the Issuer or a Restricted Subsidiary, as the case may be, will make an offer to purchase or otherwise repurchase or redeem Pari Passu Indebtedness (a “**Pari Passu Offer**”) in an amount (the “**Pari Passu Debt Amount**”) equal to the excess of the Excess Proceeds over the Note Amount; *provided* that in no event will the Issuer or a Restricted Subsidiary be required to make a Pari Passu Offer in a Pari Passu Debt Amount exceeding the principal amount of such Pari Passu Indebtedness plus the amount of any premium required to be paid to repurchase such Pari Passu Indebtedness; and
- (3) the offer price for the Notes will be payable in cash in an amount equal to 100% of the principal amount of the Notes plus accrued and unpaid interest, if any, to the date (the “**Offer Date**”) such Asset Sale Offer is consummated (the “**Offered Price**”), in accordance with the procedures set forth in the Indenture. To the extent that the aggregate Offered Price of the Notes tendered pursuant to the Asset Sale Offer is less than the Note Amount relating thereto or the aggregate amount of Pari Passu Indebtedness that is purchased in a Pari Passu Offer is less than the Pari Passu Debt Amount, the Issuer or any Restricted Subsidiary may use any remaining Excess Proceeds for general corporate purposes. If the aggregate principal amount of Notes and Pari Passu Indebtedness surrendered by holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased on a *pro rata* basis, unless otherwise required by applicable law or applicable stock exchange or depositary requirements. Upon the completion of the purchase of all the Notes tendered pursuant to an Asset Sale Offer and the completion of a Pari Passu Offer, the amount of Excess Proceeds, if any, shall be reset at zero.

The Issuer or a Restricted Subsidiary, as the case may be, may make an Asset Sale Offer prior to the expiration of the period referred to in the preceding paragraph (b).

- (d) If the Issuer or a Restricted Subsidiary becomes obligated to make an Asset Sale Offer pursuant to clause (c) above, the Notes and the Pari Passu Indebtedness shall be purchased by the Issuer or a Restricted Subsidiary, at the option of the holders thereof, in whole or in part (in a principal amount of \$200,000, in the case of the Dollar IGH Notes, or €100,000, in the case of the Euro IGH Notes, or an integral multiple of \$1,000 or €1,000, as applicable, in excess thereof, such that no Dollar IGH Note of less than \$200,000 and no Euro IGH Note of less than € 100,000 remains outstanding thereafter) on a date that is not earlier than 30 days and not later than 60 days from the date the notice of the Asset Sale Offer is given to holders, or such later date as may be necessary for the Issuer or a Restricted Subsidiary to comply with the requirements under the U.S. Exchange Act or other applicable laws or regulations (including, without limitation, those of any securities exchange on which the Notes are listed).
- (e) If the Issuer or a Restricted Subsidiary is required to make an Asset Sale Offer or Notes Offer, the Issuer and such Restricted Subsidiary will comply with the applicable tender offer rules, including Rule 14e-1 under the U.S. Exchange Act, and any other applicable securities laws or regulations (including those of the United States, Luxembourg and the United Kingdom, to the extent applicable) in connection with such Asset Sale Offer or Notes Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the provisions of this covenant (other than the obligation to make an Asset Sale Offer pursuant to this covenant), the Issuer and such Restricted Subsidiary, as the case may be, will comply with the securities laws and regulations and will not be deemed to have breached its obligations described in this covenant by virtue thereof.
- (f) If the Offer Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to holders of the Notes who tender Notes pursuant to the Asset Sale Offer or Notes Offer.



- (g) Compliance with this covenant shall be determined as of the date of consummation of the applicable Asset Sale, without giving effect to any post-closing purchase price adjustments not then determined, and for purposes thereof the following will be deemed to be cash:
- (1) securities, notes or other obligations received by the Issuer or any Restricted Subsidiary of the Issuer from the transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Temporary Cash Investments within 180 days following the closing of such Asset Sale;
  - (2) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale; *provided* that that the Issuer and each other Restricted Subsidiary are released from any guarantee of payment of such Indebtedness in connection with such Asset Sale;
  - (3) consideration consisting of Indebtedness of the Issuer or any Restricted Subsidiary (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Issuer or any Restricted Subsidiary;
  - (4) any properties and assets (including Capital Stock of a business) of the kind referred to in clause (b)(1) above; and
  - (5) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Sale having an aggregate Fair Market Value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed 5% of Total Assets.

***Limitation on Issuance of Guarantees of Indebtedness by Restricted Subsidiaries***

- (a) The Issuer will not cause or permit any Restricted Subsidiary (which is not a Guarantor), directly or indirectly, to guarantee, assume or in any other manner become liable with respect to (i) any Indebtedness of the Issuer or any Restricted Subsidiary under any Credit Facilities or (ii) any Public Debt (including, for the avoidance of doubt, any guarantee of Public Debt) of the Issuer or any Guarantor, unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for a Guarantee of the Notes on the same terms as the other Guarantees of the Notes by the Guarantors, except that:
- (1) no Guarantee shall be required as a result of any guarantee of Indebtedness that existed at the time such Person became a Restricted Subsidiary if the guarantee was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary;
  - (2) no Guarantee shall be required as a result of any guarantee in connection with a Permitted Receivables Financing;
  - (3) such Guarantee need not be secured unless required pursuant to the “—Limitation on Liens” covenant;
  - (4) if such Indebtedness is by its terms expressly subordinated to the Notes or any Guarantee, any such assumption, guarantee or other liability of such Restricted Subsidiary with respect to such Indebtedness shall be subordinated to such Restricted Subsidiary’s Guarantee of the Notes at least to the same extent as such Indebtedness is subordinated to the Notes or any other Guarantee;
  - (5) no Guarantee shall be required as a result of any guarantee given to a bank or trust company incorporated in any member state of the European Union as of the Issue Date or any commercial banking institution that is a member of the U.S. Federal Reserve System (or any branch, Subsidiary or Affiliate thereof), in each case having combined capital and surplus and undivided profits of not less than €500.0 million, whose debt has a rating, at the time such guarantee was given, of at least “A” or the equivalent thereof by Standard & Poor’s Ratings Services, a division of The McGraw Hill Companies, Inc. or any successor to its rating agency business (“S&P”) and at least “A2” or the equivalent thereof by Moody’s Investors Service, Inc. or any successor to its

rating agency business (“**Moody’s**”), in connection with the operation of cash management programs established for the Issuer’s benefit or that of any Restricted Subsidiary;

- (6) no Guarantee shall be required if such Guarantee could reasonably be expected to give rise to or result in (A) personal liability for the officers, directors or shareholders of such Restricted Subsidiary, (B) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to the Issuer or such Restricted Subsidiary or (C) any significant cost, expense, liability or obligation (including with respect of any Taxes) other than reasonable out of pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (B) undertaken in connection with, such Guarantee, which cannot be avoided through measures reasonably available to the Issuer or the Restricted Subsidiary; and
  - (7) each such Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.
- (b) Notwithstanding the foregoing, any Guarantee by a Restricted Subsidiary of the Notes created pursuant to the provisions in paragraph (a) above will be deemed to provide by its terms that it shall be automatically and unconditionally released and discharged upon:
- (1) any sale, exchange or transfer, directly or indirectly, to any Person that is not the Issuer or any of its Restricted Subsidiaries, of all of the Capital Stock held by the Issuer and other Restricted Subsidiaries in, or all or substantially all the assets of, such Restricted Subsidiary (which sale, exchange or transfer is not prohibited by the Indenture) and such Restricted Subsidiary is released from all guarantees, if any, by it of other Indebtedness of the Issuer or any Restricted Subsidiaries;
  - (2) with respect to any Guarantees created after the Issue Date, the release by the holders of the Indebtedness of the Issuer or the Restricted Subsidiary described in clause (a) above of their security interest or their guarantee by such Restricted Subsidiary at such time as (A) no other Indebtedness of the Issuer or any Restricted Subsidiary has been secured or guaranteed by such Restricted Subsidiary, as the case may be, or (B) the holders of all such other Indebtedness which is secured or guaranteed by such Restricted Subsidiary also release their security interest in or guarantee by such Restricted Subsidiary;
  - (3) any defeasance or discharge of the Notes as provided in “—Defeasance or Covenant Defeasance of Indenture” or “—Satisfaction and Discharge”; or
  - (4) the satisfaction of the requirements of any of the other provisions described under “—The Guarantees—Release of the Guarantees.”

***Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

- (a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:
- (1) pay dividends or make any other distribution on its Capital Stock or any other interest or participation in, or measured by, its profits to the Issuer or any Restricted Subsidiary;
  - (2) pay any Indebtedness owed to the Issuer or any Restricted Subsidiary;
  - (3) make any loans or advances to the Issuer or any Restricted Subsidiary; or
  - (4) transfer any of its properties or assets to the Issuer or any Restricted Subsidiary;

*provided* that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

- (b) The provisions of clauses (1) through (4) of paragraph (a) above will not prohibit:
- (1) any encumbrance or restriction pursuant to (A) the Senior Secured Term Loans Agreement, the Existing Senior Secured Indentures, the Existing High Yield Indenture, the Intercreditor Deed, the Proceeds Loans Documents in effect on the Issue Date and the Security Document, (B) any other agreement in effect on the Issue Date and (C) any indenture for any Public Debt of the Issuer or any Restricted Subsidiary;
  - (2) any encumbrance or restriction with respect to a Restricted Subsidiary that is not a Restricted Subsidiary of the Issuer on the Issue Date in existence at the time such Person becomes a Restricted Subsidiary of the Issuer and not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary; *provided* that such encumbrances and restrictions are not applicable to the Issuer or any Restricted Subsidiary or the properties or assets of the Issuer or any Restricted Subsidiary other than such Subsidiary which is becoming a Restricted Subsidiary;
  - (3) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person which is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which the Issuer or any Restricted Subsidiary entered into such transaction) and outstanding on such date, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or property or assets or capital stock of the Person, so acquired;
  - (4) any encumbrance or restriction under the Indenture and the Notes (including Additional Notes);
  - (5) any encumbrance or restriction under Purchase Money Obligations and Capital Lease Obligations in the ordinary course of business that imposes restrictions with respect only to the property the subject thereof of the nature described in clause (6) of this paragraph (b) on the property so acquired or any restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;
  - (6) with respect to clause (4) of paragraph (a) above only, any encumbrance or restriction (A) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, (B) by virtue of any transfer of, agreement to transfer, option or right with respect to or Lien on, any property or assets of the Issuer or any Restricted Subsidiary not otherwise prohibited by the Indenture, (C) contained in security agreements or mortgages securing Indebtedness to the extent such encumbrance or restriction restricts the transfer of the property subject to such security agreements or mortgages or (D) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;
  - (7) contracts for the sale of assets, including any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition;
  - (8) restrictions on cash or other deposits or net worth imposed by leases or other agreements entered into in the ordinary course of business;

- (9) any customary encumbrances or restrictions created under any agreement (A) with respect to Indebtedness permitted to be incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under the caption “—Limitation on Indebtedness” if (i) the encumbrances and restrictions are not materially less favorable to the holders of the Notes than those contained in the Senior Secured Term Loans Agreement on the Issue Date or (ii) the encumbrances and restrictions are materially less favorable to the holders of the Notes than is customary in comparable financings (as determined in good faith by the Issuer) and the Issuer determines at the time of the incurrence of such Indebtedness that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer’s ability to make principal or interest payments on the Notes or the ability of IHL to make principal or interest payments on the Notes Proceeds Loans or (B) constituting an additional intercreditor agreement entered into in compliance with the covenant described under “—Intercreditor Deed; Additional Intercreditor Agreements”;
- (10) any encumbrances or restrictions required by any governmental, local or regulatory authority having jurisdiction over the Issuer or any of its Restricted Subsidiaries or any of their businesses;
- (11) customary provisions in joint venture agreements; *provided, however*, that any such encumbrance or restriction is applicable only to such Restricted Subsidiary; and *provided further* that the Issuer determines that any such encumbrance or restriction will not materially affect the ability of the Issuer and IHL to make any anticipated principal or interest payments on the Notes and the Notes Proceeds Loans, as applicable;
- (12) with respect to clauses (1) and (4) of paragraph (a) above only, encumbrances or restrictions existing by reason of any Lien permitted under “—Limitation on Liens”;
- (13) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;
- (14) any encumbrance or restriction pursuant to Hedging Obligations;
- (15) any encumbrance or restriction effected in connection with a Permitted Receivables Financing that, in the good faith determination of the Board of Directors of the Issuer (or, in the case of any Permitted Receivables Financing in respect of the accounts receivable of IHL or any of its Restricted Subsidiaries, the Board of Directors of IHL or the Issuer), is necessary or advisable to effect such Permitted Receivables Financing;
- (16) contracts entered into in the ordinary course of business, not relating to Indebtedness, and that do not, individually or in the aggregate, (a) detract from the value of property or assets of the Issuer or any Restricted Subsidiary of the Issuer in any manner material to the Issuer or such Restricted Subsidiary or (b) materially interfere with the Issuer’s ability to make payments of principal or interest in respect of the Notes; or
- (17) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (16) or in this clause (17); *provided* that the terms and conditions of any such encumbrances or restrictions are no more restrictive in any material respect than those under or pursuant to the agreement evidencing the Indebtedness so extended, renewed, refinanced or replaced.

#### ***Limitation on Layered Debt***

The Issuer will not and will not permit any Guarantor to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise in any manner become directly or indirectly liable for or with respect to or otherwise permit to exist any Indebtedness (including Permitted Indebtedness) that is subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor unless such Indebtedness ranks *pari passu* with the Notes or the Guarantee or is contractually subordinated in right of payment to the Notes or such Guarantor’s Guarantee on substantially identical terms; *provided, however*, that no Indebtedness consisting of, or Indebtedness consisting of guarantees of, Second Secured Liabilities (to the

extent there are Second Secured Liabilities incurred in the future) shall be subject to the limitations set forth in this covenant; and *provided further*, that no Indebtedness will be deemed to be subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral, by virtue of being secured on a first or junior priority basis or by virtue of not being guaranteed. In addition, junior liens, second liens and other contractual arrangements that provide for priorities among holders of the same or different issues of Indebtedness with respect to any collateral or the proceeds of collateral or tranching of debt under Credit Facilities shall not constitute subordination in right of payment.

#### ***Limitation on Unrestricted Subsidiaries***

The Issuer may designate after the Issue Date (a “**Designation**”) any Subsidiary of the Issuer as an “Unrestricted Subsidiary” under the Indenture only if:

- (a) no Default or Event of Default shall have occurred and be continuing at the time of or after giving effect to such Designation or would occur as a consequence of such Designation;
- (b) either (i) the Subsidiary to be so designated has total assets of €1,000 or less or (ii) the Issuer would be permitted to make a Restricted Payment, Permitted Payment or Permitted Investment at the time of Designation (assuming the effectiveness of such Designation) pursuant to the covenant described under “—Limitation on Restricted Payments” in an amount (the “**Designation Amount**”) equal to the greater of (1) the net book value of the Issuer’s interest in such Subsidiary calculated in accordance with IFRS or (2) the Fair Market Value of the Issuer’s interest in such Subsidiary;
- (c) such Unrestricted Subsidiary does not own directly or indirectly any Capital Stock of the Issuer or any Restricted Subsidiary of the Issuer which is not simultaneously being designated an Unrestricted Subsidiary; and
- (d) such Unrestricted Subsidiary is not a party to any agreement, contract, arrangement or understanding at such time with the Issuer or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer or any Restricted Subsidiary or would be permitted to the extent described under “—Limitation on Transactions with Affiliates” or, to the extent such condition is not satisfied, the value of such agreement, contract, arrangement or understanding to such Unrestricted Subsidiary shall be deemed a Restricted Payment.

In the event of any such Designation, the Issuer will be deemed to have made an Investment constituting a Restricted Payment pursuant to the covenant “—Limitation on Restricted Payments” for all purposes of the Indenture in the Designation Amount.

The Indenture provides that the Issuer will not and will not cause or permit any Restricted Subsidiary to at any time (a) provide a guarantee of, or similar credit support for, or subject any of its property or assets (other than the Capital Stock of any Unrestricted Subsidiary) to the satisfaction of, any Indebtedness of any Unrestricted Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness) or (b) be directly or indirectly liable for any Indebtedness of any Unrestricted Subsidiary, except to the extent permitted under the covenants “—Limitation on Indebtedness” and “Limitation on Restricted Payments.” For purposes of the foregoing, the Designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary shall be deemed to be the Designation of all of the Subsidiaries of such Subsidiary as Unrestricted Subsidiaries.

The Issuer may redesignate an Unrestricted Subsidiary as a Restricted Subsidiary (a “**Redesignation**”) if:

- (a) no Default or Event of Default shall have occurred and be continuing at the time of and after giving effect to such Redesignation or would occur as a consequence of such Redesignation;
- (b) all Liens and Indebtedness of such Unrestricted Subsidiary outstanding immediately following such Redesignation would, if incurred at such time, have been permitted to be incurred for all purposes of the Indenture; and

- (c) unless such redesignated Subsidiary shall not have any Indebtedness outstanding (other than Indebtedness that would be Permitted Indebtedness), immediately after giving effect to such proposed Redesignation, and after giving *pro forma* effect to the incurrence of any such Indebtedness of such redesignated Subsidiary as if such Indebtedness was incurred on the date of the Redesignation, the Issuer could incur €1.00 of additional Indebtedness (other than Permitted Indebtedness) pursuant to the covenant described under “—Limitation on Indebtedness.”

All Designations and Redesignations made in accordance with this covenant shall be evidenced by a resolution of the Board of Directors of the Issuer delivered to the Trustee certifying compliance with the foregoing provisions.

### ***Impairment of Security Interest***

Subject to the second paragraph of this covenant, the Issuer will not, and will not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take, any action which action or omission would have the result of materially impairing the Security Interests with respect to the Collateral for the benefit of the Trustee and the holders of the Notes, and the Issuer shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Collateral Agent or Trustee, for the benefit of the Trustee and the holders of the Notes (other than Additional Notes) and the other beneficiaries described in the Security Document, any Lien whatsoever on any of the Collateral, except as permitted in the Security Document, but the Issuer and its Restricted Subsidiaries may (i) incur Permitted Collateral Liens and (ii) implement any transaction that is subject to the covenants described under the caption “—Consolidation, Merger, Sale of Assets” and is completed in compliance therewith.

At the direction of the Issuer and without the consent of the holders of the Notes, the Trustee and the Collateral Agent may from time to time enter into one or more amendments to the Security Document to:

- (i) cure any ambiguity, omission, defect or inconsistency therein or reflect changes of a minor, technical or administrative nature;
- (ii) provide for Permitted Collateral Liens;
- (iii) add to the Collateral;
- (iv) make any change necessary or desirable, in the good faith determination of the Board of Directors of the Issuer (or, in the case of a transaction in respect of IHL or any of its Restricted Subsidiaries, the Board of Directors of IHL or the Issuer) in order to implement any transaction that is subject to and is completed in compliance with the covenant described under the caption “—Consolidation, Merger, Sale of Assets”;
- (v) [Reserved];
- (vi) [Reserved];
- (vii) provide for the release of any Security Interest on any properties and assets constituting Collateral from the Lien of the Security Document; *provided* that such release is followed by the substantially concurrent re-taking (irrespective of the Security Principles) of a Lien of at least equivalent priority over the same properties and assets, securing the Notes or any Guarantee; *provided further* that, in the case of this clause (vii), the Issuer will deliver to the Trustee either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an accounting, appraisal or investment banking firm of national standing confirming the solvency of the Issuer and its Restricted Subsidiaries, taken as a whole, after giving effect to any transactions relating to such release and/or re-taking, (2) a certificate substantially in the form of an exhibit attached to the Indenture from the chief financial officer or the Board of Directors of the relevant Person (acting in good faith) which confirms the solvency of the Person granting a security interest after giving effect to any transactions relating to such release and/or re-taking or (3) an opinion of counsel, in form and substance reasonably satisfactory to the Trustee (subject to customary exceptions and qualifications), confirming that, after giving effect to any such transactions, the Lien or Liens securing the Notes and/or the Guarantees created under the Security Document are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, and that such Lien or Liens were not otherwise subject to immediately prior to such release and/or re-taking;

- (viii) (A) provide for the release of the Liens on any Notes Proceeds Loan upon the payment in full or other discharge of such Notes Proceeds Loan (and the release of the Liens on any amounts so repaid or discharged) or (B) with respect to any repayment, defeasance, satisfaction, cancellation or other discharge of all or any portion of the underlying Indebtedness giving rise to such Notes Proceeds Loan, provide for the repayments, defeasance, satisfaction, cancellation or other discharge of such Notes Proceeds Loan; *provided* that any amount remaining under such Notes Proceeds Loan after such repayments, defeasance, satisfaction, cancellation or discharge remains subject to a valid Lien;
- (ix) make any other change to the Security Document to provide for additional Indebtedness (which may be Pari Passu Indebtedness or Subordinated Indebtedness) or other obligations that are permitted by the terms of the Indenture to be secured by a Lien on the Collateral on a senior, *pari passu* or junior basis with the Liens securing the Notes or the Guarantees, including, without limitation, changes to the definition of the term “Indebtedness” (or any other term, however described, relating to the obligations of the Issuer, the Guarantors and the Restricted Subsidiaries that are subject to the security interest created therein); *provided* that, in the case of this clause (ix), the Issuer shall deliver to the Trustee either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an accounting, appraisal or investment banking firm of national standing confirming the solvency of the Issuer and its Restricted Subsidiaries, taken as a whole, after giving effect to any transactions relating to such change, (2) a certificate substantially in the form of an exhibit attached to the Indenture from the chief financial officer or the Board of Directors of the relevant Person (acting in good faith) which confirms the solvency of the Issuer and its Restricted Subsidiaries, taken as a whole, after giving effect to the transactions relating to such change or (3) an opinion of counsel, in form and substance reasonably satisfactory to the Trustee (subject to customary exceptions and qualifications), confirming that, after giving effect to the transactions relating to such change, the Lien or Liens securing the Notes and the Guarantees created under the Security Document are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, and that such Lien or Liens were not otherwise subject to immediately prior to such transactions;
- (x) amend or otherwise modify any Security Document to the extent necessary to conform any restriction or limitation contained therein to any analogous restriction or limitation contained in the Indenture or to eliminate any restriction or limitation therein that is not contained in the Indenture except to the extent such restriction or limitation is necessary to create, preserve or enforce the security interest in the Collateral purported to be created by such Security Document; or
- (xi) make any other change thereto that does not adversely affect the holders of the Notes in any material respect.

Notwithstanding the foregoing, no Security Document may be amended and no waiver of any of the requirements of, or granting of any consent under, any Security Document may be made unless any such amendment, waiver or consent applies equally to the holders of all security granted under the Security Document. In the event of any action under this covenant, the consent of the Holders, the Trustee or the Collateral Agent will not be required, but each of the Trustee and the Collateral Agent will be entitled to receive, if requested, indemnity satisfactory to it in connection with such action.

#### ***Intercreditor Deed; Additional Intercreditor Agreements***

The Trustee and the Collateral Agent became parties to the Intercreditor Deed by executing **an amendment deed** thereto on the Issue Date, and each holder of a Note, by accepting such Note, will be deemed to have (i) authorized each of the Trustee and the Collateral Agent to enter into the Intercreditor Deed, (ii) agreed to be bound by all the terms and provisions of the Intercreditor Deed applicable to such holder and (iii) irrevocably appointed each of the Trustee and the Collateral Agent to act on its behalf and to perform the duties and exercise the rights, powers and discretions that are specifically given to them under Intercreditor Deed.

At the request of the Issuer, at the time of, or prior to, the incurrence of any Indebtedness that is permitted to share the Collateral pursuant to the definition of Permitted Collateral Liens, the Issuer, each Guarantor, any other Restricted Subsidiary and the Trustee and the Collateral Agent are authorized (without any further consent of the holders of the Notes) to enter into an additional intercreditor agreement on terms substantially the same as the Intercreditor Deed (or terms more favorable to holders of the Notes) or an accession and/or amendment to the Intercreditor Deed to permit such Indebtedness to

be subject to (and benefit from) substantially the same terms with respect to the release of the Collateral and Guarantees, enforcement of Security Interests, turnover, limitations on enforcement and other rights and limitations of the creditors of Senior Secured Indebtedness, Pari Passu Indebtedness or Subordinated Indebtedness, as applicable, as contained in the Intercreditor Deed in effect as of the Issue Date (or, in the case of any such terms, terms more favorable to the holders of the Notes).

At the direction of the Issuer and without the consent of the holders of the Notes, the Trustee and the Collateral Agent will upon direction of the Issuer from time to time enter into one or more amendments to the Intercreditor Deed or any additional intercreditor agreement or deed to: (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) increase the amount of Indebtedness or the types covered thereby that may be incurred by the Issuer or a Restricted Subsidiary that is subject thereto and to provide for Permitted Liens; (iii) add Guarantors or other parties (such as representatives of new issuances of Indebtedness) thereto; (iv) further secure the Notes (including Additional Notes); (v) make provision for equal and ratable grants of Liens on the Collateral to secure Additional Notes or to implement any Permitted Collateral Liens; (vi) make any other change to the Intercreditor Deed or such additional intercreditor agreement to provide for additional Indebtedness (which may be Senior Secured Indebtedness, Pari Passu Indebtedness or Subordinated Indebtedness) or other obligations that are permitted by the terms of the Indenture to be secured by a Lien on the Collateral on a senior, *pari passu* or junior basis with the Security Interests securing the Notes, (vii) provide for the release of the Liens on the Dollar IGH Notes Proceeds Loan, the Euro IGH Notes Proceeds Loan or the Existing High Yield Notes Proceeds Loans upon the payment in full or other discharge of such Notes Proceeds Loans (and the release of the Liens on any amounts so repaid or discharged) or the repayment, defeasance, satisfaction, cancellation or other discharge of the Notes or the Existing 2016 IGH Notes, as applicable, (viii) provide for (A) the cancellation and discharge of all or a portion of the principal amount of any High Yield Proceeds Loans (as defined in the Intercreditor Deed) in excess of the aggregate principal amount of the corresponding High Yield Notes (as defined in the Intercreditor Deed) then outstanding, (B) the cancellation and discharge of a corresponding amount of the principal amount of any High Yield Proceeds Loans (as defined in the Intercreditor Deed) upon the repayment, defeasance, satisfaction, cancellation or other discharge of the corresponding High Yield Notes (as defined in the Intercreditor Deed) and (C) the cancellation and discharge of any Guarantor from its obligations and liabilities in respect of any High Yield Proceeds Loans (as defined in the Intercreditor Deed) upon the repayment, defeasance, satisfaction, cancellation or other discharge of all of the corresponding High Yield Notes (as defined in the Intercreditor Deed) then outstanding; (ix) make any change necessary or desirable, in the good faith determination of the Board of Directors of the Issuer (or in the case of a transaction in respect of IHL or any of its Restricted Subsidiaries, the Board of Directors of IHL or the Issuer), in order to implement any transaction that is subject to the covenants described under the caption “—Consolidation, Merger, Sale of Assets”; (x) implement any transaction in connection with the renewal, extension, refinancing, replacement or increase of the Senior Secured Term Loans Agreement permitted by the Indenture; (xi) make any other change thereto that does not adversely affect the rights of the holders of the Notes in any material respect; or (xii) reflect appropriately therein any changes made to the definitions in any Senior Secured Term Loans Agreement that are referred to or included in the Intercreditor Deed or any additional intercreditor agreement; *provided* that no such changes shall be permitted under this clause (xii) to the extent they affect the ranking of any Note or Guarantee in a manner than would adversely affect the rights of the holders of the Notes in any material respect except as otherwise permitted by the Indenture or the Intercreditor Deed. The Issuer will not otherwise direct the Trustee or the Collateral Agent to enter into any amendment to the Intercreditor Deed or, if applicable, any additional intercreditor agreement or deed, without the consent of the holders of a majority in principal amount of the outstanding Notes.

Notwithstanding the foregoing, only one such intercreditor agreement shall be outstanding at any one time, or if more than one such intercreditor agreement or additional intercreditor agreement is outstanding at any one time, the collective terms of such intercreditor agreements must not conflict and, taken as a whole, shall be no more disadvantageous to the holders of the Notes than the Intercreditor Deed.

Each holder of a Note, by accepting such Note, will be deemed to have:

- (a) appointed and authorized the Trustee and the Collateral Agent from time to time to give effect to such provisions;
- (b) authorized each of the Trustee and the Collateral Agent from time to time to become a party to any additional intercreditor arrangements described above;
- (c) agreed to be bound by such provisions and the provisions of any additional intercreditor arrangements described above; and



- (d) irrevocably appointed the Trustee and the Collateral Agent to act on its behalf from time to time to enter into and comply with such provisions and the provisions of any additional intercreditor arrangements described above,

in each case, without the need for the consent of the holders.

### ***Provision of Financial Statements***

For so long as any Notes are outstanding, the Issuer will provide to the Trustee the following reports:

- (1) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ending December 31, 2013, annual reports containing, to the extent applicable, a level of detail that is comparable in all material respect to this offering memorandum (with appropriate revisions, as reasonably determined by the Issuer, to reflect changes in segment reporting) and the following information: (a) audited consolidated balance sheets of the Issuer as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information of the Issuer (which need not comply with Article 11 of Regulation S-X under the U.S. Exchange Act, "**Regulation S-X**"), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *pro forma* information has been provided in a previous report pursuant to clause 2(b) or 2(c) below; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Issuer, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, management and shareholders of the Issuer, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; (e) a description of material risk factors and material recent developments; (f) earnings before interest, taxes, depreciation and amortization; (g) capital expenditures; and (h) depreciation and amortization; *provided* that any item of disclosure that complies in all material respects with the requirements that would be applicable under Form 20-F under the U.S. Exchange Act with respect to such item will be deemed to satisfy the Issuer's obligations under this clause (1) with respect to such item;
- (2) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Issuer beginning with the quarter ending March 31, 2013, all quarterly financial statements of the Issuer containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) *pro forma* income statement and balance sheet information of the Issuer (which need not comply with Article 11 of Regulation S-X), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *pro forma* information has been provided in a previous report pursuant to clause 2(a) or 2(c); (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Issuer, and a discussion of material commitments and contingencies and critical accounting policies; and (d) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; *provided* that that any item of disclosure that complies in all material respects with the requirements that would be applicable under Form 10-Q under the U.S. Exchange Act with respect to such item will be deemed to satisfy the Issuer's obligations under this clause (2) with respect to such item; and
- (3) promptly after the occurrence of any material acquisition, disposition or restructuring of the Issuer and the Restricted Subsidiaries, taken as a whole, or any senior executive officer changes at the Issuer or change in auditors of the Issuer or any other material event that the Issuer or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

Delivery of such reports, information and documents to the Trustee shall be for informational purposes only and the Trustee's receipt of such shall not constitute actual or constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of its covenants under the Indenture or the Notes (as to which the Trustee shall be entitled to rely exclusively on Officer's Certificates).

All financial statements and *pro forma* financial information will be prepared in accordance with IFRS on a consistent basis for the periods presented; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in applicable IFRS, present earlier periods on a basis that applied to such periods, subject to the provisions of the Indenture. Except as provided for above, no report need include separate financial statements for Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this offering memorandum. To the extent comparable prior year financial information of the Issuer does not exist, the comparable prior year financial information of the relevant predecessor or successor entity (which for the financial information prior to July 1, 2011 will be INEOS Group Holdings plc (now known as INEOS Group Holdings Limited)) may be provided in lieu thereof.

Contemporaneously with the furnishing of each such report discussed above, the Issuer will also (a) file a press release with the appropriate internationally recognized wire services (including, without limitation, through the newswire service of Bloomberg, or if Bloomberg does not then operate, any similar agency) in connection with such report and (b) post such report on the Issuer's website. In the event that the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the U.S. Exchange Act, or elects to comply with such provisions, the Issuer will, for so long as it continues to file the reports required by Section 13(a) or 15(d) with the Commission, make available to the Trustee the annual reports, information, documents and other reports that the Issuer is required to file with the Commission pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding three paragraphs.

The Indenture also provides that, so long as any of the Notes remain outstanding, the Issuer will make available to any prospective purchaser of Notes or beneficial owner of Notes in connection with any sale thereof the information required by Rule 144A(d)(4) under the U.S. Securities Act. The Issuer will also make any of the foregoing information available during normal business hours at the offices of the listing agent in Luxembourg if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market and the rules of the stock exchange so require.

### ***Listing***

The Indenture provides that the Issuer will use its commercially reasonable efforts to obtain the listing of the Notes as promptly as practicable and to maintain the listing of the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Luxembourg Stock Exchange's Euro MTF Market; *provided, however*, that if the Issuer is unable to list the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Luxembourg Stock Exchange's Euro MTF Market, or if maintenance of such listing becomes unduly onerous, it will, prior to the delisting of the Notes from the Official List of the Luxembourg Stock Exchange for trading on the Luxembourg Stock Exchange's Euro MTF Market, use all commercially reasonable efforts to list and maintain a listing of such Notes on another "recognised stock exchange" as defined in section 1005 of the United Kingdom Income Tax Act 2007.

As at the date of this offering memorandum, the Issuer has already made an application to list the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Luxembourg Stock Exchange's Euro MTF Market.

### ***Limitations on Use of Proceeds***

The net proceeds from each issue of Notes will be applied by the Issuer outside Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.

### ***Limitations on Amendments to Notes Proceeds Loans***

For so long as any Notes are outstanding, the Issuer will not, except as expressly permitted by the Indenture and not prohibited by the Intercreditor Deed, (i) change the Stated Maturity of the principal of, or any installment of interest on either

of the Dollar IGH Notes Proceeds Loan or the Euro IGH Notes Proceeds Loan; (ii) reduce the rate of interest on either of the Dollar IGH Notes Proceeds Loan or the Euro IGH Notes Proceeds Loan; (iii) change the currency for payment of any amount under either of the Dollar IGH Notes Proceeds Loan or the Euro IGH Notes Proceeds Loan; (iv) prepay or otherwise reduce or permit the prepayment or reduction of either of the Dollar IGH Notes Proceeds Loan or the Euro IGH Notes Proceeds Loan (except to reflect a corresponding payment of principal on the Notes); (v) assign or novate either of the Dollar IGH Notes Proceeds Loan or the Euro IGH Notes Proceeds Loan or any rights or obligations under the Notes Proceeds Loans Agreement in respect of the Dollar IGH Notes Proceeds Loan and the Euro IGH Notes Proceeds Loan (other than to secure the Notes and the Note Guarantees or to grant any Permitted Collateral Lien or in connection with a transaction that is subject to the covenants described under the caption “—Consolidation, Merger, Sale of Assets” and is completed in compliance therewith); or (vi) amend, modify or alter either of the Dollar IGH Notes Proceeds Loan or the Euro IGH Notes Proceeds Loan or the Notes Proceeds Loans Agreement in respect of the Dollar IGH Notes Proceeds Loan and the Euro IGH Notes Proceeds Loan in any manner adverse to the rights of the holders of the Notes in any material respect. Notwithstanding the foregoing, (a) either of the Dollar IGH Notes Proceeds Loan or the Euro IGH Notes Proceeds Loan may be (x) prepaid or reduced to facilitate or otherwise accommodate or reflect a repayment, redemption or repurchase of outstanding Note or (y) may be released and discharged as provided in the last paragraph of the covenant described under “—Consolidation, Merger, Sale of Assets—The Issuer” and (b) the Notes Proceeds Loans Agreement in respect of the Dollar IGH Notes Proceeds Loan and the Euro IGH Notes Proceeds Loan may be amended, supplemented or otherwise modified to reflect the partial repayment of the relevant Notes Proceeds Loan or any refinancing of the Notes.

### ***Suspension of Covenants on Achievement of Investment Grade Status***

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a “**Suspension Event**”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status, the provisions of the Indenture summarized under the following captions will not apply to the Notes: “—Limitation on Indebtedness,” “—Limitation on Restricted Payments,” “—Limitation on Transactions with Affiliates,” “—Limitation on Sale of Assets,” “—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries” and the provisions of clause (c) of the covenant described under “—Consolidation, Merger, Sale of Assets—The Issuer” and any related default provisions of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries. The provisions referred to in this covenant and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event, and the “—Limitation on Restricted Payments” covenant will be interpreted as if it had been in effect since the Issue Date except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

### ***Additional Covenants***

The Indenture also contains covenants with respect to the following matters: (a) payment of principal, premium, any Additional Amounts and interest; (b) maintenance of certain offices or agencies and (c) arrangements regarding the handling of money held in trust.

### **Consolidation, Merger, Sale of Assets**

#### ***The Issuer***

The Issuer will not, in a single transaction or through a series of related transactions, consolidate with or merge with or into any other Person (whether or not the Issuer is the surviving corporation) or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets to any Person or group of Persons, or permit any of its Restricted Subsidiaries to enter into any such transaction or series of transactions, if such transaction or series of transactions, in the aggregate, would result in a sale, assignment, conveyance, transfer, lease or disposition of all or substantially all of the properties and assets of the Issuer and its Restricted Subsidiaries on a Consolidated basis to any other Person or group of Persons, unless at the time of the transaction and after giving effect thereto:

- (a) either:
  - (1) the Issuer will be the continuing corporation; or

- (2) the Person (if other than the Issuer) formed by such consolidation or into which the Issuer is merged or the Person which acquires by sale, assignment, conveyance, transfer, lease or disposition all or substantially all of the properties and assets of the Issuer and its Restricted Subsidiaries on a Consolidated basis (the “**Surviving Entity**”) will be a corporation duly organized and validly existing under the laws of any EU state which is a member of the EU on the Issue Date, Switzerland, the United States of America, any state thereof or the District of Columbia or the Island of Jersey and such Person expressly assumes all the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Deed, the Proceeds Loan Documents and the Security Document to which the Issuer is a party pursuant to agreements reasonably satisfactory to the Trustee (and the Guarantees will be confirmed as applying to such Surviving Entity’s obligations);
- (b) immediately after giving effect to such transaction on a *pro forma* basis (and treating any Indebtedness not previously an obligation of the Issuer or any of its Restricted Subsidiaries which becomes the obligation of the Issuer or any of its Restricted Subsidiaries as a result of such transaction as having been incurred at the time of such transaction), no Default or Event of Default will have occurred and be continuing;
- (c) immediately after giving effect to such transaction on a *pro forma* basis (on the assumption that the transaction occurred on the first day of the four-quarter period for which financial statements are available ending immediately prior to the consummation of such transaction with the appropriate adjustments with respect to the transaction, including treating any obligation incurred by the Issuer or any Restricted Subsidiary in connection with or as a result of such transaction or series of transactions as having been incurred by the Issuer or such Restricted Subsidiary at the time of such transaction, being included in such *pro forma* calculation), the Issuer (or the Surviving Entity if the Issuer is not the continuing obligor under the Indenture) could incur €1.00 of additional Indebtedness (other than Permitted Indebtedness) under the provisions of “—Certain Covenants—Limitation on Indebtedness;”
- (d) at the time of the transaction, the Issuer and each Guarantor, if any, unless it is the other party to the transactions described above, will have by supplemental indenture confirmed the Notes or that its Guarantee will apply to such Person’s obligations under the Indenture and the Notes; and
- (e) at the time of the transaction, the Issuer or the Surviving Entity will have delivered, or caused to be delivered, to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer’s Certificate and an opinion of independent legal counsel, each to the effect that such consolidation, merger, transfer, sale, assignment, conveyance, lease or other transaction and the supplemental indenture in respect thereof comply with the Indenture and that all conditions precedent therein provided for relating to such transaction have been complied with; *provided* that in giving an opinion of counsel, counsel may rely on an Officer’s Certificate as to any matters of fact.

In the event of any transaction (other than a lease) described in and complying with the conditions listed in the immediately preceding paragraph in which the Issuer is not the continuing corporation, the successor Person formed or remaining or to which such transfer is made will succeed to, and be substituted for, and may exercise every right and power of the Issuer and the Issuer will be discharged from all obligations and covenants under the Indenture, the Notes, the Notes Proceeds Loans Agreements and the Security Document to which the Issuer is a party.

### **Guarantors**

A Guarantor (other than a Guarantor whose Guarantee is to be released in accordance with the terms of the Guarantee and the Indenture as described under “—Certain Covenants—Release of Guarantees”) will not, in a single transaction or through a series of related transactions, consolidate with or merge with or into any other Person or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets to any Person or group of Persons, or permit any of its Restricted Subsidiaries to enter into any such transaction or series of transactions, if such transaction or series of transactions, in the aggregate, would result in a sale, assignment, conveyance, transfer, lease or disposition of all or substantially all of the properties and assets of the Guarantor and its Restricted Subsidiaries on a Consolidated basis to any other Person or group of Persons, unless at the time of the transaction and after giving effect thereto:

- (a) either:
- (1) such Guarantor will be the continuing corporation; or
  - (2) the Person (if other than the Guarantor) formed by such consolidation or into which the Guarantor is merged or the Person which acquires by sale, assignment, conveyance, transfer, lease or disposition all or substantially all of the properties and assets of the Guarantor (for the purposes of this covenant, or as otherwise applicable, the “**Surviving Entity**”) will be a corporation duly organized and validly existing under the laws of any EU state which is a member of the EU on the Issue Date, Switzerland, the United States of America, any state thereof or the District of Columbia or the Island of Jersey or any other jurisdiction where one or more Guarantors is organized and such Person expressly assumes all the obligations of the Guarantor under its Guarantee, the Indenture, the Intercreditor Deed, the Proceeds Loan Documents and the Security Document to which such Guarantor is a party pursuant to agreements reasonably satisfactory to the Trustee (and the Guarantees will be confirmed as applying to such Surviving Entity’s obligations);
- (b) immediately after giving effect to such transaction on a *pro forma* basis (and treating any Indebtedness not previously an obligation of the Guarantor or any of its Restricted Subsidiaries which becomes the obligation of the Guarantor or any of its Restricted Subsidiaries as a result of such transaction as having been incurred at the time of such transaction), no Default or Event of Default will have occurred and be continuing;
- (c) at the time of the transaction, the Guarantor, unless it is the other party to the transactions described above, will have confirmed by supplemental indenture or otherwise that its Guarantee shall apply to such Person’s obligations under its Guarantee and the Indenture; and
- (d) at the time of the transaction, the Guarantor or the Surviving Entity will have delivered, or caused to be delivered, to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer’s Certificate and an opinion of independent counsel, each to the effect that such consolidation, merger, transfer, sale, assignment, conveyance, lease or other transaction and the supplemental indenture in respect thereof comply with the Indenture and that all conditions precedent therein provided for relating to such transaction have been complied with; *provided* that in giving an opinion of counsel, counsel may rely on an Officer’s Certificate as to any matters of fact. The Trustee shall be entitled to rely conclusively on such Officer’s Certificate and opinion of counsel without independent verification.

In the event of any transaction (other than a lease) described in and complying with the conditions listed in the immediately preceding paragraph in which the Guarantor is not the continuing corporation, the successor Person formed or remaining or to which such transfer is made will succeed to, and be substituted for, and may exercise every right and power of the Guarantor and the Guarantor will be discharged from all obligations and covenants under the Indenture, its Guarantee, the Notes, the Notes Proceeds Loans Agreements and the Security Document to which such Guarantor is a party.

### **General**

Notwithstanding clauses (b) and (c) under “—The Issuer” and clause (b) under “—Guarantors” above (which do not apply to transactions referred to in this sentence), (i) any Restricted Subsidiary of the Issuer may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer or any Guarantor, (ii) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary and (iii) the Issuer may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer, reincorporating the Issuer in another jurisdiction, or changing the legal form of the Issuer.

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

## Events of Default

An Event of Default will occur under the Indenture if:

- (a) there shall be a default in the payment of any interest or Additional Amounts on any Note when it becomes due and payable, and such default shall continue for a period of 30 days;
- (b) there shall be a default in the payment when due (at maturity, upon redemption or otherwise) of the principal of (or premium, if any, on) any Note;
- (c)
  - (1) there shall be a default in the performance, or breach, of any covenant or agreement of the Issuer or any Guarantor under the Indenture or any Guarantee (other than a default in the performance, or breach, of a covenant or agreement which is specifically dealt with in clause (a), (b) or in clause (2), (3) or (4) of this clause (c)) and such default or breach shall continue for a period of 60 days after written notice has been given, by certified mail, (x) to the Issuer by the Trustee or (y) to the Issuer and the Trustee by the holders of at least 25% in aggregate principal amount of the outstanding Notes voting as a single class,
  - (2) there shall be a default in the performance or breach of the provisions described in “Consolidation, Merger, Sale of Assets,”
  - (3) the Issuer shall have failed to make or consummate an Asset Sale Offer in accordance with the provisions of “—Certain Covenants—Limitation on Sale of Assets,” or
  - (4) the Issuer shall have failed to make or consummate a Change of Control Offer in accordance with the provisions of “—Certain Covenants—Purchase of Notes Upon a Change of Control;”
- (d) any default in the payment of the principal or premium, if any, on any Indebtedness shall have occurred under any of the agreements, indentures or instruments under which the Issuer, any Guarantor or any Significant Restricted Subsidiary then has outstanding Indebtedness in excess of €50.0 million when the same shall become due and payable in full and such default shall have continued after any applicable grace period and shall not have been cured or waived and, if not already matured at its final maturity in accordance with its terms, the holder of such Indebtedness shall have accelerated such Indebtedness;
- (e) any Guarantee by the Issuer or a Significant Restricted Subsidiary is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be, or shall for any reason be asserted in writing by any Guarantor or the Issuer not to be, in full force and effect and enforceable in accordance with its terms, except to the extent contemplated by the Indenture and any such Guarantee;
- (f) (i) any default by the Issuer or any Guarantor in the performance of any of its obligations under the Security Document (after the lapse of any applicable grace periods) which materially adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which materially adversely affects the condition or value of the Collateral, taken as a whole, (ii) repudiation or disaffirmation by the Issuer or any Guarantor of any of their respective obligations under the Security Document or (iii) the determination of a judicial proceeding that the Security Document is unenforceable or invalid against the Issuer or any Guarantor for any reason, other than as a result of any release of security in accordance with the provisions of the Indenture described under “—Security—Release of Security”;
- (g) one or more judgments, orders or decrees of any court or regulatory or administrative agency for the payment of money in excess of €50.0 million, either individually or in the aggregate, shall be rendered against the Issuer or any Significant Restricted Subsidiary or any of their respective properties and shall not be discharged and there shall have been a period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal or otherwise, shall not be in effect;

- (h) except in accordance with the Indenture, the agreement in respect of the Dollar IGH Notes Proceeds Loan and the Euro IGH Notes Proceeds Loan ceases to be in full force and effect or is declared fully or partially void in a judicial proceeding or IHL asserts that any Notes Proceeds Loan is fully or partially invalid; or
- (i) certain events of bankruptcy or insolvency described in the Indenture with respect to the Issuer or any Significant Restricted Subsidiary shall have occurred.

If an Event of Default (other than as specified in clause (i) of the prior paragraph) shall occur and be continuing with respect to the Indenture, the Trustee or the holders of not less than 25% in aggregate principal amount of the Notes then outstanding may, and the Trustee, at the request of such holders, shall declare all unpaid principal of, premium, if any, any Additional Amounts and accrued interest on all Notes to be due and payable immediately, by a notice in writing to the Issuer (and to the Trustee if given by the holders of the Notes) and upon any such declaration, such principal, premium, if any, any Additional Amounts and interest shall become due and payable immediately.

If an Event of Default specified in clause (i) of the prior paragraph occurs and is continuing, then all the Notes shall *ipso facto* become and be due and payable immediately in an amount equal to the principal amount of the Notes, together with any Additional Amounts and accrued and unpaid interest, if any, to the date the Notes become due and payable, without any declaration or other act on the part of the Trustee or any holder. Thereupon, the Trustee may, at its discretion, proceed to protect and enforce the rights of the holders of the Notes by appropriate judicial proceedings. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (d) of the prior paragraph has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (d) shall be remedied or cured, or waived by the holders of the Indebtedness that gave rise to such Event of Default, or such Indebtedness shall be discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except non-payment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

After a declaration of acceleration, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of a majority in aggregate principal amount of Notes outstanding by written notice to the Issuer and the Trustee may rescind an acceleration and annul such declaration and its consequences under the Indenture if:

- (a) the Issuer has paid or deposited with the Trustee a sum sufficient to pay:
  - (1) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel,
  - (2) all overdue interest and Additional Amounts on all Notes then outstanding,
  - (3) the principal of and premium, if any, on any Notes then outstanding which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Notes, and
  - (4) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate borne by the Notes;
- (b) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and
- (c) all Events of Default, other than the non-payment of principal of, premium, if any, and any Additional Amounts and interest on the Notes, which have become due solely by such declaration of acceleration, have been cured or waived as provided in the Indenture. No such rescission shall affect any subsequent default or impair any right consequent thereon.

The holders of not less than a majority in aggregate principal amount of all outstanding Notes may, by written notice to the Trustee, on behalf of the holders of all outstanding Notes, waive any past default under the Indenture and its consequences, except a default:

- (a) in the payment of the principal of, premium, if any, any Additional Amounts or interest on any Note held by a non-consenting holder (which may only be waived with the consent of each holder of Notes affected); or
- (b) in respect of a covenant or provision hereof which under the Indenture cannot be modified or amended without the consent of the holders of not less than 90% of the then outstanding amount of one or more series of Notes, in which case the consent of the holders of at least 90% of the then outstanding Notes or the relevant series of Notes shall be required.

No holder of any of the Notes has any right to institute any proceedings with respect to the Indenture or any remedy thereunder, unless the holders of at least 25% in aggregate principal amount of the outstanding Notes have made written request, and offered satisfactory indemnity and/or security to the Trustee to institute such proceeding as the Trustee under the Notes and the Indenture, the Trustee has failed to institute such proceeding within 60 days after receipt of such notice and the Trustee, during such 60-day period, has not received directions inconsistent with such written request from the holders of a majority in aggregate principal amount of the outstanding Notes. Such limitations do not, however, apply to a suit instituted by a holder of a Note for the enforcement of the payment of the principal of, premium, if any, and any Additional Amounts or interest on such Note on or after the respective due dates expressed in such Note.

The Issuer will promptly notify the Trustee of the occurrence of any Default that has not otherwise been cured within 15 Business Days following the occurrence of such Default. Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust of power. Except in the case of a Default or an Event of Default in payment of principal of, premium, if any, applicable Additional Amounts or interest on any Notes, the Trustee may withhold the notice to the holders of such Notes if a committee of its trust officers in good faith determines that withholding the notice is in the interests of the holders of the Notes. If a Default or an Event of Default occurs and is continuing and is known to the Trustee, the Trustee will mail to each holder of the Notes notice of the Default or Event of Default within five Business Days after being notified of its occurrence. The Issuer will deliver to the Trustee, on or before a date not more than 120 days after the end of each fiscal year, a written statement as to compliance with the Indenture, including whether or not any Default has occurred. The Trustee is under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the holders of the Notes unless such holders offer to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred thereby.

#### **Defeasance or Covenant Defeasance of Indenture**

The Issuer may, at its option and at any time, elect to have all of its obligations terminated with respect to the outstanding Notes and all obligations of the Guarantors discharged with respect to the Guarantees (“**Legal Defeasance**”) and cure all then existing Events of Default, except for, among other things, certain obligations, including those relating to the defeasance trust, obligations to transfer or exchange Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain a paying agent, and obligations with respect to the rights, powers, trusts, duties and immunities of the Trustee.

In addition, the Issuer may, at its option and at any time, elect to have its obligations and the obligations of the Guarantors released with respect to certain covenants that are described in the Indenture and the Guarantees (“**Covenant Defeasance**”) and thereafter any omission to comply with such obligations shall not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, and, solely with respect to the Issuer, bankruptcy and insolvency events) described under “—Events of Default” will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (a) the Issuer must irrevocably deposit in trust with the Trustee, for the benefit of the holders of the Notes, cash in dollars or U.S. Government Obligations, or a combination thereof (in the case of the Dollar IGH Notes) or in euro, European Government Obligations, or a combination thereof (in the case of the Euro IGH Notes), in such aggregate amounts as will be sufficient to pay the principal of, interest and premium, if any, on the Dollar IGH Notes and the Euro IGH Notes to maturity;
- (b) in the case of Legal Defeasance, the Issuer must deliver to the Trustee:



- (1) an opinion of United States counsel reasonably acceptable to the Trustee confirming that (A) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (B) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred; and
  - (2) an opinion of counsel in the jurisdiction of incorporation of the Issuer and reasonably acceptable to the Trustee to the effect that the holders of the Notes will not recognize income, gain or loss for tax purposes of such jurisdiction as a result of such deposit and defeasance and will be subject to tax in such jurisdiction on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred; and
- (c) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee:
- (1) an opinion of United States counsel reasonably acceptable to the Trustee confirming that the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred; and
  - (2) an opinion of counsel in the jurisdiction of incorporation of the Issuer and reasonably acceptable to the Trustee to the effect that the holders of the Notes will not recognize income, gain or loss for tax purposes of such jurisdiction as a result of such deposit and defeasance and will be subject to tax in such jurisdiction on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred.

### **Satisfaction and Discharge**

The Indenture will be discharged and will cease to be of further effect (except as to transfer or exchange of the Notes as expressly provided for in the Indenture) as to all the outstanding Notes issued under the Indenture when:

- (a) either:
  - (1) all such Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid or Notes whose payment has been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust as provided for in the Indenture) have been delivered to the Trustee for cancellation; or
  - (2) all Notes not theretofore delivered to the Trustee for cancellation (A) have become due and payable, (B) will become due and payable at their Stated Maturity within one year, or (C) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust an amount in dollars, U.S. Government Obligations, or a combination thereof (in the case of the Dollar IGH Notes) or in euro, European Government Obligations, or a combination thereof (in the case of the Euro IGH Notes) sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, including the principal of, premium, if any, any Additional Amounts and accrued interest on, such Notes at such Maturity, Stated Maturity or redemption date;
- (b) the Issuer or any Guarantor has paid or caused to be paid all other sums payable under the Indenture by the Issuer and any Guarantor; and

- (c) the Issuer has delivered to the Trustee an Officer's Certificate and an opinion of independent counsel, each stating that:
- (1) all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with; and
  - (2) such satisfaction and discharge will not result in a breach or violation of, or constitute a default under, the Indenture or any other material agreement or instrument to which the Issuer, any Guarantor or any Subsidiary is a party or by which the Issuer, any Guarantor or any Subsidiary is bound;

*provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with this clause (c) and the foregoing clauses (a) and (b)). The Trustee shall be entitled to rely conclusively on such Officer's Certificate and opinion of counsel without independent verification.

### **Modifications and Amendments**

Without limiting the Issuer's and the Guarantors' ability to effect modifications or amendments that are expressly permitted under "—Certain Covenants—Impairment of Security Interest" or "—Certain Covenants—Intercreditor Deed; Additional Intercreditor Agreements" or are otherwise permitted under this caption "—Modifications and Amendments", modifications and amendments of the Indenture, any Guarantee, the Intercreditor Deed, any additional intercreditor agreement and/or the Security Document may be made by the Issuer, the Guarantors, the Collateral Agent and the Trustee, in each case, to the extent a party thereto, with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding, as the case may be; *provided, however*, that no such modification or amendment may, without the consent of the holders of not less than 90% of the then outstanding aggregate principal amount of the Notes:

- (a) change the Stated Maturity of the principal of, or any installment of any Additional Amounts or interest on, or change to an earlier date the time at which any Note may be redeemed, or waive a default in the payment of the principal of, premium, if any, any Additional Amounts or interest on, any such Note or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which the principal of any such Note or any premium or any Additional Amounts or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date);
- (b) reduce the percentage in principal amount of such outstanding Notes, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver of or compliance with provisions of the Indenture;
- (c) modify any of the provisions relating to any supplemental indentures requiring the consent of holders or relating to the waiver of past defaults or relating to the waiver of certain covenants, except to increase the percentage of such outstanding Notes required for such actions or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each such Note affected thereby;
- (d) except as otherwise permitted under "—Consolidation, Merger, Sale of Assets," consent to the assignment or transfer by the Issuer or any Guarantor of any of its rights and obligations under the Indenture;
- (e) release all or substantially all of the Collateral from the Liens created in favor of the Trustee or the Collateral Agent pursuant to the Security Document or all or substantially all of the Guarantors from the Guarantees created pursuant to the Indenture or any supplemental indenture thereto except as otherwise permitted by the terms of the Indenture, the Security Document or the Intercreditor Deed or any additional intercreditor agreement;
- (f) except as permitted by the Indenture or the Intercreditor Deed (or any additional intercreditor agreement), make any change to any provision of the Indenture or the Intercreditor Deed affecting the ranking or

priority of any Note or Guarantee that would adversely affect the rights of the holders of the Notes in any material respect;

- (g) make any change in the provisions of the Indenture described under “—Payment of Additional Amounts” that adversely affects the holder’s entitlement to (x) any exemption, in whole or in part, from withholding Taxes or (y) Additional Amounts, in each case as described thereunder, unless the Issuer agrees to pay Additional Amounts (if any) in respect thereof; or
- (h) except as permitted by the Indenture or the Intercreditor Deed (or any additional intercreditor agreement), release any Guarantee.

Notwithstanding the foregoing, if any amendment, waiver or other modification with respect to the matters described in clause (a) above (or clause (b) or (c) above only to the extent such clauses relate to clause (a)) affects only the rights of the Dollar IGH Notes or the Euro IGH Notes, as applicable, the holders of the other series of Notes shall not be required to consent thereto (and in such case, the consent of 90% in the aggregate principal amount of the affected Notes shall be required to consent thereto).

Notwithstanding the preceding two paragraphs, the Indenture will provide that certain Guarantees or Liens on the Collateral may be released in connection with sales or other dispositions of property or assets (including Capital Stock) that do not violate the requirements of the covenants described under the caption “—Certain Covenants—Restricted Payments” or “—Certain Covenants—Limitation on Sale of Assets”, as each such covenant may be amended from time to time with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding and in such case the consent of at least a majority in aggregate principal amount of the Notes then outstanding will suffice for such release.

For the avoidance of doubt, it shall not be necessary for the consent of the holders under the Indenture to approve the particular form of any proposed amendment, waiver or other modification but it shall be sufficient if such consent approves the substance thereof.

In addition to any modifications and amendments that are permitted under, or governed by, the covenants set forth under the captions “—Certain Covenants—Impairment of Security Interest,” “—Certain Covenants—Intercreditor Deed; Additional Intercreditor Agreements,” “—Certain Covenants—Limitations on Amendments to Notes Proceeds Loans” or the other provisions of this caption “—Modifications and Amendments” and not in limitation thereof, without the consent of any holders of the Notes, the Issuer, the Trustee and the Collateral Agent, in each case to the extent a party thereto (without the need for any consent of or authorization or execution by any other party to the Indenture) may modify or amend the Indenture, any Guarantee, the Intercreditor Deed, any additional intercreditor agreement, any Security Document or the Notes Proceeds Loans:

- (a) to evidence the succession of another Person to the Issuer or any Guarantor or any other obligor under the Notes and the assumption by any such successor of the covenants of the Issuer or such Guarantor in the Indenture, in the Notes and in any Guarantee, as applicable, in accordance with “—Consolidation, Merger, Sale of Assets”;
- (b) to add to the covenants of the Issuer, any Guarantor or any other obligor upon the Notes for the benefit of the holders of the Notes or to surrender any right or power conferred upon the Issuer or any Guarantor or any other obligor upon the Notes, as applicable, in the Indenture, in the Notes or in any Guarantee;
- (c) to cure any ambiguity, or to correct or supplement any provision in the Indenture or in any supplemental indenture, the Notes, any Guarantee, the Intercreditor Deed, any additional intercreditor agreement, any Security Document or any Notes Proceeds Loan which may be defective or inconsistent with any other provision in the Indenture or in any supplemental indenture, the Notes, any Guarantee, the Intercreditor Deed, any additional intercreditor agreement, any Security Document or any Notes Proceeds Loan or to make any other provisions with respect to matters or questions arising under the Indenture, the Notes, any Guarantee, the Intercreditor Deed, any additional intercreditor agreement, any Security Document or any Notes Proceeds Loan that shall not adversely affect the rights of the holders of the Notes in any material respect or that shall improve or increase the rights of the holders of the Notes;

- (d) to add a Guarantor under the Indenture and to provide for or confirm the existence of any limitations in any Guarantee authorized under the Indenture;
- (e) to evidence and provide the acceptance of the appointment of a successor Trustee under the Indenture;
- (f) to mortgage, pledge, hypothecate or grant a security interest in favor of the Collateral Agent for the benefit of the holders of the Notes as additional security for the payment and performance of the Issuer's or any Guarantor's obligations under the Indenture, in any property, or assets, including any of which are required to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Collateral Agent pursuant to the Indenture or otherwise (any such additional security shall be deemed to be Collateral for all purposes under the Indenture);
- (g) to provide for the issuance of Additional Notes in accordance with the Indenture;
- (h) to conform the text of the Indenture or the Notes to any passage in this "Description of the Notes" to the extent that such passage was intended to be a verbatim recitation of a provision of the Indenture or the Notes;
- (i) to make, complete or confirm any grant of Collateral permitted or required by the Indenture;
- (j) to evidence or provide for the release of any Guarantee or any Lien on any Collateral that is otherwise permitted by the terms of the Indenture, the Security Document or the Intercreditor Deed or any additional intercreditor agreement;
- (k) to provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code); or
- (l) to limit or terminate the benefits available to any holder of Senior Indebtedness.

In connection with its execution of any amendment pursuant to the preceding paragraph, the Trustee shall be entitled to request and rely on such evidence as to whether such amendment is authorized by such paragraph as the Trustee may request, which may include an Officer's Certificate and/or an opinion of counsel.

Notwithstanding anything to the contrary in the paragraph above, in order to effect an amendment authorized by clause (d) above to add a Guarantor under the Indenture, it shall only be necessary for the supplemental indenture providing for the accession of such additional Guarantor to be duly authorized and executed by (i) the Issuer, (ii) such additional Guarantor and (iii) the Trustee.

The holders of a majority in aggregate principal amount of the Notes outstanding may waive compliance with certain restrictive covenants and provisions of the Indenture.

### **Governing Law**

The Indenture, the Notes and the Guarantees are governed by, and construed in accordance with, the laws of the State of New York. The Intercreditor Deed is governed by English law. The application of the provisions of articles 86 to 94-8, 96 and 97 of the Luxembourg law of August 10, 1915 on commercial companies, as amended, is hereby expressly excluded.

### **Consent to Jurisdiction and Service**

The Indenture provides that the Issuer and each Guarantor will appoint INEOS USA LLC, with its registered office at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Guarantees brought in any U.S. federal or New York state court located in the City of New York and will submit to such jurisdiction.

## **Enforceability of Judgments**

Since many of the assets of the Issuer and the Guarantors are outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

## **No Personal Liability of Directors, Officers, Employees and Shareholders**

No director, officer, employee, incorporator, member or shareholder of the Issuer, any Guarantor, any of their respective parent companies or any of their respective Subsidiaries or Affiliates as such, shall have any liability for any obligations of the Issuer under the Indenture (including the Guarantees), the Notes or the Security Document or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the Commission that such a waiver is against public policy.

## **Prescription**

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes will be prescribed 10 years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

## **Concerning the Trustee**

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Issuer or any Guarantor, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest in its capacity as Trustee it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs (which has not been cured), the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes unless such holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

## **Certain Definitions**

“**Acquired Indebtedness**” means Indebtedness of a Person:

- (a) existing at the time such Person becomes a Restricted Subsidiary;
- (b) assumed in connection with the acquisition of assets from such Person; or
- (c) existing at the time it merges or consolidates with the Issuer or any Restricted Subsidiary,

in each case, other than Indebtedness incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary or such acquisition, as the case may be.

Acquired Indebtedness shall be deemed to be incurred on the date of the related acquisition of assets from any Person, the date the acquired Person becomes a Restricted Subsidiary or at the time of such merger or consolidation, as the case may be.

“**Affiliate**” means, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person.

For the purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“**Amendment Agreement**” means the amendment agreement to be dated on or prior to the Issue Date, as subsequently amended, supplemented, varied, novated, extended or replaced from time to time, among, *inter alios* INEOS Finance plc and INEOS US Finance LLC, as borrowers, certain subsidiaries of the Issuer, Barclays Bank PLC and certain lenders, and pursuant to which the Senior Secured Term Loans Agreement will be amended and restated in order to (a) decrease the interest rate applicable to all credit facilities made available under the Senior Secured Term Loans Agreement, (b) add additional euro term loans and dollar term loans and (c) make other amendments to the Senior Secured Term Loans Agreement.

“**Applicable Redemption Premium**” means, with respect to any Note on any redemption date, the greater of (a) one percent of the principal amount of the Note and (b) (i) with respect to any Dollar IGH Note, the excess of:

- (1) the present value at such redemption date of the redemption price of such Dollar IGH Note at May 15, 2015, plus all required interest payments that would otherwise be due to be paid on such Dollar IGH Note during the period between the redemption date and May 15, 2015, excluding accrued but unpaid interest, computed using a discount rate equal to the Treasury Rate at such redemption date plus 50 basis points, over
- (2) the principal amount of such Dollar IGH Note; and

(ii) with respect to any Euro IGH Note, the excess of:

- (1) the present value at such redemption date of the redemption price of such Euro IGH Note at May 15, 2015, plus all required interest payments that would otherwise be due to be paid on such Euro IGH Note during the period between the redemption date and May 15, 2015, excluding accrued but unpaid interest, computed using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points, over
- (2) the principal amount of such Euro IGH Note.

For the avoidance of doubt, calculation of the Applicable Redemption Premium shall not be a duty or obligation of the Trustee or the Paying Agents.

“**Asset Sale**” means any sale, issuance, conveyance, transfer, lease or other disposition (including, without limitation, by way of merger, consolidation or sale and leaseback transaction) (collectively, a “**transfer**”), directly or indirectly, in one or a series of related transactions, of:

- (a) any Capital Stock of any Restricted Subsidiary (other than directors’ qualifying shares and other nominal amounts of Capital Stock that are required to be held by other Persons under applicable law);
- (b) all or substantially all of the properties and assets of any division or line of business of the Issuer or any Restricted Subsidiary; or
- (c) any other properties or assets of the Issuer or any Restricted Subsidiary other than in the ordinary course of business.

For the purposes of this definition, the term “**Asset Sale**” shall not include any transfer of properties and assets:

- (i) that is governed by the provisions described under “—Consolidation, Merger, Sale of Assets;”
- (ii) that is by the Issuer to any Restricted Subsidiary, or by any Restricted Subsidiary to the Issuer or any Restricted Subsidiary, in accordance with the terms of the Indenture;
- (iii) that is a disposition of cash, Cash Equivalents or Temporary Cash Investments;

- (iv) that is a disposition of inventory, trading stock or other assets in the ordinary course of business, including for the avoidance of doubt, in connection with performing any obligations under an Underlying Agreement (as defined in the Credit Support Deed);
- (v) that is a disposition of obsolete equipment or other assets that are no longer useful in the conduct of the business of the Issuer or any Restricted Subsidiary;
- (vi) the Fair Market Value of which in the aggregate does not exceed €25 million in any transaction or series of related transactions;
- (vii) that is a Restricted Payment permitted by the covenant under the caption “—Certain Covenants—Limitation on Restricted Payments” or a Permitted Payment or a Permitted Investment or a disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;
- (viii) that is a disposition in connection with any Permitted Liens;
- (ix) that is a disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (x) that is a foreclosure, condemnation or any similar action with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (xi) that is a sale or disposition of receivables (or related assets) in connection with any Permitted Receivables Financing or in the ordinary course of business or the conversion or exchange of accounts receivable for notes receivable;
- (xii) that is by the Issuer or a Restricted Subsidiary by way of lease or license in respect of land to a trading counterparty to whom the Issuer or such Restricted Subsidiary, as applicable, provides services on that land in the ordinary course of its trading;
- (xiii) that is a sale or disposition of (A) any and all equity, debt and other interests held by the Issuer and the Restricted Subsidiaries in INEOS Silicas and INEOS Bio as of February 10, 2012 or (B) any dividends, payments or other distributions equal to amounts received as dividends, payments and other distributions or proceeds of any sale or other disposition in respect of such interests since February 10, 2012;
- (xiv) that is a sale or disposition of assets to a joint venture in which the Issuer or a Restricted Subsidiary holds or receives at least 49% of the Capital Stock in such joint venture; *provided* that (A) no other party to the joint venture is an Affiliate of the Issuer, (B) such sale or disposition must be for fair consideration as determined in good faith by the Board of Directors of the Issuer or the senior management of the Issuer and (C) the aggregate amount of the transfers, sales and other dispositions made to joint ventures pursuant to this clause (xiv), less the aggregate amount of cash received by the Issuer and the Restricted Subsidiaries in exchange for such transfers, sales and other dispositions, do not exceed at any one time outstanding the greater of (x) €350.0 million and (y) 3.50% of Total Assets;
- (xv) that is a sale or disposition of an Investment in a joint venture to the extent required by or made pursuant to, contractual buy/sell or similar arrangements between the joint venture parties set forth in the agreements relating to the joint venture; *provided* that the relevant agreement resulted from bona fide arm’s length negotiation at the time it was entered into;
- (xvi) that is a grant of a Lien that is not prohibited by the covenant described under the caption “—Certain Covenants—Limitations on Liens;” or
- (xvii) that is a grant of licenses to intellectual property rights to third parties on an arm’s length basis in the ordinary course of business.

“**Attributable Debt**” means, with respect to any sale and leaseback transaction at the time of determination, the present value (discounted at the interest rate implicit in the lease determined in accordance with IFRS, or, if not known, at the Issuer’s incremental borrowing rate) of the total obligations of the lessee of the property subject to such lease for rental payments during the remaining term of the lease included in such sale and leaseback transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended, or until the earliest date on which the lessee may terminate such lease without penalty or upon payment of penalty (in which case the rental payments shall include such penalty), after excluding from such rental payments all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges.

“**Average Life**” means, as of the date of determination with respect to any Indebtedness, the quotient obtained by dividing

- (a) the sum of the products of
  - (x) the number of years from the date of determination to the date or dates of each successive scheduled principal payment of such Indebtedness multiplied by
  - (y) the amount of each such principal payment by
- (b) the sum of all such principal payments.

“**Bankruptcy Law**” means (a) Title 11, United States Bankruptcy Code of 1978, as amended, (b) the U.K. Insolvency Act 1986 (as amended), (c) when it relates to a Luxembourg entity, bankruptcy (*faillite*) proceedings within the meaning of Articles 437 ff. of the Luxembourg Commercial Code, voluntary or judicial liquidation (*liquidation volontaire ou judiciaire*), composition with creditors (*concordat préventif de faillite*) within the meaning of the law of 14 April 1886 on arrangements to prevent insolvency, as amended, reprieve from payment (*sursis de paiement*) within the meaning of Articles 593 ff. of the Luxembourg Commercial Code, controlled management (*gestion contrôlée*) within the meaning of the grand ducal regulation of 24 May 1935 on controlled management or (d) any other law of the United States, the United Kingdom (or, in each case, any political subdivision thereof) or the laws of any other jurisdiction or any political subdivision thereof relating to bankruptcy, insolvency, receivership, winding-up, liquidation, reorganization or relief of debtors or any amendment to, succession to or change in any such law.

“**Board of Directors**” means:

- (a) with respect to a corporation, the board of directors (or analogous governing body) of the corporation or any committee thereof duly authorized to act on behalf of such board;
- (b) with respect to a partnership, the board of directors (or analogous governing body) of the general partner of the partnership;
- (c) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and
- (d) with respect to any other Person, the board or committee of such Person serving a similar function.

“**Bottom Swiss Subsidiary**” means the Subsidiary of the Issuer organized under the laws of Switzerland that is a direct or indirect parent company of IHL and that is, as among the holding companies organized in Switzerland, most removed in the chain of holding companies from Lux I.

“**BP Credit Documents**” has the meaning set forth in the Intercreditor Deed.

“**BP Creditor Liabilities**” has the meaning set forth in the Intercreditor Deed.

“**BP Creditors**” has the meaning set forth in the Intercreditor Deed.

“**Bund Rate**” means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds or Bundesanleihen*) with a constant maturity (as officially compiled and published in the most recent



financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Company in good faith)) most nearly equal to the period from the redemption date to May 15, 2015; *provided, however*, that if the period from the redemption date to May 15, 2015 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to May 15, 2015 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

**“Business Day”** means each day that is not a Saturday, Sunday or other day on which banking institutions in Luxembourg, London, United Kingdom, or New York, United States or any other place of payment under the Indenture are authorized or required by law to close; *provided, however*, that for any payments to be made in euro under the Indenture, such day shall also be the day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (“TARGET”) payment system is open for the settlement of payments.

**“Capital Lease Obligation”** of any Person means any obligation of such Person and its Restricted Subsidiaries on a Consolidated basis under any capital lease of (or other agreement conveying the right to use) real or personal property which, in accordance with IFRS, is required to be recorded as a capitalized lease obligation.

**“Capital Stock”** of any Person means any and all shares, interests, participations, rights in or other equivalents (however designated) of such Person’s capital stock, other equity interests whether now outstanding or issued after the Issue Date, partnership interests (whether general or limited), any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person and any rights (other than debt securities convertible into Capital Stock), warrants or options exchangeable for or convertible into such Capital Stock.

**“Cash Equivalents”** means marketable debt securities with a maturity of three months or less and with a short term debt rating of at least “A1+” granted by S&P or “P1” granted by Moody’s to which the Issuer or a Restricted Subsidiary is beneficially entitled, and which can be promptly realized by the Issuer or such Restricted Subsidiary without condition.

**“Cash Management Arrangements”** means any customary cash management, cash pooling or netting or setting off arrangements or arrangements for the honoring of checks, drafts or similar instruments.

**“Change of Control”** means the occurrence of any of the following events:

- (a) prior to the consummation of an initial Public Equity Offering, any event the result of which is that the Permitted Holders are or become the “beneficial owners” (as defined in Rules 13d-3 and 13d-5 under the U.S. Exchange Act, except that a Person shall be deemed to have beneficial ownership of all shares that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of less than 50% (or, with respect to James A. Ratcliffe and the Specified Investors, less than 35%) of the total outstanding Voting Stock of the Issuer;
- (b) on and after the consummation of an initial Public Equity Offering, any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the U.S. Exchange Act), other than the Permitted Holders, is or becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the U.S. Exchange Act, except that a Person shall be deemed to have beneficial ownership of all shares that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 35% of the total outstanding Voting Stock of the Issuer and Permitted Holders do not beneficially own a larger percentage of such Voting Stock than such Person (and James A. Ratcliffe and the Specified Investors are not the “beneficial owners” of 25% or more of the total outstanding Voting Stock of the Issuer);
- (c) the Issuer consolidates with or merges with or into any Person or sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its assets to any Person, or any Person consolidates with or merges into or with the Issuer, in any such event pursuant to a transaction in which the outstanding Voting Stock of the Issuer is converted into or exchanged for cash, securities or other property, other than any such transaction where (1) the outstanding Voting Stock of the Issuer is changed into or exchanged for Voting

Stock of the surviving corporation which is not Redeemable Capital Stock and (2) immediately after such transaction, no “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the U.S. Exchange Act), other than Permitted Holders, is the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the U.S. Exchange Act, except that a person shall be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 35% of the total outstanding Voting Stock of the surviving corporation; or

- (d) the Issuer is liquidated or dissolved or adopts a plan of liquidation or dissolution other than in a transaction which complies with the provisions described under “—Consolidation, Merger, Sale of Assets”.

For purposes of this definition, any transfer of Capital Stock of an entity that was formed for the purpose of acquiring Voting Stock of the Issuer will be deemed to be a transfer of such portion of such Voting Stock as corresponds to the portion of the Capital Stock of such entity that has been so transferred.

“**Clearstream**” means Clearstream Banking, société anonyme.

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time, including the regulations proposed or promulgated thereunder.

“**Commission**” means the U.S. Securities and Exchange Commission, as from time to time constituted, created under the U.S. Exchange Act, or if at any time after the execution of the Indenture such Commission is not existing and performing the duties now assigned to it under the U.S. Securities Act, U.S. Exchange Act and U.S. Trust Indenture Act, as amended, then the body performing such duties at such time.

“**Commodity Price Protection Agreement**” means any forward contract, commodity swap, commodity option or other similar financial agreement or arrangement relating to, or the value of which is dependent upon, fluctuations in commodity prices.

“**Consolidated Fixed Charge Coverage Ratio**” of any Person means, for any period, the ratio of (a) the sum of Consolidated Net Income (Loss), plus, in each case to the extent deducted in computing Consolidated Net Income (Loss) for such period, Consolidated Interest Expense, Consolidated Income Tax Expense and Consolidated Non-Cash Charges for such period, of such Person and its Restricted Subsidiaries on a Consolidated basis, all determined in accordance with IFRS, less all non-cash items increasing Consolidated Net Income (Loss) for such period and less all cash payments during such period relating to non-cash charges that were added back to Consolidated Net Income (Loss) in determining the Consolidated Fixed Charge Coverage Ratio in any prior period to (b) the sum of Consolidated Interest Expense for such period plus cash and noncash dividends due (whether or not declared) on any Preferred Stock of such Person or its Restricted Subsidiaries during such period, in each case after giving *pro forma* effect to:

- (1) the incurrence of the Indebtedness giving rise to the need to make such calculation and (if applicable) the application of the net proceeds therefrom, including to refinance other Indebtedness, as if such Indebtedness was incurred, and the application of such proceeds occurred, on the first day of such period;
- (2) the incurrence, repayment or retirement of any other Indebtedness by such Person and its Restricted Subsidiaries since the first day of such period as if such Indebtedness was incurred, repaid or retired at the beginning of such period (except that, in making such computation, the amount of Indebtedness under any revolving credit facility shall be computed based upon the average daily balance of such Indebtedness during such period); *provided, however*, that the *pro forma* calculation of Consolidated Interest Expense shall not give effect to (A) any Indebtedness incurred on the date of determination pursuant to paragraph (b) of the covenant set forth in “—Certain Covenants—Limitation on Indebtedness” and (B) any discharge on the date of determination of any Indebtedness to the extent such discharge results from the proceeds of Indebtedness incurred pursuant to paragraph (b) of the covenant set forth in “—Certain Covenants—Limitation on Indebtedness”;
- (3) in the case of Acquired Indebtedness or any acquisition occurring at the time of the incurrence of such Indebtedness, the related acquisition, assuming such acquisition had been consummated on the first day of such period; and

- (4) any acquisition or disposition by such Person and its Restricted Subsidiaries of any company or any business or any assets out of the ordinary course of business, whether by merger, stock purchase or sale or asset purchase or sale, or any related repayment of Indebtedness, in each case since the first day of such period, assuming such acquisition or disposition had been consummated on the first day of such period; *provided that*:
- (A) whenever *pro forma* effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense attributable to any Indebtedness incurred in connection therewith, the *pro forma* calculations shall be determined in good faith;
  - (B) in making such computation, the Consolidated Interest Expense attributable to interest on any Indebtedness computed on a *pro forma* basis and (x) bearing a floating interest rate shall be computed as if the rate in effect on the date of computation had been the applicable rate for the entire period and (y) which was not outstanding during the period for which the computation is being made but which bears, at the option of such Person, a fixed or floating rate of interest, shall be computed by applying at the option of such Person either the fixed or floating rate (in the case of (x) and (y) taking into account any Interest Rate Agreement applicable to such Indebtedness for a period equal to the remaining term of such Interest Rate Agreement); and
  - (C) in making such computation, the Consolidated Interest Expense of such Person attributable to interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period.

For purposes of this definition, whenever *pro forma* effect is to be given to any transaction or calculation under this definition, the *pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer (including in respect of anticipated expense and cost reduction synergies).

“**Consolidated Income Tax Expense**” of any Person means, for any period, the provision for federal, national, state and local income taxes of the United States, United Kingdom or any other jurisdiction of such Person and its consolidated Restricted Subsidiaries for such period as determined in accordance with IFRS.

“**Consolidated Interest Expense**” of any Person means, without duplication, for any period, the sum of:

- (a) the interest expense (net of interest income) of such Person and its Restricted Subsidiaries for such period, on a Consolidated basis in accordance with IFRS (excluding any amortization of debt issuance costs, currency translation differences, and in each case any amortization thereof, and any amortization of discount in relation to pension liabilities) including, without limitation:
  - (1) amortization of debt discount;
  - (2) the net costs associated with Interest Rate Agreements, Currency Hedging Agreements and Commodity Price Protection Agreements;
  - (3) the interest portion of any deferred payment obligation;
  - (4) all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers acceptance financing; and
  - (5) accrued interest;
- (b) plus
  - (1) the interest component of the Capital Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its Restricted Subsidiaries during such period; and

- (2) all capitalized interest of such Person and its Restricted Subsidiaries, in each case determined on a Consolidated basis in accordance with IFRS; plus
- (c) the interest expense under any Guaranteed Debt of such Person and any Restricted Subsidiary to the extent not included under clause (a)(4) above, to the extent paid by such Person or its Restricted Subsidiaries determined on a Consolidated basis in accordance with IFRS (excluding any amortization of debt issuance costs); *provided* that such payments have been made in compliance with the covenant described in “— Certain Covenants—Limitation on Restricted Payments.”

“**Consolidated Net Income (Loss)**” of any Person means, for any period, the Consolidated net income (or loss) of such Person and its Restricted Subsidiaries for such period on a Consolidated basis as determined in accordance with IFRS, adjusted, to the extent included in calculating such net income (or loss), by excluding, without duplication:

- (a) all extraordinary or exceptional gains or losses net of taxes (less all fees and expenses relating thereto);
- (b) the portion of net income (or loss) of such Person and its Restricted Subsidiaries on a Consolidated basis allocable to interests in unconsolidated Persons or Unrestricted Subsidiaries to the extent that cash dividends or distributions have not actually been received by such Person or one of its consolidated Restricted Subsidiaries (except to the extent any loss has been funded with cash from the Issuer or a Restricted Subsidiary);
- (c) net income (or loss) of any Person combined with such Person or any of its Restricted Subsidiaries on a “pooling of interests” basis attributable to any period prior to the date of combination;
- (d) any gain or loss, net of taxes, realized upon the termination of any employee pension benefit plan;
- (e) gains or losses, net of taxes (less all fees and expenses relating thereto), in respect of dispositions of assets other than in the ordinary course of business;
- (f) the net income of any Restricted Subsidiary to the extent that the declaration of dividends or similar distributions by that Restricted Subsidiary of that income is not at the time permitted, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its shareholders other than by encumbrances which are permitted under the covenant “—Certain Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;”
- (g) any restoration to net income of any contingency reserve, except to the extent provision for such reserve was made out of income accrued at any time following the Issue Date;
- (h) any net gain arising from the acquisition of any securities or extinguishment, under IFRS, of any Indebtedness of such Person;
- (i) any non-cash compensation charge arising from any grant of stock, stock options or other equity based awards;
- (j) all deferred financing costs written off and premiums paid in connection with any early extinguishment of Indebtedness;
- (k) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;
- (l) the impact of capitalized or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding;
- (m) to the extent included, any losses arising on the sale or a writedown of fixed assets or deducting any profit from a sale or revaluation of a fixed asset; and

(n) the cumulative effect of a change in accounting principles.

“**Consolidated Non-Cash Charges**” of any Person means, for any period, the aggregate depreciation, amortization and other non-cash charges of such Person and its Restricted Subsidiaries on a Consolidated basis for such period, as determined in accordance with IFRS (excluding any non-cash charge which requires an accrual or reserve for cash charges for any future period).

“**Consolidation**” means, with respect to any Person, the consolidation of the accounts of such Person and each of its Subsidiaries if and to the extent the accounts of such Person and each of its Subsidiaries would normally be consolidated with those of such Person, all in accordance with IFRS. The term “**Consolidated**” shall have a similar meaning.

“**Credit Facilities**” means one or more debt facilities (including, without limitation, debt facilities made available under, or in accordance with, the Senior Secured Term Loans Agreement) or commercial paper facilities, agreements, credit facility documentation, notes, bonds, debentures, indentures, trust deeds, fiscal agency agreements, note purchase agreements, debt instruments or arrangements with banks, insurance companies or other institutional lenders or investors providing for revolving credit loans, term loans, receivables financing (including through the sale or factoring of receivables to such lenders or investors or to special purpose entities formed to borrow from or issue securities to such lenders against such receivables), letters of credit or other forms of guarantees and assurances, notes, bonds, debentures, indentures, trust deeds, fiscal agency agreements, note purchase agreements, debt instruments or other indebtedness, including overdrafts, in each case, as amended, restated, modified, renewed, refunded, replaced, refinanced, increased or extended in whole or in part from time to time, and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustee or trustees or fiscal agents or agents or other banks or other institutional lenders or investors and whether provided under the Senior Secured Term Loans Agreement or one or more other credit agreements or financing agreements or indentures or trust deeds or fiscal agency agreements or note purchase agreements or other debt instruments and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes, bonds, debentures and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement or instrument (a) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (b) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (c) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (d) otherwise altering the terms and conditions thereof.

“**Credit Support Deed**” has the meaning set forth in the Intercreditor Deed.

“**Currency Hedging Agreements**” means one or more of the following agreements: foreign exchange contracts, currency swap agreements or other similar agreements or arrangements designed to protect against the fluctuations in currency values.

“**Default**” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“**Designated Non-Cash Consideration**” means the Fair Market Value of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-Cash Consideration pursuant to an Officer’s Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under “—Certain Covenants—Limitation on Sale of Assets.”

“**Designated Senior Indebtedness**” means (a) any Indebtedness outstanding under the Senior Secured Term Loans Agreement or the Existing Senior Secured Indentures and (b) any other Senior Indebtedness or Second Secured Liability (to the extent there are Second Secured Liabilities incurred in the future) of a Guarantor that has, at the time of designation, an aggregate principal amount outstanding of at least €25 million (including the amount of all undrawn commitments and matured and contingent reimbursement obligations pursuant to letters of credit thereunder) and (c) any BP Creditor Liability and, in the case of clauses (b) and (c) that is designated in an Officer’s Certificate delivered to the Trustee as “Designated Senior Indebtedness” for purposes of the Indenture.

**“Disinterested Director”** means, with respect to any transaction or series of related transactions, a member of the Board of Directors of the Issuer or IHL, as the context requires, who does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions. A member of the Board of Directors of the Issuer or IHL, as the case may be, shall not be deemed to have such a financial interest by reason of such member’s holding Capital Stock of the Issuer, IHL or any Parent or any options, warrants or other rights in respect of such Capital Stock.

**“Dollar IGH Notes Proceeds Loan”** means, collectively, (a) the loan of the gross proceeds of the Dollar IGH Notes issued on the Issue Date pursuant to the agreement in respect of the Dollar IGH Notes Proceeds Loan and the Euro IGH Notes Proceeds Loan and (b) any other loan from the Issuer to a Restricted Subsidiary of the Bottom Swiss Subsidiary of the gross proceeds from the issuance of Additional Dollar IGH Notes permitted by the Indenture and, in each case, all loans directly or indirectly replacing or refinancing such loan or any portion thereof.

**“DTC”** means The Depository Trust Company.

**“Escrow Indebtedness”** means Indebtedness that is initially incurred by a Person that is not the Issuer or a Restricted Subsidiary and the proceeds of which are initially funded and held in escrow pending such Person becoming a Restricted Subsidiary or transferring its assets to, or merging or consolidating with, the Issuer or a Restricted Subsidiary.

**“Euro Equivalent”** means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof, the amount of euro obtained by translating such other currency involved in such computation into euro at the spot rate for the purchase of euro with the applicable other currency as published in The Financial Times (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, a comparable source as may be selected in good faith by the Issuer) on the date two Business Days prior to such determination.

**“Euro IGH Notes Proceeds Loan”** means, collectively, (a) the loan of the gross proceeds of the Euro IGH Notes issued on the Issue Date pursuant to the agreement in respect of the Euro IGH Notes Proceeds Loan and the Dollar IGH Notes Proceeds Loan and (b) any other loan from the Issuer to a Restricted Subsidiary of the Bottom Swiss Subsidiary of the gross proceeds from the issuance of Additional Euro IGH Notes permitted by the Indenture and, in each case, all loans directly or indirectly replacing or refinancing such loan or any portion thereof.

**“Euroclear”** means Euroclear Bank SA/NV.

**“European Government Obligations”** means direct obligations (or certificates representing an ownership interest in such obligations) of a member state of the European Union (including any agent or instrumentality thereof) for the payment of which the full faith and credit of such government is given.

**“Existing 2015 Senior Secured Indenture”** means the Indenture dated as of May 12, 2010, among INEOS Finance plc, the guarantors named therein, The Bank of New York Mellon, as trustee, and the other parties thereto, as it may from time to time be supplemented or amended by one or more indentures supplemental thereto entered into pursuant to the applicable provisions thereof.

**“Existing 2015 Senior Secured Notes”** means the 9<sup>1</sup>/<sub>4</sub>% Senior Secured Notes due 2015 and the 9% Senior Secured Notes due 2015 issued by INEOS Finance plc on May 12, 2010.

**“Existing 2015 Senior Secured Notes Proceeds Loans”** means, collectively, (a) the loan of the gross proceeds of the Existing 2015 Senior Secured Notes pursuant to the Existing 2015 Senior Secured Notes Proceeds Loans Agreement and (b) any other loan from the INEOS Finance plc to a Restricted Subsidiary of the Bottom Swiss Subsidiary of the gross proceeds from the issuance of additional Existing 2015 Senior Secured Notes permitted by the Indenture and, in each case, all loans directly or indirectly replacing or refinancing such loan or any portion thereof.

**“Existing 2015 Senior Secured Notes Proceeds Loans Agreement”** means that certain loan agreement made on May 12, 2010 by and among IHL, as borrower, and INEOS Finance plc, as lender.

**“Existing 2016 IGH Notes”** means the 7<sup>7</sup>/<sub>8</sub>% Senior Notes due 2016 issued on February 7, 2006, in respect of which the Issuer is the issuer.

**“Existing 2019 Senior Secured Indenture”** means the Indenture, dated as of February 10, 2012, among INEOS Finance plc, the guarantors named therein, The Bank of New York Mellon, as trustee, and the other parties thereto, as it may from time to time be supplemented or amended by one or more indentures supplemental thereto entered into pursuant to the applicable provisions thereof.

**“Existing 2019 Senior Secured Notes”** means the 8<sup>3</sup>/<sub>8</sub>% Senior Secured Notes due 2019 and the Floating Rate Senior Secured Notes due 2019 issued by INEOS Finance plc on February 10, 2012.

**“Existing 2019 Senior Secured Notes Proceeds Loans”** means, collectively, (a) the loan of the gross proceeds of the Existing 2019 Senior Secured Notes pursuant to the Existing 2019 Senior Secured Notes Proceeds Loans Agreement and (b) any other loan from INEOS Finance plc to a Restricted Subsidiary of the Bottom Swiss Subsidiary of the gross proceeds from the issuance of additional Existing 2019 Senior Secured Notes permitted by the Indenture and, in each case, all loans directly or indirectly replacing or refinancing such loan or any portion thereof.

**“Existing 2019 Senior Secured Notes Proceeds Loans Agreement”** means that certain loan agreement made on February 10, 2012 by and among IHL, as borrower, and INEOS Finance plc, as lender.

**“Existing 2020 Senior Secured Indenture”** means the Indenture, dated as of May 4, 2012, among INEOS Finance plc, the guarantors named therein, The Bank of New York Mellon, as trustee, and the other parties thereto, as it may from time to time be supplemented or amended by one or more indentures supplemental thereto entered into pursuant to the applicable provisions thereof.

**“Existing 2020 Senior Secured Notes”** means the 7<sup>1</sup>/<sub>2</sub>% Senior Secured Notes issued by INEOS Finance plc on May 4, 2012.

**“Existing 2020 Senior Secured Notes Proceeds Loans”** collectively, (a) the loan of the gross proceeds of the Existing 2020 Senior Secured Notes pursuant to the Existing 2020 Senior Secured Notes Proceeds Loans Agreement and (b) any other loan from the Issuer to a Restricted Subsidiary of the Bottom Swiss Subsidiary of the gross proceeds from the issuance of additional Existing 2020 Senior Secured Notes permitted by the Indenture and, in each case, all loans directly or indirectly replacing or refinancing such loan or any portion thereof.

**“Existing 2020 Senior Secured Notes Proceeds Loans Agreement”** means that certain loan agreement made on May 4, 2012 by and among IHL, as borrower, and INEOS Finance plc as lender.

**“Existing High Yield Indenture”** means the Indenture dated as of February 7, 2006, among the Issuer, the guarantors named therein, The Bank of New York Mellon, as trustee, and the other parties thereto, as it may from time to time be supplemented or amended by one or more indentures supplemental thereto entered into pursuant to the applicable provisions thereof.

**“Existing High Yield Notes Proceeds Loans”** means, collectively, (a) the loan of the gross proceeds of the Existing 2016 IGH Notes pursuant to the Existing High Yield Notes Proceeds Loans Agreement and (b) any other loan from the Issuer in respect of the Existing 2016 IGH Notes to a Restricted Subsidiary of the Bottom Swiss Subsidiary of the gross proceeds from the incurrence of Indebtedness (to the extent such Indebtedness has been guaranteed by any of the Issuer’s Restricted Subsidiaries in compliance with “—Certain Covenants—Limitation on Indebtedness”) in respect of additional Existing 2016 IGH Notes permitted by the Indenture and, in each case, all loans directly or indirectly replacing or refinancing such loan or any portion thereof.

**“Existing High Yield Notes Proceeds Loans Agreement”** means that certain loan agreement made on February 7, 2006 by and among INEOS Group Holdings PLC (now INEOS Group Holdings Limited), as borrower, and INEOS Finance plc, as lender.

**“Existing Senior Secured Notes”** means, collectively, the Existing 2015 Senior Secured Notes, the Existing 2019 Senior Secured Notes and the Existing 2020 Senior Secured Notes.

**“Existing Senior Secured Indentures”** means, collectively, the Existing 2015 Senior Secured Indenture, the Existing 2019 Senior Secured Indenture and the Existing 2020 Senior Secured Indenture.

“**Existing Senior Secured Term Loans**” means the credit facilities which have been made available under the Senior Secured Term Loans Agreement at the Issue Date.

“**Fair Market Value**” means, with respect to any asset or property, the sale value that could reasonably be expected to be obtained in an arm’s length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy. Fair Market Value shall be determined by the Issuer acting in good faith.

“**Financial Group**” means the Issuer and its Restricted Subsidiaries from time to time.

“**Financial Group Company**” means a member of the Financial Group.

“**Guarantee**” means the guarantee by any Guarantor of the Obligations.

“**Guaranteed Debt**” of any Person means, without duplication, all Indebtedness of any other Person (the “**debtor**”) guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement (excluding, for the avoidance of doubt, any liability owing to customers in respect of volume offtake or capacity reservation arrangements (including pursuant to take-or-pay arrangements) or forward purchase arrangements):

- (a) to pay or purchase such Indebtedness or to advance or supply funds for the payment or purchase of such Indebtedness;
- (b) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Indebtedness or to assure the holder of such Indebtedness against loss;
- (c) to supply funds to, or in any other manner invest in, the debtor (including any agreement to pay for property or services without requiring that such property be received or such services be rendered);
- (d) to maintain working capital or equity capital of the debtor, or otherwise to maintain the net worth, solvency or other financial condition of the debtor or to cause such debtor to achieve certain levels of financial performance; or
- (e) otherwise to assure a creditor against loss; *provided* that the term “guarantee” shall not include endorsements for collection or deposit, in either case in the ordinary course of business.

“**Guarantor**” means each of:

- (a) the Initial Stage Guarantors;
- (b) the Second Stage Guarantors; and
- (c) any other Person that is required after the Issue Date to execute a Guarantee of the Notes pursuant to “— Certain Covenants—Limitation on Issuance of Guarantees of Indebtedness by Restricted Subsidiaries” and any other Person that executes a Guarantee of the Notes after the Issue Date, in each case until (i) the Guarantee of such Person has been released in accordance with the provisions of the Indenture or (ii) a successor replaces such Person pursuant to the applicable provisions of the Indenture and, thereafter, shall mean such successor.

“**Hedge Counterparties**” has the meaning set forth in the Intercreditor Deed.

“**Hedging Obligations**” means, with respect to any Person, the obligations of such Person under Interest Rate Agreements, Currency Hedging Agreements or Commodity Price Protection Agreements.

“**IFRS**” means the accounting standards issued by the International Accounting Standards Board and its predecessors, as adopted by the European Union, as in effect from time to time.



“**IHL**” means INEOS Holdings Limited and any successor pursuant to the covenant described under the caption “— Consolidation, Merger, Sale of Assets”.

“**Immaterial Subsidiary**” means a Subsidiary which has not traded or has ceased trading and which does not own assets or have liabilities in either case with an aggregate value greater than €200,000 (or its equivalent); *provided* that any asset or liability shall be ignored which consists solely of a claim by a Subsidiary upon another Subsidiary where but for that asset or liability, both Subsidiaries would be Immaterial Subsidiaries under this definition.

“**Indebtedness**” means, with respect to any Person, without duplication:

- (a) all indebtedness, obligations and liabilities of such Person for borrowed money or for the principal component of all obligations of such Person to pay the deferred purchase price of property or services, excluding any trade payables, any liability owing to customers in respect of volume offtake or capacity reservation arrangements (including pursuant to take-or-pay arrangements) or forward purchase arrangements, and other accrued current liabilities arising in the ordinary course of business and guarantees thereof, but including, without limitation, all obligations, contingent or otherwise, of such Person in connection with any letters of credit issued under letter of credit facilities, acceptance facilities or other similar facilities (including reimbursement obligations with respect thereto except to the extent such reimbursement obligations relate to a trade payable and such obligation is satisfied within 30 days of incurrence);
- (b) all obligations of such Person evidenced by bonds, notes, debentures or other similar instruments;
- (c) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), but excluding trade payables arising in the ordinary course of business;
- (d) all obligations under Interest Rate Agreements, Currency Hedging Agreements or Commodity Price Protection Agreements of such Person (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time);
- (e) all Capital Lease Obligations of such Person;
- (f) all Indebtedness referred to in clauses (a) through (e) above of other Persons and all dividends of other Persons, the payment of which is secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien, upon or with respect to property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness (*provided, however*, that the amount of such Indebtedness will be the lesser of (1) the Fair Market Value of such asset at the date of determination and (2) the amount of such Indebtedness of such other Person);
- (g) all Guaranteed Debt of such Person;
- (h) all Attributable Debt of such Person;
- (i) all Redeemable Capital Stock issued by such Person valued at the greater of its voluntary or involuntary maximum fixed repurchase price plus accrued and unpaid dividends;
- (j) Preferred Stock of the Issuer or any Restricted Subsidiary; and
- (k) any amendment, supplement, modification, deferral, renewal, extension, refunding or refinancing of any liability of the types referred to in clauses (a) through (j) above.

The term “**Indebtedness**” shall not include:

- (i) Subordinated Shareholder Funding;
- (ii) any lease of property (or guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date;
- (iii) contingent obligations incurred in the ordinary course of business;
- (iv) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 90 days thereafter; or
- (v) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement obligations, pension fund obligations or contributions or social security or wage Taxes.

For purposes hereof, the “**maximum fixed repurchase price**” of any Redeemable Capital Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Redeemable Capital Stock as if such Redeemable Capital Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Redeemable Capital Stock, such Fair Market Value is to be determined as set forth herein.

“**INEOS Bio**” means INEOS Bio Holdings Limited and its Subsidiaries, if any.

“**INEOS Capital**” means the Permitted Holders and any entity controlled by any of them that controls the Issuer.

“**INEOS Silicas**” means INEOS Investments LLP and its Subsidiaries, if any.

“**Infrastructure Entity**” means a joint venture between a Refining/Entrepreneurial Entity and an Affiliate of the Issuer for, among other things, the provision of power, terminal access and other infrastructure goods and services to the Refining/Entrepreneurial Entities, the Issuer or the Restricted Subsidiaries, and the Subsidiaries of any such joint venture.

“**Initial Purchasers**” means Citigroup Global Markets Limited, Goldman Sachs International, UBS Limited, Barclays Bank PLC, ING Bank N.V., London Branch, J.P. Morgan Securities plc, J.P. Morgan Securities LLC, Lloyds Securities Inc. and Merrill Lynch International.

“**Initial Stage Guarantors**” means INEOS Americas LLC, INEOS Chemicals Grangemouth Limited, INEOS Commercial Services UK Limited, INEOS Delaware II LLC, INEOS Delaware LLC, INEOS Köln Beteiligungs GmbH & Co. KG, INEOS Köln Verwaltungs GmbH, INEOS Köln GmbH, INEOS Deutschland Holding GmbH, INEOS Deutschland GmbH, INEOS Phenol Verwaltungsgesellschaft mbH, INEOS Europe AG, INEOS Fluor Americas LLC, INEOS Group AG, INEOS Group Holdings Limited, INEOS Group Limited, INEOS Holding Company LLC, INEOS Holdings (Investments) Limited, INEOS Holdings Limited, INEOS Intermediate Investment Company, INEOS Investments International Limited, INEOS Limited, Lux I, INEOS Luxembourg II S.A, INEOS Manufacturing Belgium NV, INEOS Manufacturing Deutschland GmbH, INEOS Partners, INEOS Phenol Belgium NV, INEOS Phenol GmbH, INEOS Tenderco Limited, INEOS UK Holdings 1, INEOS UK Holdings 2, INEOS US Finance LLC, INEOS Finance plc, INEOS US Holding Company II LLC, INEOS US Intermediate Holding Company LLC, INEOS USA LLC and INEOS NV.

“**Intercreditor Deed**” means the intercreditor deed dated May 12, 2010, as amended and restated on December 23, 2010 and February 18, 2011, as supplemented and amended on February 6, 2012, as amended and restated as of May 4, 2012 and as amended and restated on or prior to the Issue Date among, amongst others, the Issuer, the guarantors acceded thereto, the Trustee, the administrative agent under the Senior Secured Term Loans Agreement and the Security Trustee, and as further amended, restated, waived or consented to from time to time and, to the extent applicable, any new intercreditor agreement entered into that is permitted under “Certain Covenants—Intercreditor Deed; Additional Intercreditor Agreements.”

“**Interest Rate Agreements**” means one or more of the following agreements: interest rate protection agreements (including, without limitation, interest rate swaps, caps, floors, collars and similar agreements) and/or other types of interest rate hedging agreements from time to time.

“**Investment**” means, with respect to any Person, directly or indirectly, any advance (other than advances to customers in the ordinary course of business), loan (including guarantees), or other extension of credit (including guarantees) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase, acquisition or ownership by such Person of any Capital Stock, bonds, notes, debentures or other securities issued or owned by any other Person; *provided* that:

- (a) Hedging Obligations entered into in the ordinary course of business and in compliance with the Indenture; and
- (b) endorsements of negotiable instruments and documents in the ordinary course of business;

shall in each case not be deemed to be an Investment.

For purposes of “—Certain Covenants—Limitation on Restricted Payments”:

- (a) “Investment” will include the portion (proportionate to the Issuer’s equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the Fair Market Value of the net assets of such Restricted Subsidiary of the Issuer at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a Redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent “Investment” in an Unrestricted Subsidiary in an amount (if positive) equal to (1) the Issuer’s “Investment” in such Subsidiary at the time of such Redesignation less (2) the portion (proportionate to the Issuer’s equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time that such Subsidiary is so Redesignated a Restricted Subsidiary; and
- (b) any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment plus the cost of all additional Investments therein by the Issuer or any of its Restricted Subsidiaries, without any adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment, reduced (at the Issuer’s option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

“**Investment Grade Status**” shall occur when the Notes receive both of the following:

- (a) a rating of “BBB-” or higher from S&P; and
- (b) a rating of “Baa3” or higher from Moody’s;

or the equivalent of such rating by either such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other “nationally recognized statistical ratings organization” (within the meaning of Rule 436 under the U.S. Securities Act).

“**LC Account Party**” means any Financial Group Company that is an account party, borrower or guarantor in respect of any LC Facility; *provided* that immediately prior to becoming an account party, borrower or guarantor in respect of any LC Facility such Financial Group Company would constitute an Immaterial Subsidiary and thereafter does not carry on any business other than being an account party, borrower or guarantor in respect of (i) the LC Facility, (ii) any letters of credit in the ordinary course of business with respect to trade payables relating to purchase of materials, (iii) any other letters of credit, surety, performance or appeal bonds, completion guarantees, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments, in each case issued in the ordinary course of business and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers compensation obligations, or (iv) any customary cash management, cash pooling or netting or setting off arrangements.

“**LC Facility**” means (a) the on-demand letter of credit facility to be entered into on the Issue Date, between Barclays Bank PLC, as the issuing bank, and INEOS Treasury (UK) Limited, as the borrower or (b) any other letter of credit, bank guarantee, performance bonds or similar working capital facility; *provided* that, the aggregate principal amount of indebtedness under the LC Facilities shall not exceed €350,000,000 (or its equivalent).

“**Lien**” means any mortgage or deed of trust, charge, pledge, lien (statutory or otherwise), privilege, security interest, assignment, easement, hypothecation, claim, preference, priority or other encumbrance upon or with respect to any property of any kind (including any conditional sale, capital lease or other title retention agreement, real or personal, movable or immovable, now owned or hereafter acquired). A Person will be deemed to own subject to a Lien any property which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, Capitalized Lease Obligation or other title retention agreement.

“**Lux I**” means INEOS Luxembourg I S.A., a limited liability company organized in Luxembourg with registered number B158195, and any successor pursuant to the covenant described under the caption “—Consolidation, Merger, Sale of Assets.”

“**Management Advances**” means loans or advances made to, or guarantees with respect to loans or advances made to, directors (other than directors of INEOS AG), officers or employees of any Parent, the Issuer or any Restricted Subsidiary:

- (1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;
- (2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or
- (3) in the ordinary course of business and (in the case of this clause (3)) not exceeding €20 million in the aggregate outstanding at any time.

“**Maturity**” means, when used with respect to the Notes, the date on which the principal of the Notes becomes due and payable as therein provided or as provided in the Indenture, whether at Stated Maturity, the Offer Date or the redemption date and whether by declaration of acceleration, offer in respect of Excess Proceeds, Change of Control Offer in respect of a Change of Control, call for redemption or otherwise.

“**Net Cash Proceeds**” means:

- (a) with respect to any Asset Sale by any Person, the proceeds thereof (without duplication in respect of all Asset Sales) in the form of cash, Cash Equivalents or Temporary Cash Investments including payments in respect of deferred payment obligations or purchase price adjustments when received in the form of, or stock or other assets or any Designated Non-Cash Consideration when disposed of for, cash or Temporary Cash Investments, but only as and when received and excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Sale (except to the extent that such obligations are financed or sold with recourse to the Issuer or any Restricted Subsidiary) net of:
  - (1) brokerage commissions and other reasonable fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;
  - (2) provisions for all taxes payable as a result of such Asset Sale;
  - (3) payments made to retire Indebtedness where payment of such Indebtedness is secured by the assets or properties the subject of such Asset Sale and payments made in respect of purchase price adjustments, including in respect of working capital items;
  - (4) amounts required to be paid to any Person (other than the Issuer or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale; and

- (5) appropriate amounts to be provided by the Issuer or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with IFRS, against any liabilities associated with such Asset Sale and retained by the Issuer or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as reflected in an Officer's Certificate delivered to the Trustee; and
- (b) with respect to any capital contributions, issuance or sale of Capital Stock or options, warrants or rights to purchase Capital Stock, or debt securities or Capital Stock that have been converted into or exchanged for Capital Stock as referred to under "—Certain Covenants—Limitation on Restricted Payments," the proceeds of such issuance or sale in the form of cash or Temporary Cash Investments including payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed of for, cash or Temporary Cash Investments (except to the extent that such obligations are financed or sold with recourse to the Issuer or any Restricted Subsidiary), net of attorney's fees, accountant's fees and brokerage, consultation, underwriting and other fees (including placement agents' fees, listing fees, or other discounts and commissions) and expenses actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

**"New Senior Secured Term Loans"** means the senior secured term loans made available on the Issue Date under the Senior Secured Term Loans Agreement.

**"Officer's Certificate"** means a certificate signed by an officer of the Issuer, IHL or another Guarantor or a Surviving Entity, as the case may be, and delivered to the Trustee.

**"Parent"** means any Person (other than a natural person) of which the Issuer is or becomes after the Issue Date a direct or indirect Subsidiary; *provided* that the primary purpose of such Person is to serve as a direct or indirect holding company of the Issuer.

**"Paying Agent"** means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Notes on behalf of the Issuer.

**"Pari Passu Indebtedness"** means (a) any Indebtedness of the Issuer that is *pari passu* in right of payment to the Notes and (b) with respect to any Guarantee, Indebtedness which ranks *pari passu* in right of payment to such Guarantee.

**"Permitted Collateral Liens"** means any Lien on the Collateral to secure (1) Indebtedness under Credit Facilities permitted to be incurred by the first paragraph of the "Limitation on Indebtedness" covenant or by clause (1), (3), (4), (11), (13) or (24) of the definition of "Permitted Indebtedness" or obligations in respect of Cash Management Arrangements entered into in the ordinary course of business, (2) Second Secured Liabilities (to the extent there are Second Secured Liabilities incurred in the future) permitted to be incurred by the first paragraph of the "Limitation on Indebtedness" covenant or by clause (1) or (24) of the definition of "Permitted Indebtedness", (3) any Additional Notes and (4) Pari Passu Indebtedness or Subordinated Indebtedness of the Issuer, *provided* that (x) if such Indebtedness is Pari Passu Indebtedness such Lien must rank *pari passu* with or junior to the Liens on the Collateral securing the Notes and (y) if such Indebtedness is Subordinated Indebtedness such Lien must rank junior to the Liens on the Collateral securing the Notes.

**"Permitted Holders"** means James A. Ratcliffe, Andrew Currie, John Reece, and any Affiliate thereof and the Specified Investors.

**"Permitted Investment"** means:

- (a) Investments in (1) the form of loans or advances to the Issuer, (2) any Restricted Subsidiary (including the purchase of Capital Stock of any Restricted Subsidiary from a Person other than an Affiliate of the Issuer) or (3) any Person which, as a result of such Investment, (A) becomes a Restricted Subsidiary or (B) is merged or consolidated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or any Restricted Subsidiary;
- (b) Indebtedness of the Issuer or a Restricted Subsidiary described under clauses (7), (8), (9) and (10) of the definition of "Permitted Indebtedness;"

- (c) Investments in any of the Notes and Investments pursuant to the Proceeds Loans and guarantees in respect of the Proceeds Loans;
- (d) cash, Cash Equivalents and Temporary Cash Investments;
- (e) Investments acquired by the Issuer or any Restricted Subsidiary in connection with an Asset Sale permitted under “—Certain Covenants—Limitation on Sale of Assets” to the extent such Investments are non-cash proceeds or deemed cash proceeds as permitted under such covenant and Investments acquired by the Issuer or any Restricted Subsidiary in connection with a sale or other disposition that is specifically excluded from the definition of “Asset Sale” pursuant to clause (xiv) of such definition;
- (f) Investments in existence on the Issue Date;
- (g) receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided, however*, that such trade terms may include such concessionary trade terms as the Issuer or any such Restricted Subsidiary deems reasonable under the circumstances;
- (h) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (i) loans or advances to employees made in the ordinary course of business consistent with past practices of the Issuer or any Restricted Subsidiary not to exceed €5.0 million in the aggregate at any one time outstanding;
- (j) stock, obligations or securities received in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of a debtor;
- (k) Hedging Obligations incurred in compliance with “—Certain Covenants—Limitation on Indebtedness;”
- (l) any Restricted Payment required by any agreement in respect of any Person designated as a Permitted Joint Venture that together with any Indebtedness incurred pursuant to clause (21) of the definition of “Permitted Indebtedness” does not exceed the greater of (x) €350.0 million and (y) 3.50% of Total Assets in the aggregate outstanding at any one time;
- (m) Investments of any Person referred to in clause (a)(3) of this definition of “Permitted Investment” that exist (or are made pursuant to, and as required under, legally binding agreements that exist) on the date such Person becomes a Restricted Subsidiary or is merged or consolidated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or any Restricted Subsidiary; *provided* that such Investment was not acquired or made (and such legally binding agreements were not entered into) in contemplation of such Person becoming a Restricted Subsidiary or such merger, consolidation, transfer, conveyance or liquidation;
- (n) loans or other Investments required to be entered into in connection with a Permitted Receivables Financing;
- (o) guarantees not prohibited by the covenant described under “—Certain Covenants—Limitation on Indebtedness” and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;
- (p) Investments by the Issuer or any Restricted Subsidiary, together with all other Investments under this clause (p), in an aggregate amount outstanding at the time of such Investment not to exceed the greater of (i) €350 million and (ii) 3.50% of Total Assets outstanding at any one time; *provided* that, for the avoidance of doubt, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary at the date of the making of such Restricted Payment and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant

described above under the caption “—Certain Covenants—Limitation on Unrestricted Subsidiaries,” such Investment shall thereafter be deemed to have been made pursuant to clauses (a)(2) or (a)(3) of the definition of “Permitted Investments” and not this clause (p);

- (q) Investments received in connection with the sale or licensing of technology which, together with all other Investments under this clause (q), do not exceed €30 million outstanding at any one time;
- (r) Investments in joint ventures formed primarily for the purpose of conducting business operations in China in an aggregate amount at the time of each such Investment, together with all other Investments under this clause (r), not to exceed €150 million outstanding at any one time; and
- (s) loans or advances to employees of the Issuer or any of its Restricted Subsidiaries to fund the purchase of Capital Stock of the Issuer or any Parent not to exceed €10 million in any calendar year (with unused amounts in any calendar year (less any amount carried forward to such calendar year) being carried forward to either of the immediately subsequent two calendar years).

In connection with any assets or property contributed or transferred to any Person as an Investment, such property and assets shall be equal to the Fair Market Value at the time of Investment.

**“Permitted Joint Venture”** means:

- (a) each of the joint ventures of INEOS Jersey Limited, INEOS LLC, INEOS Solutions N.V., INEOS Belgium Holdco NV, INEOS Singapore Pte. Ltd and INEOS Korea Limited existing on the Issue Date;
- (b) (i) a joint venture pursuant to which or a Person with respect to which the liability of the Issuer and the Restricted Subsidiaries is limited in amount; or (ii) a joint venture or other entity in which the Issuer or a Restricted Subsidiary participates through special purpose companies with limited liability and no other business or assets, and, in the case of sub-clause (i) and (ii), in which the interest of a Guarantor or a directly or indirectly wholly owned Restricted Subsidiary of a Guarantor is more than 20%;
- (c) GEOSSEL Manosque SNC, in which the interest of a Guarantor or a directly or indirectly wholly owned Restricted Subsidiary of a Guarantor is more than 20%;
- (d) each of Seminole Pipeline Company and Geosud SAS, in which the interest of a Guarantor or a directly or indirectly wholly owned Restricted Subsidiary of a Guarantor is more than or equal to 10%;
- (e) Aethylen Rohrleitungs GmbH & Co. KG, in which the interest of a Guarantor or a directly or indirectly wholly owned Restricted Subsidiary of a Guarantor is more than 16%;
- (f) Societe Civile Immobiliere Khariessa, in which the interest of a Guarantor or a directly or indirectly wholly owned Restricted Subsidiary of a Guarantor is more than 9%;
- (g) (i) a joint venture pursuant to which the liability of the Issuer and the Restricted Subsidiaries is limited in amount; or (ii) a joint venture in which the Issuer or a Restricted Subsidiary participates through special purpose companies with limited liability and no other assets, and, in the case of sub-clauses (i) and (ii), in which the interest of a Guarantor or a directly or indirectly wholly owned Restricted Subsidiary of a Guarantor is less than 20% in connection with the payment of license fees; and
- (h) any Unrestricted Subsidiary,

and, in each case under (a) to (h) above, on the condition that each such Permitted Joint Venture is in a business relating to the business of the Issuer and the Restricted Subsidiaries.

**“Permitted Lien”** means:

- (a) any Lien existing as of the Issue Date;

- (b) any Lien arising by reason of:
- (1) any judgment, decree or order of any court and any Liens that are required to protect or enforce any rights in any administrative, arbitration or other court proceedings in the ordinary course of business;
  - (2) taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith;
  - (3) security for payment of workers' compensation or other insurance (including general liability exposure of the Issuer and its Restricted Subsidiaries);
  - (4) good faith deposits in connection with tenders, bids, leases and contracts (other than contracts for the payment of money);
  - (5) zoning restrictions, building codes, land use laws, easements, licenses, reservations, title defects, conditions revealed by an accurate survey or a physical inspection of real property, rights of others for rights of way, utilities, sewers, electric lines, telephone or telegraph lines, and other similar purposes, provisions, covenants, conditions, waivers, restrictions on the use of real property or minor irregularities of title (and with respect to leasehold interests, mortgages, obligations, liens, easements and other encumbrances incurred, created, assumed or permitted to exist and arising by, through or under a landlord or owner of the leased property, with or without consent of the lessee), none of which materially impairs the use of any parcel of real property material to the operation of the business of the Issuer or any Restricted Subsidiary or the value of such property for the purpose of such business;
  - (6) deposits to secure public or statutory obligations, or in lieu of surety or appeal bonds; or
  - (7) operation of law in favor of mechanics, carriers, warehousemen, landlords, materialmen, laborers, employees or suppliers, incurred in the ordinary course of business for sums which are not yet overdue for a period of more than 60 days or are being contested in good faith by negotiations or by appropriate proceedings which suspend the collection thereof;
- (c) any Lien securing Hedging Obligations;
- (d) any Lien securing Acquired Indebtedness created prior to (and not created in connection with, or in contemplation of) the incurrence of such Indebtedness by the Issuer or any Restricted Subsidiary; *provided* that such Lien does not extend to any property or assets of the Issuer or any Restricted Subsidiary other than the assets acquired in connection with the incurrence of such Acquired Indebtedness;
- (e) any Lien to secure the performance of bids, trade contracts, leases (including, without limitation, statutory and common law landlord's liens), statutory obligations, surety and appeal bonds, letters of credit (including obligations under any LC Facility) and other obligations of a like nature and incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary;
- (f) any Lien securing Capital Lease Obligations or Purchase Money Obligations incurred in accordance with the Indenture (including clause (12) of the definition of "Permitted Indebtedness") and which are incurred or assumed solely in connection with the acquisition, development or construction of real or personal, moveable or immovable property within 180 days of such incurrence or assumption; *provided* that such Liens only extend to such acquired, developed or constructed property, such Liens secure Indebtedness in an amount not in excess of the original purchase price or the original cost of any such assets or repair, addition or improvement thereto, and the incurrence of such Indebtedness is permitted by the covenant under the caption "—Certain Covenants—Limitation on Indebtedness";
- (g) Liens on property and assets of the Issuer or any Restricted Subsidiary securing Credit Facilities permitted by the first paragraph of the "Limitation on Indebtedness" covenant and by clauses (1), (4) or (24) of the definition of "Permitted Indebtedness";



- (h) Liens securing (i) Senior Indebtedness of any Guarantor or Senior Indebtedness of the Issuer that is a guarantee of Senior Indebtedness of a Guarantor and (ii) Indebtedness of any Restricted Subsidiary that is not a Guarantor;
- (i) Liens in favor of the Issuer or any Restricted Subsidiary;
- (j) Liens arising solely by virtue of any statutory or common law provisions relating to banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository institution; *provided* that such deposit account is not intended by the Issuer or any Restricted Subsidiary to provide collateral to the depository institution;
- (k) Liens arising from Uniform Commercial Code financing statement filings regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;
- (l) (1) mortgages, liens, security interests, restrictions, easements, encumbrances or any other matters that have been placed by any developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any real property leased by the Issuer or any Restricted Subsidiary and subordination or similar agreements relating thereto and (2) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;
- (m) any provision for the retention of title to any asset by the vendor or transferor of such asset which asset is acquired by the Issuer or any Restricted Subsidiary in a transaction entered into in the ordinary course of business of the Issuer or such Restricted Subsidiary and for which kind of transaction it is normal market practice for such retention of title provision to be included;
- (n) Liens provided the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (n) does not exceed the greater of (x) €350.0 million and (y) 3.50% of Total Assets;
- (o) leases (including operating leases), licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;
- (p) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
- (q) Liens on Receivables Assets created or incurred in connection with a Permitted Receivables Financing;
- (r) Liens on assets of a Receivables Subsidiary to secure Indebtedness or other obligations incurred in connection with one or more Permitted Receivables Financings;
- (s) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;
- (t) Liens on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (u) any limited recourse Lien to secure Indebtedness incurred in connection with any project financing; *provided* that the assets or revenues which are subject to that Lien are:
  - (1) assets which are the subject of the applicable project; or
  - (2) claims, revenues or proceeds which arise from the use or operation, failure to meet specifications, failure to complete, expropriation, sale, or loss of or damage to, those assets;
- (v) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of the Issuer's or any Restricted Subsidiary's business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which that pledge exists;

- (w) Liens created on any asset acquired by the Issuer or a Restricted Subsidiary or developed by the Issuer or a Restricted Subsidiary after the Issue Date for the sole purpose of financing or refinancing that acquisition or development and securing not more than 100% of the cost of acquisition or development; *provided* such Lien is released within 6 months of such acquisition;
- (x) Liens (other than floating charges) constituting finance leases over the assets leased pursuant to such permitted finance leases;
- (y) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Issuer or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net proceeds of such disposal;
- (z) limited recourse Liens in respect of the ownership interest or assets owned by joint ventures securing obligations of joint ventures; *provided* that the liability secured by such Lien constitutes Permitted Indebtedness;
- (aa) Liens in favor of BP p.l.c. and its Subsidiaries created pursuant to, and in accordance with, and as expressly contemplated by, the Credit Support Documents;
- (bb) Permitted Collateral Liens;
- (cc) Liens on any proceeds loans made by the Issuer in connection with any future incurrence of Indebtedness (other than any Additional Notes) permitted under the Indenture and securing that Indebtedness (without any requirement to secure the Notes with a Lien on such proceeds loans);
- (dd) Liens incurred to secure cash management services (including the Cash Management Liabilities) or to implement cash pooling arrangements or to cash collateralize letters of credit or similar instruments in the ordinary course of business and Liens incurred by any LC Account Party to secure obligations under any LC Facility; and
- (ee) any extension, renewal, refinancing or replacement, in whole or in part, of any Lien described in the foregoing clauses (a) through (dd); *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is the security for a Permitted Lien hereunder.

**“Permitted Receivables Financing”** means any financing pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to any other Person or grant a security interest in, any accounts receivable (and related assets) in an aggregate principal amount equivalent to the Fair Market Value of such accounts receivable (and related assets) of the Issuer or any of its Restricted Subsidiaries; *provided* that (a) the covenants, events of default and other provisions applicable to such financing shall be customary for such transactions and shall be on market terms (as determined in good faith by the Issuer’s Board of Directors) at the time such financing is entered into, (b) the interest rate applicable to such financing shall be a market interest rate (as determined in good faith by the Issuer’s Board of Directors) at the time such financing is entered into and (c) such financing shall be non-recourse to the Issuer or any of its Restricted Subsidiaries except to a limited extent customary for such transactions. Determinations to be made by the Issuer’s Board of Directors under this definition may be made by IHL’s Board of Directors in the case of any Permitted Receivables Financing in respect of the accounts receivable of IHL or any of its Restricted Subsidiaries.

**“Permitted Refinancing Indebtedness”** means any Indebtedness that renews, extends, repays, substitutes, refinances or replaces (collectively, **“refinances,” “refinanced”** and **“refinancing”** shall have correlative meanings) any Indebtedness, including any successive refinancings, so long as:

- (a) such Indebtedness is in an aggregate principal or commitment amount (or if incurred with original issue discount, an aggregate issue price) not in excess of the sum of (1) the aggregate principal or commitment amount (or, if incurred with original issue discount, the aggregate accreted value) then outstanding or in

effect, respectively, of the Indebtedness being refinanced and (2) an amount necessary to pay any fees and expenses, including premiums and defeasance costs, related to such refinancing; and

- (b) (1) the Average Life of such Indebtedness is equal to or greater than the Average Life of the Indebtedness being refinanced, (2) the Stated Maturity of such Indebtedness is no earlier than the Stated Maturity of the Indebtedness being refinanced, and (3) in the case of a refinancing of Subordinated Indebtedness, such Indebtedness is subordinated to, and subject to any other intercreditor provisions applicable to, the Notes and the Guarantees on substantially the same terms as provided in the Intercreditor Deed;

*provided* that Permitted Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or (ii) Indebtedness of a non-Guarantor Subsidiary that refinances Indebtedness of the Issuer or a Guarantor.

“**Person**” means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“**Preferred Stock**” means, with respect to any Person, any Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over the Capital Stock of any other class in such Person.

“**Proceeds Loans**” means the Senior Proceeds Loans, the Notes Proceeds Loans and the Existing High Yield Notes Proceeds Loans.

“**Proceeds Loans Documents**” means the Senior Proceeds Loans Documents and the Notes Proceeds Loans Agreements.

“**Public Debt**” means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (a) a public offering registered under the U.S. Securities Act or (b) a private placement to institutional investors whether or not it is underwritten for resale in accordance with Rule 144A or Regulation S, and whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the Commission.

“**Public Equity Offering**” means an underwritten public offering of ordinary shares (other than Redeemable Capital Stock) of the Issuer or a direct or indirect parent company of the Issuer (which shall include an offering pursuant to Rule 144A and/or Regulation S under the U.S. Securities Act to professional market investors or similar Persons) and, with respect to offerings by a Parent, pursuant to which the net cash proceeds are contributed to the Issuer in the form of a subscription for, or a capital contribution in respect of, Qualified Capital Stock or as Subordinated Shareholder Funding.

“**Purchase Money Obligation**” means any Indebtedness secured by a Lien on assets related to the business of the Issuer and its Restricted Subsidiaries and any additions and accessions thereto, which are purchased by the Issuer or any Restricted Subsidiary at any time after the Issue Date; *provided that*

- (a) the security agreement or conditional sales or other title retention contract pursuant to which the Lien on such assets is created (collectively, a “**Purchase Money Security Agreement**”) shall be entered into within 180 days after the purchase or substantial completion of the construction of such assets and shall at all times be confined solely to the assets so purchased or acquired, any additions and accessions thereto and any proceeds therefrom;
- (b) at no time shall the aggregate principal amount of the outstanding Indebtedness secured thereby be increased, except in connection with the purchase of additions and accessions thereto and except in respect of fees and other obligations in respect of such Indebtedness; and
- (c) (1) the aggregate outstanding principal amount of Indebtedness secured thereby (determined on a per asset basis in the case of any additions and accessions) shall not at the time such Purchase Money Security Agreement is entered into exceed 100% of the purchase price to the Issuer or any Restricted Subsidiary of the assets subject thereto or (2) the Indebtedness secured thereby shall be with recourse solely to the assets so purchased or acquired, any additions and accessions thereto and any proceeds therefrom.

“**Qualified Capital Stock**” of any Person means any and all Capital Stock of such Person other than Redeemable Capital Stock.

“**Receivables Assets**” means any assets that are or will be the subject of a Permitted Receivables Financing.

“**Receivables Fees**” means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not the Issuer or a Restricted Subsidiary in connection with, any Permitted Receivables Financing.

“**Receivables Repurchase Obligation**” means any obligation of a seller of receivables in a Permitted Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

“**Receivables Subsidiary**” means a Subsidiary of the Issuer that engages in no activities other than in connection with a Permitted Receivables Financing and that is designated by the Issuer’s Board of Directors (or, in the case of a Receivables Subsidiary that is a Subsidiary of IHL, by the Board of Directors of IHL or the Issuer) as a Receivables Subsidiary:

- (a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which:
  - (1) is guaranteed by the Issuer or any Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to representations, warranties, covenants and indemnities entered into in the ordinary course of business in connection with a Permitted Receivables Financing);
  - (2) is recourse to or obligates the Issuer or any Restricted Subsidiary in any way other than pursuant to representations, warranties, covenants and indemnities entered into in the ordinary course of business in connection with a Permitted Receivables Financing; or
  - (3) subjects any property or asset of the Issuer or any Restricted Subsidiary (other than accounts receivable and related assets as provided in the definition of Permitted Receivables Financing), directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to representations, warranties, covenants and indemnities entered into in the ordinary course of business in connection with a Permitted Receivables Financing;
- (b) with which neither the Issuer nor any Restricted Subsidiary has any material contract, agreement, arrangement or understanding other than on terms no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer, other than fees payable in the ordinary course of business in connection with servicing accounts receivable; and
- (c) with which neither the Issuer nor any Restricted Subsidiary has any obligation to maintain or preserve such Subsidiary’s financial condition or cause such Subsidiary to achieve a certain level of operating results.

Any such designation by the Board of Directors of the Issuer or IHL, as applicable, will be evidenced to the Trustee by filing with the Trustee a board resolution giving effect to such designation and an Officer’s Certificate certifying that such designation complied with the preceding conditions; *provided* that INEOS US Intermediate Finance LLC shall be deemed to have been designated as a Receivables Subsidiary as of the Issue Date in accordance herewith without the need for the delivery of such Officer’s Certificate. The Trustee shall be entitled to rely conclusively on such Officer’s Certificate and copy board resolution without independent verification.

“**Redeemable Capital Stock**” means any Capital Stock that, either by its terms or by the terms of any security into which it is convertible or exchangeable or otherwise, is or upon the happening of an event or passage of time would be, required to be redeemed prior to the final Stated Maturity of the principal of the Notes or is redeemable at the option of the holder thereof at any time prior to such final Stated Maturity (other than upon a change of control of the Issuer in

circumstances where the holders of the Notes would have similar rights), or is convertible into or exchangeable for debt securities at any time prior to such final Stated Maturity at the option of the holder thereof.

**“Refineries”** means the refineries located at Grangemouth, Scotland and Lavéra, France.

**“Refining/Entrepreneurial Business”** means the crude oil refining/entrepreneurial business and related entrepreneurial activities conducted from time to time by or in connection with the Refineries and any other refineries owned by the Issuer and the Restricted Subsidiaries.

**“Refining/Entrepreneurial Entity”** means any Person that conducts the Refining/Entrepreneurial Business or owns, directly or indirectly, any of the Refineries or any Capital Stock in any other Person that conducts the Refining/Entrepreneurial Business or owns, directly or indirectly, any of the Refineries, and the Subsidiaries of any such Person (other than, in each case, PetroChina International (London) Company Limited).

**“Rental Payments”** means rental payments made by the Issuer and the Restricted Subsidiaries under leases and sub-leases on reasonable commercial terms (as determined in good faith by the Issuer) in respect of the headquarters or other offices or facilities used by the Issuer and/or the Restricted Subsidiaries.

**“Responsible Officer”** means any officer within the Corporate Trust Administration group of the Trustee (or any successor group of the Trustee) or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

**“Restricted Subsidiary”** means any Subsidiary of the Issuer (or such other Person as the context may require) other than an Unrestricted Subsidiary.

**“RPI”** means the index entitled “General Index of Retail Prices” prepared by the Office for National Statistics from time to time (or, if that index ceases to be so prepared, such other comparable index as is generally accepted).

**“Second Secured Creditors”** means holders of interests representing Second Secured Liabilities.

**“Second Secured Discharge Date”** means the first date upon which all moneys and liabilities outstanding in respect of the Designated Senior Indebtedness or any Second Secured Liabilities and related documents have been discharged or paid in full and all commitments in connection with those moneys and liabilities have come to an end.

**“Second Secured Liabilities”** means Indebtedness of the Issuer and any Guarantor (ranking after the Designated Senior Indebtedness) owed by the Issuer or the Guarantors to any Second Secured Creditors (in their capacity as such) under or in connection with the documents pursuant to which any Second Secured Liabilities arise.

**“Second Secured Representative”** means a trustee, facility agent or other similar representative with respect to any Second Secured Creditors.

**“Second Stage Guarantors”** means INEOS (Malta) Company, INEOS Belgium Holdco NV, INEOS Belgium NV, INEOS Canada Company, INEOS Canada Investment Company, INEOS Canada Partnership, INEOS Canada Preferred Holdings Limited, INEOS European Holdings Limited, INEOS Feluy SPRL, INEOS Financing (Malta) Limited, INEOS Fluor Holdings Limited, INEOS Fluor Limited, INEOS Holdings (Malta) Limited, INEOS Holdings International Limited, INEOS Holdings Norge AS, INEOS Investment Holdings (Germany) Limited, INEOS Jersey Limited, INEOS Manufacturing (Hull) Limited, INEOS Nitriles (UK) Limited, INEOS Overseas Company I Limited, INEOS Overseas Company II Limited, INEOS Oxide Limited, INEOS Polypropylene LLC, INEOS Silicas Holdings Limited, INEOS Silicas Limited, INEOS Singapore Pte. Ltd and INEOS LLC.

**“Security Trustee”** means the trustee, who serves as the common security trustee for the secured parties under the Senior Secured Term Loans Agreement, the Existing 2015 Senior Secured Indenture, the Existing 2019 Senior Secured Indenture and the Existing 2020 Senior Secured Indenture.

“**Senior Discharge Date**” means the first date upon which all moneys and liabilities outstanding in respect of the Designated Senior Indebtedness have been discharged or paid in full and all commitments in connection with those moneys and liabilities have come to an end.

“**Senior Indebtedness**” means with respect to any Person:

- (1) Indebtedness of such Person, whether outstanding on the Issue Date or thereafter incurred; and
- (2) all other obligations of such Person (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to such Person whether or not post-filing interest is allowed in such proceeding) in respect of Indebtedness described in clause (1) above unless,

in the case of clauses (1) and (2) above, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such Indebtedness or other obligations are subordinate in right of payment to the Notes or subordinate or *pari passu* in right of payment to the Guarantee of such Person, as the case may be; *provided, however*, that Senior Indebtedness shall not include:

- (i) any obligation of such Person to the Issuer, any Parent or any of their respective Subsidiaries;
- (ii) any liability for national, state, local or other taxes owed or owing by such Person;
- (iii) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities);
- (iv) any Indebtedness or other obligation of such Person which is subordinate or junior in right of payment to any other Indebtedness or other obligation of such Person; *provided* that unsecured Indebtedness is not deemed to be subordinate or junior to secured Indebtedness merely because it is unsecured, and Indebtedness that is not guaranteed by a particular Person is not deemed to be subordinate or junior to Indebtedness that is so guaranteed merely because it is not so guaranteed; *provided further* that junior liens, second liens and other contractual arrangements that provide for priorities among holders of the same or different issues of indebtedness with respect to any collateral or the proceeds of collateral or tranching of debt under a Credit Facility shall not constitute subordination in right of payment;
- (v) that portion of any Indebtedness which at the time of incurrence is incurred in violation of the Indenture; or
- (vi) any Capital Stock of such Person.

“**Senior Management**” means James A. Ratcliffe, John Reece or Andrew Currie and each member of the Board of Directors of INEOS AG or the Issuer from time to time.

“**Senior Proceeds Loans**” means the Senior Secured Notes Proceeds Loans and/or the SFA Proceeds Loans.

“**Senior Proceeds Loans Agreements**” means the Senior Secured Notes Proceeds Loans Agreements and/or the SFA Proceeds Loans Agreement, in each case, as amended, supplemented, restated or substituted from time to time.

“**Senior Proceeds Loans Documents**” means the Senior Proceeds Loans Agreements and any documents that provide a guarantee by any Guarantor of, or create a Lien over any Collateral of any Guarantor as security for, any Senior Proceeds Loan, in each case, as amended, supplemented, restated or substituted from time to time.

“**Senior Secured Credit Facilities**” means the Credit Facilities made available pursuant to the Senior Secured Term Loans Agreement to the extent constituting Senior Secured Indebtedness.

“**Senior Secured Indebtedness**” means any Senior Indebtedness that is secured by a Lien on the Collateral as permitted by the Indenture, excluding the Notes and the Existing 2016 IGH Notes to the extent secured on a junior priority basis by a Lien on the Capital Stock of IHL, the Notes Proceeds Loans and the Existing High Yield Notes Proceeds Loans.

“**Senior Secured Note Trustee**” means any trustee for the holders of any Existing Senior Secured Notes.

“**Senior Secured Notes Proceeds Loans**” means, collectively, the Existing 2015 Senior Secured Notes Proceeds Loans, the Existing 2019 Senior Secured Notes Proceeds Loans and the Existing 2020 Senior Secured Notes Proceeds Loans.

“**Senior Secured Notes Proceeds Loans Agreements**” means, collectively, the Existing 2015 Senior Secured Notes Proceeds Loans Agreement, the Existing 2019 Senior Secured Notes Proceeds Loans Agreement and the Existing 2020 Senior Secured Notes Proceeds Loans Agreement.

“**Senior Secured Term Loans Agreement**” means the credit agreement dated on or about April 27, 2012, among, among others, INEOS Finance plc and INEOS US Finance LLC, as borrowers, and Barclays Bank PLC, as administrative agent and security agent, among the Issuer and certain of the Issuer’s subsidiaries, as guarantors and all documentation relating thereto, in each case, as amended, renewed, extended, substituted, refinanced, restructured, replaced, supplemented or otherwise modified from time to time under one or more Credit Facilities (including, without limitation, any successive renewals, extensions, substitutions, refinancings, restructurings, replacements, supplementations or other modifications of the foregoing).

“**Senior Security Agent**” means the security agent for itself and the “Senior Creditors” under and as defined in the Intercreditor Deed.

“**Service Contracts**” means the service contracts of each member of Senior Management.

“**SFA Loans**” means the loans and other advances made from time to time under the Senior Secured Term Loans Agreement to the borrowers thereunder.

“**SFA Proceeds Loans**” means, collectively, (a) the loans in an amount equal to at least the gross proceeds of the SFA Loans to be made on or about the Issue Date pursuant to the SFA Proceeds Loan Agreements, (b) the loans in an amount equal to at least the gross proceeds of the SFA Loans made on May 4, 2012 pursuant to the SFA Proceeds Loans Agreements and (c) any other loan from any borrower under the Senior Secured Term Loans Agreement to a Restricted Subsidiary other than a Guarantor incorporated or organized under the laws of Switzerland of the gross proceeds from the borrowing of additional SFA Loans permitted by the Indenture and, in each case, all loans or bonds directly or indirectly replacing or refinancing such loan or any portion thereof.

“**SFA Proceeds Loans Agreements**” means, collectively, (a) that certain loan agreement to be made on or about the Issue Date by and among IHL, as borrower, and INEOS Finance plc, (b) that certain loan agreement to be made on or about the Issue Date by and among IHL, as borrower, and INEOS US Finance LLC, (c) that certain loan made on May 4, 2012 pursuant to which INEOS US Finance LLC agreed to on-loan part of the proceeds of certain of the dollar-denominated SFA Loans to IHL, (d) that certain loan agreement made as of May 4, 2012 by and among IHL, as borrower, and INEOS Finance plc and (e) that certain Deed Constituting Floating Rate Unsecured Loan Notes 2026 made on November 27, 2006 by IHL, each as may be amended, supplemented, amended and restated or replaced from time to time.

“**Significant Restricted Subsidiary**” means, at the date of determination, any Restricted Subsidiary that together with its Restricted Subsidiaries (a) for the most recent fiscal year, accounted for more than 5% of the Consolidated revenues of the Issuer or (b) as of the end of the most recent fiscal quarter, was the owner of more than 5% of the Consolidated assets of the Issuer.

“**Specified Affiliate Payments**” means:

- (a) the repurchase of any (1) Capital Stock of the Issuer, any Restricted Subsidiary or any Parent or (2) employee loan stock of the Issuer, any Restricted Subsidiary or any Parent for a repurchase price not greater than the original purchase price paid for such loan stock, in each case held by any future, present or former employee, director or officer of the Issuer or any of its Restricted Subsidiaries (or their estates or beneficiaries under their estates) pursuant to any management equity subscription agreement, stock option agreement, put agreement, consulting agreement, stockholder agreement or similar agreement or employee loan stock scheme that may be in effect from time to time (or dividends from the Issuer to any Parent to effect the same (directly or indirectly) in respect of Capital Stock and employee loan stock of such Parent held pursuant to any such agreement or scheme by any future, present or former employee, director or officer of the Issuer or any of its Restricted Subsidiaries (or their estates or beneficiaries under their estates)); *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired

Capital Stock and employee loan stock shall not exceed €10.0 million in any calendar year (with unused amounts in any calendar year being carried over to succeeding calendar years subject to a maximum amount of repurchases, redemptions or other acquisitions pursuant to this clause (a) of € 20.0 million in any calendar year);

- (b) transactions with customers, clients, suppliers, and distributors and other purchases or sales of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, which when taken together are fair to the Issuer and its Restricted Subsidiaries in the reasonable determination of the Board of Directors of the Issuer or the senior management of the Issuer, or are on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;
- (c) dividends, bonus, distributions or other amounts paid to a direct or indirect parent of the Issuer in amounts equal to amounts required for such Person to pay (i) audit fees and expenses, (ii) directors' fees, remuneration and expenses (including customary indemnification obligations and director and officer insurance premia), (iii) corporate overhead and salary or other compensation to employees allocable to the Issuer and the Restricted Subsidiaries (including payments made pursuant to the Service Contracts), (iv) other normal course expenses required to maintain its corporate existence, (v) amounts required in relation to public reporting and registration and ongoing administration of any securities and (vi) payments of fees under management agreements to INEOS Capital pursuant to agreements in effect on the Issue Date and any amendment or modifications thereof; *provided* that any amendments or modifications to the terms thereof are not more disadvantageous to the holders of the Notes in any material respect than the original agreement as in effect on the Issue Date;
- (d) the payment of dividends or distributions, or loans, by the Issuer to a direct or indirect parent in amounts equal to amounts required by the parent to pay income or corporation taxes or VAT, but only to the extent such income or corporation taxes or VAT are attributable to the business of the Issuer or its Restricted Subsidiaries;
- (e) the payment of any other amounts; *provided* that the total aggregate amount of Specified Affiliate Payments made under this clause (e) does not exceed €50.0 million in any fiscal year;
- (f) the payment of an annual management fee to any direct or indirect Parent; *provided* that the total amount of Specified Affiliate Payments made under this clause (f) does not exceed € 73.5 million (adjusted in accordance with the RPI) in any fiscal year; and
- (g) Rental Payments.

**"Specified Investor"** means

- (a) any Person that is directly or indirectly solely owned by James A. Ratcliffe;
- (b) any Person having a relationship with James A. Ratcliffe by blood, marriage or adoption not more remote than first cousin;
- (c) any trust held solely for the benefit of James A. Ratcliffe or any Person mentioned in clause (b) above or (d) below; *provided* that James A. Ratcliffe or any such Person retains sole control over the voting rights of the Capital Stock held by such trust; or
- (d) the heirs of James A. Ratcliffe or beneficiaries of his estate or any trust or similar arrangement established in respect of his estate.

**"Stated Maturity"** means, when used with respect to any Indebtedness or any installment of interest thereon, the dates specified in such Indebtedness as the fixed date on which the principal of such Indebtedness or such installment of interest, as the case may be, is due and payable.



“**Subordinated Indebtedness**” means Indebtedness of the Issuer or any of its Restricted Subsidiaries that is subordinated in right of payment to the Notes or a Guarantee, as the case may be.

“**Subordinated Shareholder Funding**” means Subordinated Indebtedness of the Issuer issued to any Parent or any Affiliate thereof (other than any Restricted Subsidiary):

- (a) which, by its terms or pursuant to the terms of any subordination agreement to which it is subject:
  - (i) does not (including upon the happening of any event) mature or require any amortization and is not (including upon the happening of any event) mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder, in whole or in part, and does not include any provision requiring repurchase by the Issuer or any Restricted Subsidiary (including upon the happening of any event) prior to the first anniversary of the Stated Maturity of the Notes;
  - (ii) does not (including upon the happening of any event) require or provide for the payment, in cash or otherwise, of interest, cash withholding amounts or other cash gross-ups or any other amounts prior to its final Stated Maturity (*provided* that interest may accrete while such Subordinated Indebtedness is outstanding and accreted interest may become due upon acceleration of maturity as permitted by clause (b)(ii) below and any interest may be satisfied at any time by the issue to the holders thereof of additional Subordinated Shareholder Funding);
  - (iii) contains no change of control or similar provisions, has no right to declare a default or event of default, does not provide (including upon the happening of any event) for the acceleration of its maturity, the ability to take any enforcement action or the exercise of remedies prior to the date on which the Notes mature and are repaid;
  - (iv) does not require or provide for, and is not secured by, a Lien on any assets of the Issuer or any Restricted Subsidiary and is not guaranteed by any Subsidiary;
  - (v) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or compliance by the Issuer with its obligations under the Notes and the Indenture;
  - (vi) does not contain any covenants (financial or otherwise) other than a covenant to pay such Subordinated Indebtedness;
  - (vii) does not (including upon the happening of an event) constitute Voting Stock; and
  - (viii) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Capital Stock (other than Redeemable Capital Stock) of the Issuer; and
- (b) is contractually subordinated (by its terms in favor of, or pursuant to an agreement with, the Trustee) and junior in right of payment to the prior payment in full in cash of all obligations (including principal, interest, premium (if any) and Additional Amounts (if any)) of the Issuer under the relevant Guarantee of the Notes and the Indenture such that:
  - (i) the Issuer shall not make any payment in respect of such Subordinated Indebtedness (whether in cash, securities or otherwise, except as permitted by clause (a)(ii) above) and may not acquire such Subordinated Indebtedness except as permitted by the Indenture until the prior payment in full in cash of all obligations in respect of the relevant Guarantee of the Notes and the Indenture;
  - (ii) upon any total or partial liquidation, dissolution or winding up of the Issuer or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Issuer or its property, the holders of the Notes will be entitled to receive payment in full in cash of the obligations under

the Notes and the Indenture, including Additional Amounts, if any, before the holders of such Subordinated Indebtedness will be entitled to receive any payment in respect of such Subordinated Indebtedness;

- (iii) such Subordinated Indebtedness may not be amended such that it would cease to qualify as Subordinated Shareholder Funding until a date that is after the prior payment in full in cash of all obligations in respect of the Notes and the Indenture;
- (iv) the holders of such Subordinated Indebtedness shall assign any rights to vote, including by way of proxy, in a bankruptcy, insolvency or similar proceeding to the Trustee to the extent necessary to give effect to the priority and subordination provisions described in this definition; and
- (v) the holders of such Subordinated Indebtedness shall agree that, in the event any payment on such Subordinated Indebtedness is received by such holder in contravention of the terms of the Indenture and any applicable subordination agreement, then such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the Trustee, on behalf of the holders of the Notes;

*provided* that any event or circumstance that results in such Subordinated Indebtedness ceasing to qualify as Subordinated Shareholder Funding shall (x) constitute an incurrence of such Indebtedness by the Issuer and (y) reduce the sum described in clause (b)(3)(B) of “—Certain Covenants—Limitation on Restricted Payments,” by an amount equal to the principal amount of such Indebtedness, and any and all Restricted Payments made since the date of the original issuance of such Subordinated Shareholder Funding shall constitute new Restricted Payments that must satisfy the covenant described under “—Certain Covenants—Limitation on Restricted Payments” at a time on or after the date of the original issuance of such Subordinated Shareholder Funding after giving effect to the reduction referred to above in clause (y) of this sentence.

“**Subsidiary**” of a Person means (a) any corporation more than 50% of the outstanding voting power of the Voting Stock of which is owned or controlled, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person, or by such Person and one or more other Subsidiaries thereof, (b) any limited partnership of which such Person or any Subsidiary of such Person is a general partner, or (c) any other Person in which such Person, or one or more other Subsidiaries of such Person, or such Person and one or more other Subsidiaries, directly or indirectly, has more than 50% of the outstanding partnership or similar interests or has the power, by contract or otherwise, to direct or cause the direction of the policies, management and affairs thereof.

“**Tax Sharing Agreement**” means any tax sharing agreement with customary terms entered into with any Parent, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

“**Temporary Cash Investments**” means

- (a) any evidence of Indebtedness, maturing not more than one year after the date of acquisition, issued by the United States of America, Switzerland or any state that was a member state of the European Union on December 31, 2003 or an instrumentality or agency thereof, and guaranteed fully as to principal, premium, if any, and interest by any of the foregoing;
- (b) any certificate of deposit, maturing not more than one year after the date of acquisition, issued by, or time deposit of, a commercial banking institution that is a member of the U.S. Federal Reserve System or a bank or trust company organized in the United States of America, Switzerland or any state that was a member state of the European Union on December 31, 2003 and that has combined capital and surplus and undivided profits of not less than \$500.0 million, whose debt has a rating, at the time as of which any investment therein is made, of “P-1” (or higher) according to Moody’s or any successor rating agency or “A-1” (or higher) according to S&P or any successor rating agency;
- (c) commercial paper, maturing not more than one year after the date of acquisition, issued by a corporation (other than an Affiliate or Subsidiary of the Issuer) organized and existing under the laws of the United States of America, any state thereof or the District of Columbia, Switzerland or any state that was a member state of the European Union on December 31, 2003 with a rating, at the time as of which any

investment therein is made, of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;

- (d) any money market deposit accounts issued or offered by a commercial bank organized in the United States of America, Switzerland or any state that was a member state of the European Union on December 31, 2003 having capital and surplus in excess of \$500.0 million; *provided* that the short term debt of such commercial bank has a rating, at the time of Investment, of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;
- (e) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (a) and (b) entered into with any bank meeting the qualifications specified in clause (b) above;
- (f) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in clauses (a) through (e) above; and
- (g) other short-term investments utilized by Restricted Subsidiaries in accordance with normal investment practices for cash management not exceeding €2.0 million (or an equivalent amount in other currencies) in aggregate principal amount outstanding at any time.

“**Top Swiss Subsidiary**” means the Subsidiary of Lux I organized under the laws of Switzerland that is a direct or indirect parent company of IHL and is, as among the holding companies organized in Switzerland, closest in the chain of holding companies to the Lux I.

“**Total Assets**” means the total consolidated assets of the Issuer and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Issuer.

“**Transactions**” means the issuance of the Notes, the repricing of the Existing Senior Secured Term Loans in accordance with the terms of the Amendment Agreement, the drawdown of New Senior Secured Term Loans under the Senior Secured Term Loans Agreement and the redemption of the U.S. dollar-denominated Existing 2016 IGH Notes with the proceeds of the issuance of the Dollar IGH Notes and the redemption of a portion of the euro-denominated Existing 2016 IGH Notes with the proceeds of the issuance of the Euro IGH Notes.

“**Treasury Rate**” means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such statistical release is not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to May 15, 2015; *provided, however*, that if the period from the redemption date to May 15, 2015 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to May 15, 2015 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

“**Upstream Subsidiary**” means the Lux I or any Wholly Owned Restricted Subsidiary of the Lux I other than (a) the immediate parent company of the Top Swiss Subsidiary or (b) any Subsidiary of such immediate parent company of the Top Swiss Subsidiary.

“**U.S. Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

“**U.S. Government Obligations**” means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agent or instrumentality thereof) for the payment of which its full faith and credit is given.

“**U.S. Securities Act**” means the U.S. Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

**“U.S. Trust Indenture Act”** means the U.S. Trust Indenture Act of 1939, as amended, or any successor statute.

**“Unrestricted Subsidiary”** means any Subsidiary of the Issuer designated as such pursuant to and in compliance with the covenant described under **“—Certain Covenants—Limitation on Unrestricted Subsidiaries,”** in each case unless and until such Subsidiary is redesignated as a Restricted Subsidiary pursuant to a Redesignation as provided in paragraph (d) of such covenant.

**“Voting Stock”** of a Person means Capital Stock of such Person of the class or classes pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the Board of Directors of such Person, managers or trustees of such Person (irrespective of whether or not at the time Capital Stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

**“wholly owned”**, when used in reference to a Subsidiary of any Person, means that all the Capital Stock of such subsidiary (other than directors’ qualifying shares and other nominal amounts of Capital Stock that are required to be held by other Persons under applicable law) are owned by such Person, another wholly owned Subsidiary of such Person or any combination thereof.

**“Wholly Owned Restricted Subsidiary”** means a Restricted Subsidiary all the Capital Stock of which (other than directors’ qualifying shares and other nominal amounts of Capital Stock that are required to be held by other Persons under applicable law) is owned by the Issuer or a Wholly Owned Restricted Subsidiary.

## DESCRIPTION OF THE COLLATERAL AND THE GUARANTEES

The obligations of the Issuer under the notes are secured by security interests over the IHL Pledged Shares and the Proceeds Loans, and in each case the foregoing security interests rank (i) behind the security interests over such assets granted in favor of the lenders under the Senior Secured Term Loans, the holders of the 2020 Senior Secured Notes, the 2019 Senior Secured Notes and certain hedging liabilities and cash management liabilities and (ii) *pari passu* with the security interests over such assets granted in favor of the holders of the 2016 IGH Notes. The IHL Pledged Shares and the Proceeds Loans are collectively referred to as the Collateral.

The notes are guaranteed by the Guarantors, which are all of those entities that guarantee the obligations under the 2016 IGH Notes Indenture.

The following is a country-by-country summary description of the guarantees and the Collateral that is expected to secure the notes as of the date of this offering memorandum. This summary is not complete and does not describe any of the limitations of, existing encumbrances on, and defects in respect of the guarantees and Collateral, or any of the specific assets, properties and rights that are excluded from the guarantees and the Collateral. The granting of the guarantees and the security interests in the Collateral is subject to compliance with the agreed security principles (the "Security Principles") to be set forth in an exhibit to the Indenture, which embody the recognition that there may be certain legal and practical difficulties in obtaining guarantees and security interests in every jurisdiction in which the Guarantors are incorporated and hold assets.

As described herein, the guarantees in respect of the notes were implemented in two stages. Not all of the guarantees in respect of the notes were implemented as of the Issue Date.

### Issue Date

On the Issue Date, the following companies (the "Initial Stage Guarantors") provided guarantees in respect of the notes:

- INEOS Chemicals Grangemouth Limited;
- INEOS Commercial Services UK Limited;
- INEOS Finance plc;
- INEOS Group Limited;
- INEOS Group Holdings Limited (formerly INEOS Group Holdings plc);
- INEOS Holdings (Investments) Limited;
- INEOS Holdings Limited;
- INEOS Investments International Limited
- INEOS Limited;
- INEOS Tenderco Limited;
- INEOS Manufacturing Belgium NV;
- INEOS NV;
- INEOS Phenol Belgium NV;
- INEOS Manufacturing Deutschland GmbH;
- INEOS Phenol GmbH;

- INEOS Deutschland GmbH;
- INEOS Köln Beteiligungs GmbH & Co. KG;
- INEOS Köln GmbH;
- INEOS Köln Verwaltungs GmbH;
- INEOS Phenol Verwaltungsgesellschaft mbH;
- INEOS Deutschland Holding GmbH;
- INEOS UK Holdings 1;
- INEOS UK Holdings 2;
- INEOS Americas LLC;
- INEOS US Finance LLC;
- INEOS USA LLC;
- INEOS Luxembourg I S.A.;
- INEOS Luxembourg II S.A.;
- INEOS Europe AG;
- INEOS Group AG;
- INEOS Delaware LLC;
- INEOS Delaware II LLC;
- INEOS Holding Company LLC;
- INEOS Intermediate Investment Company;
- INEOS Partners;
- INEOS US Holding Company II LLC;
- INEOS US Intermediate Holding Company LLC; and
- INEOS Fluor Americas LLC.

On the Issue Date, the notes were guaranteed by the Initial Stage Guarantors, which represent 79.8% of the Issuer's consolidated EBITDA for the year ended December 31, 2012, and hold 69.7% of the Issuer's consolidated total assets as of December 31, 2012. All of the Initial Stage Guarantors provided guarantees in respect of the notes on the Issue Date. INEOS Group Holdings S.A. is the issuer of the notes and, together with INEOS Holdings (Investments) Limited, provided security in respect of the notes. The guarantees and the security are subject to various limitations. See "Limitations on Validity and Enforcement of the Guarantees and the Security Interests" and "Risk Factors—Guarantees and collateral limitations—The guarantees and pledges of Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability."

## Post-Closing Date

The following companies (referred to herein as the “Additional Guarantors”) were required to provide guarantees in respect of the notes no later than 30 days after the Issue Date and did so on June 5, 2013:

- INEOS European Holdings Limited;
- INEOS Fluor Holdings Limited;
- INEOS Fluor Limited;
- INEOS Holdings International Limited (formerly INEOS Investment Holdings (Fluor & Silicas) Limited);
- INEOS Investment Holdings (Germany) Limited (formerly INEOS Phenol Limited);
- INEOS Overseas Company I Limited;
- INEOS Overseas Company II Limited;
- INEOS Oxide Limited;
- INEOS Silicas Holdings Limited;
- INEOS Silicas Limited;
- INEOS (Malta) Company;
- INEOS Manufacturing (Hull) Limited;
- INEOS Nitriles (UK) Limited;
- INEOS Belgium Holdco NV;
- INEOS Belgium NV;
- INEOS Feluy SPRL;
- INEOS Canada Company;
- INEOS Canada Investment Company;
- INEOS Canada Partnership;
- INEOS Canada Preferred Holdings Limited;
- INEOS Jersey Limited;
- INEOS Financing (Malta) Limited;
- INEOS Holdings (Malta) Limited;
- INEOS Holdings Norge AS;
- INEOS Singapore Pte. Ltd.;
- INEOS LLC; and

- INEOS Polypropylene LLC.

Following the granting of the guarantees and security by the Additional Guarantors, the Guarantors represent 90.2% of the Issuer's consolidated EBITDA for the year ended December 31, 2012, and hold 88.0% of the Issuer's consolidated total assets as of December 31, 2012. The guarantees and the security are subject to various limitations. See "Limitations on Validity and Enforcement of the Guarantees and the Security Interests" and "Risk Factors—Guarantees and Collateral limitations—The guarantees and pledges of Collateral are subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability."

### **Summary of the Guarantees and Collateral for the Notes**

The following is a country-by-country summary of the guarantees and the Collateral in respect of the notes that are in place following the completion of the grants of the guarantees and the Collateral.

The Issuer and INEOS Holdings (Investments) Limited granted security interests in the Collateral described below on the Issue Date.

#### ***Belgium***

The notes are guaranteed by the following Belgian companies: INEOS Manufacturing Belgium NV, INEOS NV, INEOS Phenol Belgium NV, INEOS Belgium Holdco NV, INEOS Belgium NV and INEOS Feluy SPRL.

#### ***Canada***

The notes are guaranteed by INEOS Canada Company, INEOS Canada Investment Company, INEOS Canada Partnership and INEOS Canada Preferred Holdings Limited.

#### ***England and Wales***

The notes are guaranteed by the following companies incorporated in England and Wales: INEOS Holdings Limited, INEOS Finance plc, INEOS European Holdings Limited, INEOS Fluor Holdings Limited, INEOS Fluor Limited, INEOS Group Holdings Limited (formerly INEOS Group Holdings plc), INEOS Investments International Limited, INEOS Holdings International Limited (formerly INEOS Investment Holdings (Fluor & Silicas) Limited), INEOS Overseas Company I Limited, INEOS Overseas Company II Limited, INEOS Oxide Limited, INEOS Investment Holdings (Germany) Limited (formerly INEOS Phenol Limited), INEOS (Malta) Company, INEOS Manufacturing (Hull) Limited, INEOS Nitriles (UK) Limited, INEOS Silicas Holdings Limited, INEOS Silicas Limited, INEOS Tenderco Limited, INEOS Group Limited, INEOS Chemicals Grangemouth Limited, INEOS Commercial Services UK Limited, INEOS Limited and INEOS Holdings (Investments) Limited.

The notes are also secured by English law security interests as follows:

- a second ranking share charge granted by INEOS Holdings (Investments) Limited (in respect of its shares in INEOS Holdings Limited); and
- a second ranking assignment by way of security by the Issuer of all its rights, title and interest in respect of the Proceeds Loans.

#### ***Germany***

The notes are guaranteed by the following German companies: INEOS Deutschland GmbH, INEOS Phenol Verwaltungsgesellschaft mbH, INEOS Phenol GmbH, INEOS Köln GmbH, INEOS Manufacturing Deutschland GmbH, INEOS Köln Verwaltungs GmbH, INEOS Deutschland Holding GmbH and INEOS Köln Beteiligungs GmbH & Co. KG.

#### ***Ireland***

The notes are guaranteed by INEOS UK Holdings 1 and INEOS UK Holdings 2.



***Jersey***

The notes are guaranteed by INEOS Jersey Limited.

***Luxembourg***

The notes are guaranteed by INEOS Luxembourg I S.A. and INEOS Luxembourg II S.A.

***Malta***

The notes are guaranteed by INEOS Financing (Malta) Limited and INEOS Holdings (Malta) Limited.

***Norway***

The notes are guaranteed by INEOS Holdings Norge AS.

***Singapore***

The notes are guaranteed by INEOS Singapore Pte. Ltd.

***Switzerland***

The notes are guaranteed by INEOS Europe AG and INEOS Group AG.

***United States of America***

The notes are guaranteed by the following companies organized under the laws of states of the United States of America: INEOS U.S. Finance LLC, INEOS U.S. Intermediate Holding Company LLC, INEOS Americas LLC, INEOS Fluor Americas LLC, INEOS Partners, INEOS U.S. Holding Company II LLC, INEOS Delaware LLC, INEOS Delaware II LLC, INEOS LLC, INEOS Holding Company LLC, INEOS Polypropylene LLC, INEOS USA LLC and INEOS Intermediate Investment Company.

**Limitations on Guarantees and Collateral**

The Indenture, the Senior Secured Term Loans Agreement and the Existing Indentures contain, and certain of the security documents in respect of the notes contain, customary language as to limitations on the amount, validity and enforceability of the guarantees and the Collateral. For a description of certain of these limitations, see “Description of the Notes” and “Limitations on Validity and Enforceability of the Guarantees and the Security Interests.”

## LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND THE SECURITY INTERESTS

Set out below is a summary of certain limitations on the enforceability of the guarantees and the security interests in each of the jurisdictions in which guarantees or Collateral are being provided. It is a summary only, and proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor of the notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply, and could adversely affect your ability to enforce your rights and to collect payment in full under the notes, the guarantees and the security interests on the Collateral.

Also set out below is a brief description of certain aspects of insolvency law in Belgium, Canada, England and Wales, Germany, Ireland, Jersey, Luxembourg, Malta, Norway, Singapore, Switzerland and the United States. In the event that any one or more of the Issuer, the Guarantors or any other of IGH or IHL's subsidiaries experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

### **European Union**

The Issuer and several of the Guarantors are organized under the laws of Member States of the European Union.

Pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings (the "EU Insolvency Regulation"), the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State (other than Denmark) where the company concerned has its "centre of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where any such company has its "centre of main interests" is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

The term "centre of main interests" is not a static concept and may change from time to time. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that any such company has its "centre of main interests" in the Member State in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the "centre of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties." In that respect, factors such as where board meetings are held, the location where the company conducts the majority of its business and the location where the large majority of the company's creditors are established may all be relevant in the determination of the place where the company has its "centre of main interests." The point at which a company's "centre of main interests" is determined is at the time that the relevant insolvency proceedings are opened.

If the centre of main interests of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction, and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in another Member State. If the "centre of main interests" of a debtor is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "territorial proceedings" only in the event that such debtor has an "establishment" (in the meaning of the EU Insolvency Regulation) in the territory of such other Member State. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. If the company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open territorial proceedings in respect of such company under the EU Insolvency Regulation.

### **Belgium**

#### ***Insolvency***

A number of the Guarantors are incorporated under the laws of Belgium (the "Belgian Guarantors"). Consequently, in the event of an insolvency of any of the Belgian Guarantors, insolvency proceedings may be initiated in Belgium. Such

proceedings would then be governed by Belgian law. Under certain circumstances, Belgian law also allows bankruptcy proceedings to be opened in Belgium over the assets of companies that are not established under Belgian law.

The following is a brief description of certain aspects of Belgian insolvency law.

Belgian insolvency laws provide for two insolvency procedures: a judicial restructuring procedure (*gerechtelijke reorganisatie/réorganisation judiciaire*) and a bankruptcy procedure (*faillissement/faillite*).

### **Judicial Restructuring**

A debtor may file a petition for judicial restructuring if the continuity of the enterprise is at risk, whether immediately or in the future. If the net assets of the debtor have fallen below 50% of the debtor's registered capital, the continuity of the enterprise is always presumed to be at risk.

As long as the court overseeing a judicial restructuring has not issued a ruling on the restructuring petition, the debtor cannot be declared bankrupt or wound up by court order. In addition, during the period between the filing of the petition and the court's decision, none of the debtor's assets may be disposed of by any of its creditors as a result of the enforcement of any security interests that such creditors may hold with respect to such assets.

Within a period of 10 days as from the filing of the petition and subject to the satisfaction of the filing conditions, the court will declare the judicial restructuring procedure open, allowing a temporary moratorium for a maximum period of six months. At the request of the debtor and pursuant to the report issued by the delegated judge, the moratorium period can be extended by six months. In exceptional circumstances (such as due to the size of the business, the complexity of the case or the impact of the procedure on employment), and in the interest of the creditors, the court may order an additional extension of the moratorium period for six months.

The granting of the moratorium operates as a stay. No enforcement measures with respect to pre-existing claims in the moratorium can be continued or initiated against any of the debtor's assets from the time that the moratorium is granted until the end of the period. During the duration of the moratorium, no attachments can be made with regard to pre-existing claims.

Conservatory attachments that existed prior to the opening of the judicial restructuring retain their conservatory character, but the court may order their release, provided that such release does not have a material adverse effect on the situation of the creditor concerned.

Receivables pledged by the debtor in favor of a creditor prior to the opening of the judicial restructuring procedure are not covered by the moratorium, and the holder of such pledged receivables is permitted to take enforcement measures against the estate of the initial counterparty of the debtor (*e.g.*, the debtor's customers) during the moratorium. A pledge on financial instruments or cash held on accounts in the meaning of the Financial Collateral Law of 15 December 2004 can be enforced notwithstanding the enforcement prohibition imposed by the moratorium (for the pledge on cash held on accounts, provided that the debtor is in default). Personal guarantees granted by third parties in favor of the debtor's creditors are not covered by the enforcement prohibition imposed by the moratorium, nor are the debts payable by co-debtors. The moratorium also does not prevent the voluntary payment by the debtor of claims covered by the moratorium.

During the judicial restructuring procedure, the board of directors and management of the debtor continue to exercise their management functions. However, upon request of the debtor or any other interested party and to the extent it is deemed useful for reaching the aims of the restructuring, the court may appoint, in its decision to open the judicial restructuring procedure or at any other point in time during the course of the procedure, a judicial administrator (*gerechtsmandataris/mandataire de justice*) to assist the debtor during the restructuring.

The restructuring procedure aims to preserve the continuity of a company as a going concern. Consequently, the initiation of the procedure does not terminate any contracts, and contractual provisions which provide for the early termination or acceleration of the contract upon the initiation or approval of a restructuring procedure, and certain contractual terms such as default interest, may not be enforceable during such a procedure. The Belgian law on judicial restructuring provides that a creditor may not terminate a contract on the basis of a debtor's default that occurred prior to the restructuring procedure if the debtor remedies such default within a 15-day period following the notification of such default.

As an exception to the general rule of continuity of contracts, the debtor may cease performing a contract during the restructuring procedure, provided that the debtor notifies the creditor, and the decision is necessary for the debtor to be able to propose a reorganization plan to its creditors or to transfer all or part of the company or its assets.

### ***Judicial Restructuring by Amicable Settlement by Collective Agreement, or by Court-ordered Transfer of Enterprise***

A judicial restructuring procedure may result in an amicable settlement between the debtor and two or more of its creditors, or a collective agreement.

In the case of a judicial restructuring by collective agreement, the creditors agree to a restructuring plan during the restructuring procedure. The plan must be filed with the Clerk's Office of the Commercial Court at least 14 days in advance of the date on which the creditors will vote on the approval of the restructuring plan. The court needs to ratify the restructuring plan prior to its taking effect.

Within a period of 14 days following the ruling declaring the judicial restructuring procedure open, the debtor must inform each of its creditors individually of the amount of its claims against the debtor as recorded in the books of the debtor, as well as of details regarding security interests, if applicable. Creditors with pre-existing claims, as well as any other interested party that claims to be a creditor, can challenge the amounts and the ranking of the secured claims declared by the debtor. The court can determine the disputed amounts and the ranking of such claims on a preliminary basis for the purpose of the restructuring procedure, or definitively, on the condition that it has jurisdiction in that respect, but that the decision relating to the dispute cannot be taken in a sufficiently short time frame.

The debtor must use the moratorium period to complete and finalize a restructuring plan, with the assistance of the court-appointed administrator, as the case may be.

The court-ordered transfer of all or part of the debtor's enterprise can be requested by the debtor in his petition or at a later stage in the procedure. It can be requested by the public prosecutor, by a creditor or by any party who has an interest in acquiring, in whole or in part, the debtor's enterprise, and the court can order such transfer in specific circumstances.

### ***Bankruptcy***

A bankruptcy procedure may be initiated by the debtor, by unpaid creditors or upon the initiative of the Public Prosecutor's office, or the provisional administrator of the merchant's assets or the liquidator of "main insolvency proceedings" opened in another EU member state (except Denmark) according to the EU Insolvency Regulation.

Conditions for a bankruptcy order (*déclaration de faillite/aangifte van faillissement*) are that the debtor must be in a situation of cessation of payments (*cessation de paiements/staking van betaling*) and be unable to obtain further credit (*ébranlement de crédit/wiens krediet geschokt is*). Cessation of payments is generally accepted to mean that the debtor is not able to pay its debts as they fall due. Such situation must be persistent and not merely temporary. In bankruptcy, the debtor loses all authority and decision rights concerning the management of the bankrupt business. The bankruptcy receiver (*curateur/curator*) becomes responsible for the operation of the business and implements the sale of the debtor's assets, the distribution of the sale proceeds to creditors and the liquidation of the debtor. The rights of creditors in the process are limited to being informed of the course of the bankruptcy proceedings on a regular basis by the receiver. Creditors may oppose the sale of assets by bringing an action before the court, or may request the temporary continued operation of the business.

The receiver must decide whether or not to continue performance under ongoing contracts (*i.e.*, contracts existing before the bankruptcy order). The receiver may elect to continue the business of the debtor, provided the receiver obtains the authorization of the court and such continuation does not cause any prejudice to the creditors. However, two exceptions apply:

- (a) the parties to an agreement may contractually agree that the occurrence of a bankruptcy constitutes an automatic early termination or acceleration event; and
- (b) *intuitu personae* contracts (*i.e.*, contracts whereby the identity of the other party constitutes an essential element upon the signing of the contract) are automatically terminated as of the bankruptcy judgment, since the debtor is no longer responsible for the management of the company. Parties can agree to continue to perform under such contracts.

The bankruptcy receiver may elect not to perform the obligations of the bankrupt party which are still to be performed after the bankruptcy under any agreement validly entered into by the bankrupt party prior to the bankruptcy if such decision is necessary for the management and liquidation of the bankrupt estate. The counterparty to that agreement may make a claim for damages in the bankruptcy (and such claim will rank *pari passu* with claims of all other unsecured creditors) and/or seek a court order to have the relevant contract dissolved. The counterparty may not seek injunctive relief or require specific performance of the contract.

The enforcement rights of individual creditors are suspended upon the rendering of the court order opening bankruptcy proceedings, and after such order is made, only the bankruptcy trustee may proceed against the debtor and liquidate its assets. However, such suspension does not apply to a pledge of financial instruments or cash held on account.

For creditors with claims secured by movable assets, such suspension would normally be limited to the period required for the first report of verification of the claims. At the request of the bankruptcy receiver, the suspension period may be extended for up to one year from the bankruptcy judgment. Such extension requires a specific order of the court, which can only be made if the further suspension will allow for a realization of the assets in the interest of all creditors but without prejudicing the secured creditors, and provided that those secured creditors have been given the opportunity to be heard by the court.

For creditors with claims secured by immovable assets, the intervention of the bankruptcy receiver is necessary to pursue the sale of the assets. The receiver will do so upon an order of the court, given either at its request or at the request of a mortgagee. A first-ranking mortgagee will generally be entitled to pursue the enforcement of its mortgage as soon as the first report of claims has been finalized; the court may suspend such enforcement for a period of not more than one year from the date of the bankruptcy if the suspension will allow for a realization of the assets without prejudicing the mortgagee, provided that the mortgagee has been given the opportunity to be heard by the court. However, a pledge on financial instruments or cash held on accounts can be enforced during the suspension period.

As from the date of the bankruptcy judgment, no further interest accrues against the bankrupt debtor on its unsecured debt, or debts secured by a general privilege, like tax administration or social security.

The debts of the bankrupt estate generally will be ranked as to priority on the basis of complex rules. The following is a general overview of such rules:

- (a) Estate debt: Costs and indebtedness incurred by the receiver during the bankruptcy proceedings, the so-called "estate debts", have a senior priority. In addition, if the receiver has contributed to the realization and enforcement of secured assets, such costs will be paid to the receiver in priority out of the proceeds of the realized assets before distributing the remainder to the secured creditors;
- (b) Security interests: Creditors that hold a security interest have a priority right over the secured asset (whether by means of appropriation of the asset or on the proceeds upon realization);
- (c) Privileges: Creditors may have a particular privilege on certain or all assets (*e.g.*, tax claims, claims for social security premiums, etc.). Privileges on specific assets rank before privileges on all assets of the debtor; and
- (d) *Pari passu*: Once all estate debts and creditors having the benefit of security interests and privileges have been satisfied, the proceeds of the remaining assets will be distributed by the receiver among the unsecured creditors who rank *pari passu* (unless a creditor agreed to be subordinated).

### ***Limitation on Enforcement***

The grant of a guarantee by a Belgian company for the obligations of another group company must be for the corporate benefit of the granting company.

The question of corporate benefit is determined on a case-by-case basis and consideration has to be given to any direct and/or indirect benefit that the company would derive from the transaction. Two principles apply to such evaluation: (i) the risk taken by the company in issuing the guarantee must be proportional to the direct and/or indirect benefit derived from the transaction and (ii) the financial support granted by the company should not exceed its financial capabilities.

If the corporate benefit requirement is not met, the directors of the company may be held liable (i) by the company for negligence in the management of the company and (ii) by third parties in tort. Moreover, the guarantee could be declared null and void and, under certain circumstances, the creditor that benefits from the guarantee could be held liable for up to the amount of the guarantee. Alternatively, the guarantee could be reduced to an amount corresponding to the corporate benefit, or the creditor may be held liable for any guarantee amount in excess of such amount. These rules have been seldom tested under Belgian law, and there is only limited case law on this issue.

In order to enable Belgian subsidiaries to grant a guarantee to secure liabilities of a direct or indirect parent or sister company without the risk of violating Belgian rules on corporate benefit, it is standard market practice for indentures, credit agreements, guarantees and security documents to contain so-called “limitation language” in relation to subsidiaries incorporated or established in Belgium. Accordingly, the Purchase Agreement and the Indenture will contain such limitation language and the guarantees of the Belgian Guarantors will be so limited.

The Indenture will expressly provide, substantially to the effect that, the obligations of each Belgian Guarantor under the guarantee clause of the Indenture:

- (a) shall not include any liability which would constitute unlawful financial assistance (as determined in article 329/430/629 of the Belgian Company Code); and
- (b) shall be limited to a maximum aggregate amount equal to the greater of (a) 90% of such Belgian Guarantor’s net assets (as defined in article 320/429/617 of the Belgian Company Code) as shown in its most recent audited annual financial statements as approved at its meeting of shareholders, and (b) the aggregate of the amounts, either directly or through one or more other companies of the INEOS Group, made available to such Belgian Guarantor and its subsidiaries (if any) using all or part of the proceeds of the notes (increased by all interests, commissions, costs, fees, expenses and other sums accruing or payable in connection with such amount).

### ***Hardening Periods and Fraudulent Transfer***

In the event that bankruptcy proceedings are governed by Belgian law, certain business transactions may be declared ineffective against third parties if concluded or performed during a so-called “hardening period.”

In principle, the cessation of payments (which constitutes a condition for filing for bankruptcy) is deemed to have occurred as of the date of the bankruptcy order. The court issuing the bankruptcy order may determine, based on serious and objective indications that the cessation of payments occurred on an earlier date. Such earlier date may not be earlier than six months before the date of the bankruptcy order, except in cases where the bankruptcy order relates to a company that was dissolved more than six months before the date of the bankruptcy order in circumstances suggesting an intent to defraud its creditors, in which case the date of cessation of payments may be determined as being the date of such decision to dissolve the company. The period from the date of cessation of payments up to the declaration of bankruptcy is referred to as the “hardening period.”

The business transactions entered into during the hardening period which may be declared ineffective against third parties include, among others, (i) transactions entered into on extremely beneficial terms, (ii) payments other than in money for debts due, and (iii) security provided for existing debt.

The Belgian receiver may request the court to declare payments of a Belgian Guarantor during the hardening period for debts due ineffective against third parties, provided that it can be proven that the creditor concerned was aware of the cessation of payment of the company.

Finally, regardless of any declaration by the commercial court of a hardening period, transactions of which it can be demonstrated that they have been entered into with fraudulent prejudice to third creditors may be declared ineffective against third parties.

### **Canada**

INEOS Canada Investment Company and INEOS Canada Company are unlimited companies organized under the laws of the Province of Nova Scotia, Canada, INEOS Canada Preferred Holdings Limited is a limited company organized

under the laws of the Province of Nova Scotia, Canada and INEOS Canada Partnership is a general partnership organized under the laws of the Province of Alberta, Canada (collectively, the “Canadian Guarantors” and individually, a “Canadian Guarantor”). Bankruptcy and insolvency matters are within the jurisdiction of the Federal government of Canada, but provincial laws can affect bankruptcy and insolvency proceedings. In the event of the insolvency of any Canadian Guarantor, insolvency proceedings with respect to that Canadian Guarantor may be initiated in Canada. Canadian insolvency laws and applicable provincial legislation would govern those proceedings (subject to laws or protocols that may be applicable to international insolvencies if proceedings also occur in other jurisdictions in respect of those Guarantors). The insolvency laws of Canada and related provincial legislation may restrict, delay or limit certain of your rights and remedies, including in respect of priority of creditors, the ability to obtain post-filing interest and other amounts and the duration of the insolvency proceedings, and hence may limit your ability to recover payments due on the notes or to require the performance by the Canadian Guarantors of their obligations or their guarantees.

In Canada, there are two primary Federal statutes that govern insolvency and restructuring proceedings of corporate debtors. The Bankruptcy and Insolvency Act (the “BIA”) contains provisions for the liquidation of insolvent companies (in a manner loosely akin, in substance, to U.S. Chapter 7 proceedings, although there are important distinctions) and for the restructuring of corporations (in a manner loosely akin, in substance, to U.S. Chapter 11 proceedings, although there are important distinctions). Similar to bankruptcy proceedings in the United States, a corporate debtor may be petitioned into bankruptcy (*i.e.*, involuntary proceedings) or file for bankruptcy or reorganization (*i.e.*, voluntary proceedings). In addition to the BIA, Canada also has the Companies’ Creditors Arrangement Act (“CCAA”), which is a restructuring statute that operates, in practice, in a manner loosely akin to U.S. Chapter 11 proceedings (with important distinctions). CCAA proceedings are only available to insolvent debtor companies having debts in excess of CDN\$5 million (or such other amount prescribed by regulation under the CCAA). Insolvency proceedings in Canada, whether under the BIA or the CCAA, are court-supervised.

Upon the bankruptcy of a debtor corporation, whether voluntarily or upon the application of a creditor, the BIA imposes an automatic stay of any action, execution or other proceeding by unsecured creditors in respect of the debtor, unless the creditors first obtain leave of the applicable court. In a liquidation (as opposed to restructuring) context, the stay of proceedings does not generally apply to secured creditors, who are free to exercise their rights of self-help or to otherwise realize on their security outside of the BIA. However, upon the application, the court may, in exceptional cases, stay the rights of a secured creditor for up to six months. Upon becoming bankrupt, whether voluntarily or involuntarily, all of a debtor’s assets (subject to very limited exceptions) vest in the trustee in bankruptcy (subject to the rights of secured creditors with validly perfected security interests), at which point the debtor no longer has any ability to deal with those assets. The trustee typically proceeds to liquidate the assets and distribute the proceeds of the assets in accordance with the provisions of the BIA.

The BIA sets out the priority scheme for the payment of claims against a bankrupt debtor, which priority scheme takes precedence over any operative priority scheme outside of bankruptcy. Subject to certain statutory priority claims enumerated in the BIA (including, without limitation, “super priority” charge under the BIA against a debtor’s current assets for employee wages of up to CDN\$2,000 per employee, expenses up to CDN\$1,000 per employee and certain pension plan contributions) and true trust claims, secured creditors have the right to look first to the assets charged by their validly perfected security for payment. Thereafter, the BIA provides a list of preferred creditors who recover their debts in priority to the general body of unsecured creditors. Preferred claims are paid in full, in order of their ranking, before any payments to lower ranking preferred creditors or general unsecured creditors. All other claims will be considered general unsecured claims and rank *pari passu*. If there is any surplus after payment to the unsecured creditors, the balance will be used to pay interest from the date of the bankruptcy at 5% per annum on all claims proved in the bankruptcy according to their priority. Any remaining amount would then be available for shareholders.

The proceeds resulting from the realization of the estate of an insolvent Canadian Guarantor may not be sufficient to satisfy secured claims or your deficiency claims as unsecured creditors under the guarantees granted by each Canadian Guarantor after the applicable Canadian Guarantor’s prior-ranking secured creditors and other claims that rank in priority to claims of holders of notes have been satisfied.

Corporate restructurings in Canada may be implemented under either the BIA or the CCAA, with the latter being more commonly used by larger corporations. In either case, a broad stay of creditors’ rights and enforcement proceedings is generally implemented (in the case of the BIA by a statutory stay, and in the case of the CCAA by a court-ordered stay). A CCAA stay generally applies to secured creditors, subject to certain limited exceptions. Under this court-ordered protection, the debtor will typically formulate a restructuring proposal or plan or conduct an orderly wind-down or a sale as a going

concern. In the event of a restructuring proposal or plan, a double majority of the creditors (*i.e.*, a simple majority in number having two-thirds in value of the claims in question) present and voting either in person or by proxy at a meeting of creditors for each designated class must approve the proposal or plan, and the proposal or plan must be sanctioned by the court. Secured creditors may be included in such a proposal or plan (in which case they may have a right to vote in a separate class) or may be dealt with outside of the proposal or plan. In the event of a sale, proceeds are generally distributed in accordance with the priority established by statute and the court (which may differ in some respects from those in a bankruptcy under the BIA). The court may also authorize the creation of priority charges ranking ahead of other creditors in both CCAA and BIA restructurings (for example, for DIP financings, directors' and officers' indemnification and administration costs). A sale under CCAA out of the ordinary course requires approval by the court with notice to the secured creditors likely to be affected by the proposed sale. The Court may approve such sales absent a vote by the creditors in certain circumstances.

The manner in which unsecured creditors of the Canadian Guarantors would be treated in a restructuring proposal or plan would generally be proposed by the Canadian Guarantors, subject to (i) the rights of creditors affected by the proposal or plan to vote on such proposal or plan and (ii) approval by the court.

Where a debtor deals with his property in a manner that prejudices its creditors (particularly where such debtor is or becomes thereafter insolvent), such transactions by the debtor may be subject to challenge by creditors and the scrutiny of the court. Under Canadian Federal and provincial law, there are a number of statutory means to challenge or avoid such transactions. Where a transaction subject to review is held to be contrary to Canadian law, the transaction is subject to being impugned and a wide variety of possible remedies may be imposed. Should the Canadian Guarantors become insolvent within applicable time periods, the granting of the guarantees could be subject to challenge and the guarantees potentially avoided, and any amounts obtained under the guarantee in support thereof that is avoided would have to be repaid. Should the holders of the notes be repaid or otherwise recover from the Canadian Guarantors at a time when such Guarantors are insolvent, or if the Canadian Guarantors thereafter become insolvent within applicable time periods, the repayment or recovery may be subject to challenge.

### **England and Wales**

The Issuer of the notes and a number of the Guarantors are companies incorporated under the laws of England and Wales (the "English Obligors"). Therefore, any main insolvency proceedings in respect of the English Obligors would likely be commenced in England. However, pursuant to the EU Insolvency Regulation, where an English company conducts business in another member state of the European Union, the jurisdiction of the English courts may be limited if the company's "centre of main interests" is found to be in another Member State (please see "European Union"). There are a number of factors that are taken into account to ascertain the centre of main interests. The centre of main interests should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. The place of the registered office of the company is presumed to be the centre of main interests in the absence of proof to the contrary. The point at which this issue falls to be determined is at the time that the relevant insolvency proceedings are opened. Similarly, the U.K. Cross-Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross-Border Insolvency in the United Kingdom, provide that a foreign (*i.e.*, non-European) court may have jurisdiction where any English company has the centre of its main interests in such foreign jurisdiction or where it has an "establishment" (being a place of operations in such foreign jurisdiction, where it carries out non-transitory economic activities with human means and assets or services).

### ***Fixed and Floating Charges***

There are a number of ways in which fixed charge security has an advantage over floating charge security: (a) an administrator appointed to a charging company can convert floating charge assets to cash and use such cash, or use cash subject to a floating charge, to meet administration expenses (which can include the costs of continuing to operate the charging company's business) while in administration in priority to the claims of the floating charge holder; (b) a fixed charge, even if created after the date of a floating charge, may have priority as against the floating charge over the charged assets; (c) general costs and expenses (including the liquidator's remuneration) properly incurred in a winding-up are payable out of the company's assets (including the assets that are the subject of the floating charge) in priority to floating charge claims; (d) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third party good title to the assets free of the floating charge and so as to give rise to the risk of security being granted over such assets in priority to the floating charge security; (e) floating charge security is subject to certain challenges under English insolvency law (please see "—Grant of Floating Charge"); and (f) floating charge security is



subject to the claims of preferential creditors (such as occupational pension scheme contributions and salaries owed to employees) and to ring-fencing (please see “—Administration and Floating Charges”).

Under English law there is a possibility that a court could recharacterize fixed security interests purported to be created by a security document as floating charges and the description given to security interests by the parties is not determinative. Whether security interests labeled as fixed will be upheld as fixed security interests rather than floating security interest will depend, among other things, on whether the chargee has the requisite degree of control over the relevant chargor’s ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the chargee in practice. Where the chargor is free to deal with the secured assets without the consent of the chargee prior to crystallization, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge in the security documents.

### *Administration and Floating Charges*

The relevant English insolvency statutes empower English courts to make an administration order in respect of an English company in certain circumstances. An administrator can also be appointed out of court by the company, its directors or the holder of a qualifying floating charge and different procedures apply according to the identity of the appointor. During the administration, in general no proceedings or other legal process may be commenced or continued against the debtor, or security enforced over the company’s property, except with leave of the court or the consent of the administrator. Certain creditors of a company in administration may be able to realize their security over that company’s property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the moratorium in relation to a “security financial collateral agreement” (generally, cash or financial instruments such as shares, bonds or tradable capital market debt instruments) under the Financial Collateral Arrangements (No. 2) Regulations 2003. If an English Obligor were to enter administration, it is possible that the security granted by it or the guarantee granted by it may not be enforced while it is in administration. In addition, other than in limited circumstances, no administrative receiver can be appointed by a secured creditor in preference to an administrator, and any already appointed must resign if requested to do so by the administrator. Where the company is already in administration no other receiver may be appointed.

In order to empower the Collateral Agent to appoint an administrative receiver or an administrator to the company, the floating charge granted by the relevant English Obligor must constitute a “qualifying floating charge” for purposes of English insolvency law and, in the case of the ability to appoint an administrative receiver, the qualifying floating charge must, unless the security document pre-dates September 15, 2003, fall within one of the exceptions in the U.K. Insolvency Act 1986 (as amended) to the prohibition on the appointment of administrative receivers. In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which (a) states that the relevant statutory provision applies to it, (b) purports to empower the holder to appoint an administrator of the company or (c) purports to empower the holder to appoint an administrative receiver within the meaning given by Section 29(2) of the U.K. Insolvency Act 1986 (as amended). The Collateral Agent will be the holder of a qualifying floating charge if such floating charge security, together (if necessary) with the fixed charge security interests, relate to the whole or substantially the whole of the relevant English Obligor’s property and at least one such security interest is a qualifying floating charge. The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to “capital market arrangements” (as defined in the U.K. Insolvency Act 1986, as amended), which will apply if the issuer of the notes creates a debt of at least £50,000,000 for the relevant company during the life of the arrangement and the arrangement involves the issue of a “capital markets investment” (which is defined in the U.K. Insolvency Act 1986, as amended, but is generally a rated, listed or traded debt instrument). An administrator, receiver (including administrative receiver) or liquidator of the company will be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security (after making full provision for preferential creditors and expenses (floating charge realizations)) for the benefit of unsecured creditors. Under current law, this applies to 50% of the first £10,000 of floating charge realizations and 20% of the remainder over £10,000, with a maximum aggregate cap of £600,000. Whether the assets that are subject to the floating charges and other security will constitute substantially the whole of the relevant English Obligor’s assets at the time that the floating charges are enforced will be a question of fact at that time.

In addition, under English insolvency law any debt payable in a currency other than pounds sterling (such as euro or U.S. dollars in the case of the notes) must be converted into pounds sterling at the “official exchange rate” prevailing at the date when the debtor went into liquidation or administration. This provision overrides any agreement between the parties. The “official exchange rate” for these purposes is the middle market rate at the London Foreign Exchange Market at close of business as published for the date in question or, if no such rate is published, such rate as the court determines. Accordingly, in the event that an English Obligor goes into liquidation or administration, holders of the notes may be subject to exchange

rate risk between the date that such English Obligor went into liquidation or administration and receipt of any amounts to which such holders of the notes may become entitled.

There are circumstances under English insolvency law in which the granting by an English company of security and guarantees can be challenged. In most cases this will only arise if the company is placed into administration or liquidation within a specified period (as set out in more detail below) of the granting of the guarantee or security. Therefore, if during the specified period an administrator or liquidator is appointed to an English company, he may challenge the validity of the guarantee or security given by such company.

The following potential grounds for challenge may apply to guarantees and charges:

### ***Transaction at an Undervalue***

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believes that the creation of such security interest or guarantee constituted a transaction at an undervalue. There will only be a transaction at an undervalue, if at the time of the transaction or as a result of the transaction, the English company was or becomes unable to pay its debts (as defined in the U.K. Insolvency Act 1986, as amended). The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of two years from the date the English company grants the security interest or the guarantee. A transaction might be subject to being set aside as a transaction at an undervalue if the company makes a gift to a person, if the company receives no consideration or if the company receives consideration of significantly less value, in money or money's worth, than the consideration given by such company. However, a court generally will not intervene if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit it. If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the position to what it would have been in if the transaction had not been entered into. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent unless a beneficiary of the transaction was a connected person (as defined in the U.K. Insolvency Act 1986, as amended), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the English company in such proceedings.

### ***Preference***

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believes that the creation of such security interest or such guarantee constituted a preference. There will only be a preference if, at the time of the transaction or as a result of the transaction, the English company was or becomes unable to pay its debts (as defined in the U.K. Insolvency Act 1986 (as amended)). The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of six months (if the beneficiary of the security or the guarantee is not a connected person) or two years (if the beneficiary is a connected person) from the date the English company grants the security interest or the guarantee. A transaction will constitute a factual preference if it has the effect of putting a creditor of the English company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. If the court determines that the transaction constituted such a preference, the court has very wide powers for restoring the position to what it would have been if that preference had not been given, which could include reducing payments under the notes and the guarantees (although there is protection for a third party who enters into one of the transactions in good faith and without notice). However, for the court to do so, it must be shown that in deciding to give the factual preference the English company was influenced by a desire to produce the preferential effect. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent at the relevant time and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such influence.

### ***Transaction Defrauding Creditors***

Under English insolvency law, where it can be shown that a transaction was at an undervalue and was made for the purposes of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of

otherwise prejudicing the interests of a person in relation to the claim, which that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. This provision may be used by any person who claims to be a “victim” of the transaction and is not therefore limited to liquidators or administrators. There is no time limit in the English insolvency legislation within which the challenge must be made and the relevant company does not need to be insolvent at the time of the transaction. If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction.

### ***Grant of Floating Charge***

Under English insolvency law, if an English Obligor is unable to pay its debts at the time of (or as a result of) granting the floating charge, and the floating charge was granted within the specified period referred to below, then such floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English Obligor at the same time as or after the creation of the floating charge. The requirement for the English Obligor to be insolvent at the time of (or as a result of) granting the floating charge does not apply, and the floating charge was granted within the specified period referred to below, where the floating charge is granted to a connected person. If the floating charge is granted to a connected person, and the floating charge was granted within the specified period referred to below, then the floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English Obligor at the same time as or after the creation of the floating charge, whether the relevant English Obligor is solvent or insolvent. The granting of the charge can be challenged only if the relevant English Obligor enters into liquidation or administration proceedings within a period of one year (if the beneficiary is not a connected person) or two years (if the beneficiary is a connected person) from the date the relevant English Obligor grants the floating charge. However, if the Floating Charge qualifies as a “security financial collateral agreement” under the Financial Collateral Arrangements (No. 2) Regulations 2003, the floating charge will not be subject to challenge as described in this paragraph.

### ***Ranking of Security Interests***

Under English law, there are certain common law rules and equitable principles which will determine the ranking of two or more competing security interests over the same assets. A number of different factors are taken into account, such as the nature of the security interest, the order of creation, compliance with perfection requirements and the order of giving notice. English law security interests are to be granted to secure obligations under the notes but such security interests will be second ranking and will be subject to the terms of prior ranking security (granted to secure the obligations under the 2019 Senior Secured Notes, the 2020 Senior Secured Notes, the Senior Secured Term Loans Agreement, certain hedging liabilities and certain cash management liabilities) and the terms of the Intercreditor Deed. As the prior ranking security granted over the assets which are the subject of the second ranking security to secure, *inter alia*, the notes, the second ranking security will rank behind such prior ranking security on enforcement. The Intercreditor Deed does not expressly purport to rank the liability of the Issuer as between the holders of the 2016 IGH Notes and the notes.

## **Germany**

### ***Insolvency***

Certain Guarantors of the notes are organized under the laws of Germany (“German Guarantors”). Consequently, in the event of an insolvency of any such Guarantor, subject to the information presented in “—European Union,” insolvency proceedings may be initiated in Germany. Such proceedings would then be governed by German law. However, pursuant to the EU Insolvency Regulation, where a German company conducts business in more than one member state of the European Union, the jurisdiction of the German courts may be limited if the company’s “centre of main interests” is found to be in a member state other than Germany (please see “European Union”). There are a number of factors that are taken into account to ascertain the “centre of main interests”, which should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. The point at which this issue falls to be determined is at the time that the relevant insolvency proceedings are opened. The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Act (*Insolvenzordnung*) may be less favorable to your interests as creditors than the insolvency law of other jurisdictions including in respect of the priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings.

Under German law, insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) or illiquidity (*Zahlungsunfähigkeit*) of the debtor. The debtor is over-indebted if its liabilities exceed the value of its assets (according to temporary legislation being in force until the end of 2013, the debtor is not considered over-indebted if its continuation as a going concern is highly likely). The debtor is illiquid if it is unable to pay its debts as and when they fall due. In addition, the debtor can file for insolvency proceedings if it is imminently at risk to be unable to pay its debts as and when they fall due (*drohende Zahlungsunfähigkeit*). The insolvency proceedings are court controlled, and upon receipt of the insolvency petition, the insolvency court may take preliminary protective measures to secure the property of the debtor during the preliminary proceedings. The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings and may appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*) who, depending on the court decision, may have the right to manage and dispose of the business and assets of the debtor. During preliminary insolvency proceedings a "preliminary creditors' committee" (*vorläufiger Gläubigerausschuss*) can be set up if the debtor satisfies two of the following three requirements: a balance sheet total in excess of €4,840,000 (after deducting an equity shortfall if the debtor is over indebted), revenues of at least €9,680,000 in the twelve months prior to the last balance sheet date and/or fifty or more employees. The requirements apply to the respective entity without taking into account the assets of other group companies. The preliminary creditors' committee will be able to participate in certain important insolvency court decisions. It will have, for example, the power to influence the following: the selection of a preliminary insolvency administrator or an insolvency administrator (*vorläufige Insolvenzverwalter and Insolvenzverwalter*), orders for "debtor in possession" proceedings (*Anordnung der Eigenverwaltung*), and appointments of preliminary trustees (*Sachwalter*). The court opens the insolvency proceedings if certain formal requirements are met and if there are sufficient assets to cover at least the costs of the proceedings. If insolvency proceedings are opened, the court appoints an insolvency administrator (*Insolvenzverwalter*) unless debtor-in-possession (*Eigenverwaltung*) is ordered. The insolvency administrator has full power to manage the business and dispose of the debtor's assets, whereas the debtor is no longer entitled to manage the business or dispose of its assets. The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's operations, and satisfaction of these liabilities as preferential debts of the estate (*Masseschulden*) will be preferred to any insolvency liabilities created by the debtor (including secured debt).

All creditors, whether secured or unsecured, unless they have a right to segregate an asset from the insolvency estate (*Aussonderungsrecht*), who wish to assert claims against the debtor need to participate in the insolvency proceedings. Any individual enforcement action (*Zwangsvollstreckung*) brought against the debtor by any of its creditors is subject to an automatic stay once insolvency proceedings have been opened. Secured creditors are generally not entitled to enforce their security interests outside the insolvency proceedings. However, secured creditors have certain preferential rights. The enforcement proceeds minus certain contributory charges for (i) assessing the value of the secured assets and (ii) realizing the secured assets are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. Remaining amounts are distributed among the unsecured creditors. If the German Guarantors grant security over their assets to other creditors than the holders of the notes, such security may result in a preferred treatment of creditors secured by such security. The proceeds resulting from such collateral may not be sufficient to satisfy the holders of the notes under the guarantees granted by the German Guarantors after such secured creditors have been satisfied. A different distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and requires the consent of the debtor as well as the consent of each class of creditors in accordance with specific majority rules. Under German insolvency laws, it is possible to implement a debt-to-equity-swap through an insolvency plan. However, it will not be possible to force a creditor into a debt-to-equity conversion if it does not consent to such debt-to-equity-swap.

If a company faces imminent illiquidity and/or over-indebtedness it may also file for preliminary "debtor in possession" proceedings. In such a case and upon request of the debtor, the court will prohibit enforcement measures (other than with respect to immoveable assets) and may implement other preliminary measures to protect the debtor from creditor enforcement actions for up to three months. During such period, the debtor shall, together with its creditors and a preliminary trustee (*vorläufiger Sachwalter*), prepare an insolvency plan which ideally will be implemented in formal "debtor in possession" proceedings (*Eigenverwaltung*) after formal insolvency proceedings have been opened.

Under German insolvency law, there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In case of a group of companies, each entity, from an insolvency law point of view, has to be dealt with separately (*i.e.*, there is no group insolvency concept under German insolvency law). As a consequence, there is, in particular, no pooling of claims among the respective entities of a group, but rather claims of and vis-à-vis each entity have to be dealt with separately.

### ***Limitation on Enforcement***

The Guarantors of the notes that are organized under German law are incorporated or established in the form of a GmbH (Limited Liability Company), or (in the case of one of the Guarantors) as a GmbH & Co. KG, a limited partnership with a GmbH (Limited Liability Company) as its sole general partner. Consequently, the grant of Collateral by these Guarantors is subject to certain provisions of the German Limited Liability Company Act (the “GmbHG”).

Sections 30 and 31 of the GmbHG (“Sections 30 and 31”) prohibit a GmbH from disbursing its assets to its shareholders to the extent that the amount of the GmbH’s net assets (*i.e.*, assets minus liabilities and liability reserves) is or would fall below the amount of its stated share capital (*Begründung einer Unterbilanz*) or would increase any already existing capital impairment (*Vertiefung einer Unterbilanz*). Guarantees granted by a GmbH in order to guarantee or secure liabilities of a direct or indirect parent or sister company are considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to grant guarantees and collateral to secure liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31, it is standard market practice for credit agreements and guarantees to contain so-called “limitation language” in relation to subsidiaries in the legal form of a GmbH or a limited partnership with a GmbH as its sole general partner incorporated or established in Germany. Pursuant to such limitation language, the beneficiaries of the guarantees agree to enforce the guarantees against the German subsidiary only to the extent that such enforcement does not result in the subsidiary’s net assets falling below its stated share capital. Accordingly, the documentation in relation to the guarantees to the extent they concern the German Guarantors, contains such limitation language and such guarantees are limited in the manner described.

In addition to the limitations resulting from the capital maintenance rules, the guarantees granted by the German subsidiaries of the Issuer will contain additional provisions limiting the enforcement in the event the enforcement would result in an illiquidity of the relevant German subsidiary.

German capital maintenance rules are subject to ongoing court decisions. We cannot assure you that future court rulings may not further limit the access of shareholders to assets of its subsidiaries constituted in the form of a limited liability company or of a limited partnership, the general partner or general partners of which is or are a limited liability company, which can negatively affect the ability of the Issuer to make payment on the notes, of the subsidiaries to make payments on the guarantees, of the beneficiaries of the guarantees to enforce the guarantees.

### ***Hardening Periods and Fraudulent Transfer***

In the event that insolvency proceedings with respect to a German Guarantor, which would most likely be based on and governed by the insolvency laws of Germany, the guarantee provided by that entity could be subject to potential challenges by an insolvency administrator (*Insolvenzverwalter*) under the rules of avoidance as set out in the German Insolvency Code (*Insolvenzordnung*).

Based on these rules, an insolvency administrator may challenge transactions that are deemed detrimental to insolvency creditors and were effected prior to the commencement of insolvency proceedings. Such transactions can include the payment of any amounts to the holders of the notes. The administrator’s right to challenge transactions can, depending on the circumstances, extend to transactions during the 10-year period prior to the filing of the petition for commencement of insolvency proceedings. In the event such a transaction is successfully avoided, the holders of the notes would be under an obligation to repay the amounts received or to waive the guarantee.

In particular, an act (*Rechtshandlung*) or a transaction (*Rechtsgeschäft*) (which term includes the provision of security or the repayment of debt) may be avoided in the following cases:

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (i) if such act was performed during the last three months prior to the filing of the petition for the commencement of the insolvency proceedings and the debtor was illiquid (*zahlungsunfähig*) at the time when such act was taken and the creditor had knowledge of such illiquidity at such time, or (ii) if such act was performed after the filing of the petition for the commencement of the insolvency proceedings and the creditor had knowledge of the illiquidity of the debtor or the filing of such petition (or of circumstances unmistakably suggesting such illiquidity or filing);

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction to which such creditor was not entitled or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled to such security or satisfaction if (i) such act was performed during the last month prior to the filing of the petition for the commencement of the insolvency proceedings or after such filing, (ii) such act was performed during the second or third month prior to the filing of the petition and the debtor was illiquid at such time, or (iii) such act was performed during the second or third month prior to the filing of the petition for the commencement of the insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or had knowledge of circumstances that unmistakably suggest such detrimental effects);
- any transaction by the debtor that is directly detrimental to the insolvency creditors if (i) it was entered into during the three months prior to the filing of the petition of the commencement of the insolvency proceedings, the debtor was illiquid at the time of such transaction and the counterparty to such transaction had knowledge of the illiquidity at such time or (ii) it was entered into after such filing and the counterparty to such transaction had knowledge of either the debtor's illiquidity or such filing at the time of the transaction;
- any act (for example, whereby a debtor grants security for a third-party debt), which might be regarded as having been granted gratuitously (*unentgeltlich*), if it was effected in the four years prior to the filing of a petition for the commencement of insolvency proceedings against the debtor;
- any act performed by the debtor during the 10 years prior to the filing of the petition for the commencement of insolvency proceedings with the intent to prejudice the insolvency creditors and the other party knew of such intention at the time of such act;
- any act that provides security or satisfaction for a shareholder loan made to the debtor or a similar claim if (i) in the case of the provision of security, the act occurred during the 10 years prior to the filing of the petition for the commencement of the insolvency proceedings or after the filing of such petition, or (ii) in the case of satisfaction, the act occurred during the last year prior to the filing of the petition for the commencement of the insolvency proceedings or after the filing of such petition; and
- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party if (i) the transaction was effected in the last year prior to the filing of a petition for commencement of insolvency proceedings or thereafter and (ii) a shareholder of the debtor had granted security or was liable as a Guarantor (*Bürge*) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

If any of the guarantees given by any of the German Guarantors were avoided or held unenforceable for any reason, you would cease to have any claim in respect thereof. Any amounts received from a transaction that has been avoided would have to be repaid to the insolvent estate and you would have a claim solely under the notes and the remaining security, if any.

Furthermore, even in the absence of an insolvency proceeding, a third-party creditor who has obtained an enforcement order but has failed to obtain satisfaction on its enforceable claims by a levy of execution, under certain circumstances, has the right to avoid certain transactions, such as the payment of debt and the granting of security pursuant to the German Code on Avoidance (*Anfechtungsgesetz*). The conditions for avoidance under the German Code on Avoidance differ to a certain extent from the above-described rules under the German Insolvency Act and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

## **Ireland**

### ***Difference in Insolvency Law***

The EU Insolvency Regulation (please see “European Union”) has force of law in Ireland. The place of a company's registered office is presumed to be the “centre of main interests” in the absence of proof to the contrary. A number of the Guarantors are incorporated under the laws of Ireland (the “Irish Guarantors”). Therefore, any main insolvency proceedings in respect of the Irish Guarantors would likely be commenced in Ireland. Irish insolvency laws differ from the insolvency laws of the United States and may make it more difficult for holders of the notes to recover the amount in respect of the notes

or of an Irish Guarantor's guarantee of the notes than they would have recovered in a liquidation or bankruptcy proceeding in the United States

### ***Priority of Secured Creditors***

Irish insolvency laws generally recognize the priority of secured creditors over unsecured creditors. The lenders under the Senior Secured Term Loans Agreement and the holders of the 2019 Senior Secured Notes and the 2020 Senior Secured Notes have, or will have, security interests on certain of the assets of the Irish Guarantors. The priority attaching to those security interests will be governed from a contractual perspective by the Intercreditor Deed. The notes will not be secured by any assets of the Irish Guarantors. See "Description of Other Indebtedness—Intercreditor Deed."

### ***Attachment of Debts***

Any debt to a party (including any deposit with a financial institution) may be attached by the Irish Revenue Commissioners in order to discharge any liabilities of that party in respect of outstanding tax whether the liabilities are due on its own account or as an agent or trustee. This right of the Revenue Commissioners may override the rights of holders of security (whether fixed or floating) in relation to the debt in question.

### ***Preferential Creditors***

Under Section 285 of the Irish Companies Act 1963, as amended (the "1963 Act"), in a winding-up of an Irish company certain preferential debts are required to be paid in priority to all other debts other than those secured by a fixed charge. Preferential debts therefore have priority over debts secured by a floating charge. If the assets of the relevant company available for payment of general creditors are insufficient to pay the preferential debts, they are required to be paid out of the property subject to the floating charge.

Furthermore, in the case of the application of monies arising from the realization of secured assets that are subject to a floating charge, or in a winding-up, the costs of the liquidation and the liquidator's fees will take priority over the claims of floating chargeholders in respect of relevant assets as will the remuneration, costs and expenses of an examiner (if any) appointed to the Irish company which have been sanctioned by the Irish High Court as reasonable expenses properly incurred by such examiner in the course of the examinership (which may include borrowings incurred by an examiner during the period of examinership if the examiner seeks to have them sanctioned by the Irish High Court under Section 29 of the Companies (Amendment) Act 1990 as amended by the Companies (Amendment) (No. 2) Act 1999 (the "1990 Amendment Act").

### ***Fraudulent Preference***

Under Irish insolvency law, if an Irish company goes into liquidation, a liquidator may apply to the court to have certain transactions disclaimed if the related contract amounted to a fraudulent preference. Section 286 of the 1963 Act provides that any conveyance, mortgage, delivery of goods, payment, execution or other act relating to property made or done by or against an Irish company, which is unable to pay its debts as they become due in favor of any creditor or any person on trust for any creditor, with a view of giving such creditor (or any surety or guarantor for the debt due to such creditor) a preference over the other creditors within six months (or in the case of a "connected person" as that term is defined in the 1963 Act, two years) of the commencement of a winding-up of the Irish company, shall be invalid. Section 286 is only applicable if, at the time of the conveyance, mortgage or other relevant act, the Irish company is unable to pay its debts as they became due and at the time of the commencement of the winding-up is unable to pay its debts (taking into account the contingent and prospective liabilities).

### ***Improperly Transferred Assets***

Under section 139 of the Companies Act 1990, if it can be shown, on the application of a liquidator, creditor or contributory of an Irish company which is being wound up, to the satisfaction of the High Court that any property of such company was disposed of (which would include by way of conveyance, transfer, mortgage, security, loan or in any way whatsoever) and the effect of such a disposal was to "perpetrate a fraud" on the company, its creditors or members, the Irish High Court may, if it deems it just and equitable, order any person who appears to have "use, control or possession" of such property or the proceeds of the sale or development thereof to deliver it or pay a sum in respect of it to the liquidator on such terms as the Irish High Court sees fit. The ability to use section 139 of the Companies Act 1990 to challenge the transfer of

assets has been extended to receivers and examiners. Section 139 of the Companies Act 1990 does not apply to a disposal that would constitute a fraudulent preference for the purposes of section 286 of the 1963 Act.

### ***Disclaimer of Onerous Contracts***

Section 290 of the 1963 Act confers power on a liquidator, with leave of the court, at any time within 12 months after the commencement of the winding-up or such extended period as may be allowed by the court, to disclaim any property of the Irish company being wound up which consists of, among other things, (i) unprofitable contracts or (ii) any property which is unsaleable or not readily saleable by reason of its binding the possessor to the performance of any onerous act or to the payment of money.

### ***Examinership***

In addition, a court protection procedure, known as examinership, is available under the 1990 Amendment Act to facilitate the survival of an Irish company and the whole or any part of its undertaking through the appointment of an examiner and the formulation by the examiner of proposals for a compromise or scheme of arrangement. Provided an Irish company can demonstrate a reasonable prospect of its survival (and all or part of its undertaking) as a going concern, and can satisfy certain tests, the Irish company may be placed under the protection of the Irish High Court for a period of time whilst its affairs are investigated by an independent examiner whose function is to see whether the company is capable of being rescued and to supervise the restructuring process.

If any Irish Guarantor is placed in examinership, you may not be able to enforce your rights under any guarantee of the notes.

### ***Effect of Appointment of Examiner***

The effect of the appointment of an examiner is to suspend the rights of creditors for the protection period. For as long as a company is under the protection of the High Court, no attachment, sequestration, distress or execution shall be put into force against the property or effects of the relevant company except with the consent of the examiner. Section 5 of the 1990 Amendment Act provides, amongst other things:

- (a) where any claim against the company is secured by a mortgage, charge, lien or other encumbrance or a pledge of, on or affecting the whole or any part of the property, effects or income of the Irish company, no action may be taken to realize the whole or any part of such security except with the consent of the examiner;
- (b) no receiver over any part of the property or undertaking of the Irish company shall be appointed; and
- (c) no proceedings for the winding-up of the Irish company may be commenced or resolution for winding-up passed in relation to the company in examinership and any resolution so passed shall have no effect.

No other proceedings in relation to the Irish company may be commenced except by leave of the court and subject to such terms as it may impose.

In addition, no payment may be made by an Irish company during the period when it is under protection of the court by way of satisfaction or discharge of the whole or any part of a liability incurred by the company before the date of presentation of the petition for the appointment of the examiner, except in certain limited circumstances.

### ***Liability of Guarantors***

The 1990 Amendment Act provides, *inter alia*, that no proceedings of any sort may be commenced against a guarantor in respect of the debts of an Irish company in examinership.

### ***Priority of Examiner Payments***

The 1990 Amendment Act allows for the remuneration, costs and expenses of the examiner which have been sanctioned by an order of the court (other than the expenses that, by virtue of section 10 of the 1990 Amendment Act, are



treated as expenses properly incurred by the examiner) to be paid prior to any other claims including secured claims. Section 10 of the 1990 Amendment Act provides that any liabilities incurred by a company in examinership which are certified by the examiner which have been incurred in circumstances where, in the opinion of the examiner, the survival of the company under court protection as a going concern during the period would otherwise be seriously prejudiced, shall be treated as expenses properly incurred for the purposes of Section 29 of the 1990 Amendment Act but will rank behind the claims of creditors secured by a mortgage, charge, lien or other encumbrance of a fixed nature or a pledge. Nonetheless, if the court sanctions borrowings by an examiner as part of the expenses of the examiner pursuant to Section 29 of the 1990 Amendment Act, such borrowings will rank ahead of the claims of both unsecured and secured creditors of the company under court protection.

## **Jersey**

### ***Insolvency***

There are two principal regimes for corporate insolvency in Jersey: *désastre* and winding-up. The principal type of insolvency procedure available to creditors under Jersey law is the application for an Act of the Royal Court of Jersey under the Bankruptcy (*Désastre*) (Jersey) Law 1990, as amended (the “Jersey Bankruptcy Law”) declaring the property of a debtor to be “*en désastre*” (a “declaration”). On a declaration of *désastre*, title and possession of the property of the debtor vest automatically in the Viscount, an official of the Royal Court (the “Viscount”). With effect from the date of declaration, a creditor has no other remedy against the property or person of the debtor, and may not commence or continue any legal proceedings to recover the debt.

Additionally, the shareholders of a Jersey company (but not its creditors) can instigate a winding-up of an insolvent company, which is known as a “creditors’ winding up” pursuant to Chapter 4 of Part 21 of the Companies (Jersey) Law 1991, as amended (the “Jersey Companies Law”). On a creditors’ winding up, a liquidator is appointed, usually by the creditors. The liquidator will stand in the shoes of the directors and administer the winding up, gather assets, settle claims and distribute assets as appropriate. After the commencement of the winding up, no action can be taken or continued against the company except with the leave of court. The corporate state and capacity of the company continues until the end of the winding up procedure, when the company is dissolved. The Jersey Companies Law requires a creditor of a company (subject to appeal) to be bound by an arrangement entered into by the company and its creditors immediately before or in the course of its winding up if (*inter alia*) three quarters in number and value of the creditors acceded to the arrangement.

### ***Transactions at an Undervalue***

Under Article 17 of the Jersey Bankruptcy Law and Article 176 of the Jersey Companies Law, the court may, on the application of the Jersey Viscount (in the case of a company whose property has been declared “*en désastre*”) or liquidator (in the case of a creditors’ winding up), a procedure which is instigated by shareholders not creditors, set aside a transaction (including any guarantee or security interest) entered into by a company with any person (the “other party”) at an undervalue. There is a five-year look-back period from the date of commencement of the winding up or declaration of “*désastre*” during which transactions are susceptible to examination pursuant to this rule (the “relevant time”). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction at an undervalue, the operation of the relevant time and the effect of entering into such a transaction with a person connected with the company or with an associate of the company.

### ***Preference***

Under Article 17A of the Jersey Bankruptcy Law and Article 176A of the Jersey Companies Law, the court may, on the application of the Viscount (in the case of a company whose property has been declared “*en désastre*”) or liquidator (in the case of a creditors’ winding up), set aside a preference (including any guarantee or security interest) given by the company to any person (the “other party”). There is a 12-month look-back period from the date of commencement of the winding up or declaration of “*désastre*” during which transactions are susceptible to examination pursuant to this rule (the “relevant time”). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a preference, the operation of the relevant time and the effect of entering into a preference with a person connected with the company or with an associate of the company.

### ***Extortionate Credit Transactions***

Under Article 17C of the Jersey Bankruptcy Law and Article 179 of the Jersey Companies Law, the court may, on the application of the Viscount (in the case of a company whose property has been declared “*en désastre*”) or liquidator (in the case of a creditors’ winding up), set aside a transaction providing credit to the debtor company which is or was extortionate. There is a three-year look-back period from the date of commencement of the winding up or declaration of “*désastre*” during which transactions are susceptible to examination pursuant to this rule (the “relevant time”). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction which is extortionate.

### ***Disclaimer of Onerous Property***

Under Article 15 of the Jersey Bankruptcy Law, the Viscount may within six months following the date of the declaration of *désastre* and under Article 171 of the Jersey Companies Law, a liquidator may within six months following the commencement of a creditors’ winding up, disclaim any onerous property of the company. “Onerous property” is defined to include any moveable property, a contract lease or other immoveable property if it is situated outside of Jersey that is unsaleable or not readily saleable or is such that it might give rise to a liability to pay money or perform any other onerous act, and includes an unprofitable contract.

A disclaimer operates to determine, as of the date it is made, the “rights, interests and liabilities of the company in or in respect of the property disclaimed” but “does not, except so far as is necessary for the purpose of releasing the company from liability, affect the rights or liabilities of any other person.” A person sustaining loss or damage as a result of a disclaimer is deemed to be a creditor of the company to the extent of the loss or damage and shall have standing as a creditor in the *désastre* or creditors’ winding up. The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) in relation to the power to disclaim onerous property.

### ***Fraudulent Dispositions***

In addition to the Jersey statutory provisions referred to above, there are certain principles of Jersey customary law (for example, a Pauline action) under which dispositions of assets with the intention of defeating creditors’ claims may be set aside.

### ***Administrators, Receivers and Statutory and Non-statutory Requests for Assistance***

The Insolvency Act 1986 (either as originally enacted or as amended, including by the provisions of the Enterprise Act 2002) does not apply in Jersey and receivers, administrative receivers and administrators are not part of the laws of Jersey. Accordingly, the Courts of Jersey may not recognize the powers of an administrator, administrative receiver or other receiver appointed in respect of Jersey situs assets (although see below in the case of fixed charge receivers).

However, under Article 49(1) of the Jersey Bankruptcy Law, the Jersey court may assist the courts of prescribed countries and territories in all matters relating to the insolvency of any person to the extent that the Jersey court thinks fit. These prescribed jurisdictions include the United Kingdom. Further, in doing so, the Royal Court may have regard to the UNCITRAL model law, even though the model law has not been (and is unlikely to be) implemented as a separate law in Jersey. In the case *In re Estates and General Developments Ltd (in liquidation)* [2013] JRC 027, concerning an English debtor company, owning Jersey immovable property, which was in liquidation in England, fixed charge receivers appointed by a foreign secured creditor were able to use Article 49 of the Jersey Bankruptcy Law as a gateway to obtain recognition of their appointment and the authority to manage and sell Jersey immovable property, notwithstanding that the appointment of fixed charge receivers is a contractual (rather than court insolvency) appointment, and there is no such concept in Jersey law.

If the request comes from a non-prescribed country, then common law and principles of comity will be considered by the Royal Court by virtue of its inherent jurisdiction. If insolvency proceedings are afoot in another jurisdiction in relation to the company, the nature and extent of the cooperation from Jersey is likely to depend on the nature of the requesting country’s insolvency regime. If the requesting country adheres to principles of territoriality, as opposed to universality, and, for instance, ring-fences assets for local creditors, full cooperation is highly unlikely. If, however, the jurisdiction applies similar fundamental principles to those applied in Jersey, the Royal Court’s approach is more likely to be similar to the position where prescribed countries are involved.

In the case of both statutory and non-statutory requests for assistance, it should not be assumed that the UNCITRAL provisions will automatically be followed. That is a matter for the discretion of the Royal Court. It would also be wrong to assume for European countries that the position will be in accordance with EU Insolvency Regulation. Jersey does not form part of the European Community for the purposes of implementation of its directions. Accordingly, the EU Insolvency Regulation does not apply as a matter of Jersey domestic law and the automatic test of centre of main interests does not apply as a result.

## **Luxembourg**

### ***Insolvency***

Under Luxembourg law, the following types of proceedings (altogether referred to as insolvency proceedings) may be opened against an entity having its center of main interests in Luxembourg or an establishment within the meaning of EU Council Regulation No. 1346/2000 of May 29, 2000 on insolvency proceedings (in relation to secondary proceedings):

- bankruptcy proceedings (“*faillite*”), the opening of which may be requested by the company or by any of its creditors. Following such a request, the courts having jurisdiction may open bankruptcy proceedings if the company: (i) is in a state of cessation of payments (“*cessation des paiements*”) and (ii) has lost its commercial creditworthiness (“*ébranlement de crédit*”). If a court finds that these conditions are satisfied, it may also open bankruptcy proceedings, ex officio (absent a request made by the company or a creditor). The main effect of such proceedings is the suspension of all measures of enforcement against the company, except, subject to certain limited exceptions, for enforcement by secured creditors and the payment of the secured creditors in accordance with their rank upon realization of the assets. In addition, the managers or directors of a Luxembourg company that is unable to pay its debts as they fall due and that has lost its creditworthiness must within a month of them having become aware of the company’s cessation of payments, file a petition for bankruptcy (“*faillite*”) with the court clerk of the district court of the company’s registered office. If the managers or directors fail to comply with such provision they may incur civil and/or criminal liability;
- controlled management proceedings (“*gestion contrôlée*”), the opening of which may only be requested by the company and not by its creditors and under which a court may order provisional suspension of payments, including a stay of enforcement of claims by secured creditors; and
- composition proceedings (“*concordat préventif de la faillite*”), which may be requested only by the company (subject to obtaining the consent of the majority of its creditors) and not by its creditors themselves. The court’s decision to admit a company to the composition proceedings triggers a provisional stay on enforcement of claims by creditors.

In addition, your ability to receive payment on the relevant notes may be affected by a decision of a court to grant a stay on payments (“*sursis de paiement*”) or to put a Luxembourg company into judicial liquidation (“*liquidation judiciaire*”). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the Luxembourg commercial code or of the Luxembourg law dated August 10, 1915 on commercial companies, as amended. The management of such liquidation proceedings will generally follow similar rules as those applicable to Luxembourg insolvency proceedings.

### ***Preferential debts***

Liability of any Issuer or Luxembourg Guarantor in respect of the relevant notes will, in the event of a liquidation of the entity following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those debts of the relevant entity that are entitled to priority under Luxembourg law. Preferential debts under Luxembourg law include, among others:

- certain amounts owed to the Luxembourg Revenue;
- value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise;
- social security contributions; and

- remuneration owed to employees.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realized).

### ***General limitations on enforcement resulting from insolvency proceedings***

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended. The ability of certain secured creditors to enforce their security interest may also be limited, in particular in the event of controlled management proceedings providing expressly that the rights of secured creditors are frozen until a final decision has been taken by the court as to the petition for controlled management, and may be affected thereafter by a reorganization order given by the court. A reorganization order requires the prior approval by more than 50% of the creditors representing more than 50% of the relevant Luxembourg company's liabilities in order to take effect. Furthermore, you should note that declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings.

Luxembourg insolvency laws may also affect transactions entered into or payments made by the relevant Luxembourg company during the period before bankruptcy, the so-called "suspect period" (*période suspecte*) which is a maximum of six months (and 10 days, depending on the transaction in question) preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date; if the bankruptcy judgment was preceded by another insolvency bankruptcy judgment under Luxembourg law, the court may set the maximum up to six months prior to the filing for such controlled management. In particular:

- pursuant to article 445 of the Luxembourg Code of Commerce (*code de commerce*), specified transactions (such as, in particular, the granting of a security interest for antecedent debts; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the suspect period (or the 10 days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;
- pursuant to article 446 of the Luxembourg Code of Commerce, payments made for matured debts as well as other transactions concluded for consideration during the suspect period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt party's cessation of payments; and
- in the case of bankruptcy, article 448 of the Luxembourg Code of Commerce and article 1167 of the Civil Code (*action paulienne*) gives the insolvency receiver (acting on behalf of the creditors) the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in automatic termination of contracts except for *intuitu personae* contracts, that is, contracts for which the identity of the company or its solvency were crucial. The contracts, therefore, subsist after the bankruptcy order. However, the insolvency receiver may choose to terminate certain contracts. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue vis-à-vis the bankruptcy estate.

Insolvency proceedings may hence have a material adverse effect on the relevant Luxembourg company's business and assets and the Luxembourg company's respective obligations under the notes (as Issuer or Luxembourg Guarantor, as applicable).

Pursuant to article 20 of the Luxembourg Act dated August 5, 2005 concerning financial collateral arrangements, all Luxembourg law financial collateral arrangements (pledges, security assignments and repo agreements) over claims and financial instruments, as well as all enforcement measures and valuation and enforcement measures agreed upon by the parties in accordance with this law, are valid and enforceable even if entered into during the hardening period against third parties, commissioners, receivers, liquidators and other similar persons notwithstanding the opening of insolvency or similar proceedings (save in the case of fraud).

Pursuant to article 21(2) of the Luxembourg Act dated August 5, 2005 concerning financial collateral arrangements, notwithstanding the suspect period as referred to in articles 445 and 446 of the Luxembourg Code of Commerce, where a financial collateral arrangement has been entered into after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures, such arrangement is valid and binding against third parties, administrators, insolvency receivers, liquidators and other similar organs if the collateral taker proves that it was unaware of the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of it.

In accordance with article 24 of the Luxembourg law dated August 5, 2005 concerning financial collateral arrangements, the rules of Luxembourg insolvency proceedings are inapplicable where the collateral provider of financial collateral arrangement or similar security interest governed by a foreign law other than Luxembourg law, is established or resides in Luxembourg.

### ***Limitations on Enforcement of guarantees***

- *Enforcement of guarantees*

There is no published Luxembourg case law and only limited Luxembourg legal literature in connection with enforcement of guarantees granted by a Luxembourg guarantor for a company of the group (whether downstream, cross-stream or upstream guarantees).

It is generally admitted that the grant of a guarantee by a Luxembourg company for the obligations of another group company shall be subject to the following conditions: (i) it must be within the corporate purpose of the guarantor as set out in its articles of association; (ii) it shall correspond to a demonstrable and commensurate corporate benefit received by the guarantor company and (iii) the financial obligations assumed by the guarantor must not be disproportionate to the financial capacity of the guarantor.

The question of corporate benefit is determined on a case-by-case basis.

For the purpose of condition (iii) above, it is standard market practice that cross-stream and upstream guarantees granted by Luxembourg guarantors must be limited in their amount (as is the case pursuant to the Indenture), as opposed to downstream guarantees.

According to the limited Luxembourg doctrine on this matter, in the event the above conditions are not met, the directors of the company may be held liable and it is only in exceptional cases in which it is demonstrated that the beneficiary was aware of the *ultra vires* nature of the guarantee or that the guarantee was given with the intent to defraud creditors of the guarantor that a court may void the guarantee itself.

In accordance with the principle *fraus omnia corrumpit*, a first demand guarantee would not be enforceable under Luxembourg law if it is called upon in a manifestly abusive way by the beneficiary of the guarantee.

## **Malta**

### ***Insolvency***

A number of the Guarantors are incorporated under the laws of Malta (the "Malta Guarantors"). Consequently, in the event of an insolvency of any of the Malta Guarantors, insolvency proceedings may be initiated in Malta. Such proceedings would then be governed by Maltese law. The following is a brief description of certain aspects of Maltese insolvency law.

In general, once insolvency proceedings are set in motion, a creditor will be precluded from pursuing his claim other than through the winding up process. When insolvency sets in, by law any benefit of time which may have been afforded to the debtor/borrower for the performance of obligations or the repayment of a loan ceases and, thus, the obligations of the debtor accelerate in terms of law.

Under the Companies Act, Cap 386 of the laws of Malta, the causes of dissolution can be divided into three main categories: those situations under which the company is voluntarily dissolved and consequently wound up, those situations

where the company *may* be dissolved and wound up by the Court and those situations where the company *shall* be dissolved by the Court.

For a Maltese company to be considered insolvent it must satisfy either of the following tests: (a) if a debt due by the company has remained unsatisfied in whole or in part after twenty-four weeks from the enforcement of an executive title against the company by any of the executive acts in terms of the Code of Organization and Civil Procedure, Cap 12 of the laws of Malta; or (b) if it is proved to the satisfaction of the Court that the company is unable to pay its debts, account being taken also of contingent and prospective liabilities of the company. Obviously, if both tests are satisfied then it should be clearer for the Court that there is an impellent need for winding up. However, it is enough for a Maltese company to satisfy just one of these two tests outlined below in order for it to be considered insolvent.

### ***Compulsory Winding Up***

In Malta, the First Hall Civil Court has jurisdiction to order the winding up of any company that is registered under the Companies Act, Cap 386 of the laws of Malta. An application to the Court to order the winding up of a Maltese company may be presented by the company itself (acting in the General Meeting), the directors, any creditor or creditors, any debenture holder, any one or more of the company's creditors' or contributories, the Official Receiver or the Registrar of Companies. The Court has wide powers on the hearing of a petition. It may dismiss the application or make an order acceding thereto (this is referred to as a "winding up order") and make such other orders including provisional orders and adjourn the hearing conditionally or otherwise as it thinks fit.

The consequences of a winding up order are:

- (1) any disposal of the Maltese company's property, any transfer of shares, and any alteration in the status of members of the company made after the date of its deemed dissolution, is void, unless the Court orders otherwise;
- (2) any act or warrant, whether precautionary or executive, other than a warrant of prohibitory injunction, issued or carried into effect against the Maltese company after the date of its deemed date of dissolution, is void;
- (3) a copy of the winding up order must be forwarded by the Registrar of Courts to the Registrar of Companies for registration;
- (4) judicial actions against the Maltese company are stayed, unless the Court orders otherwise;
- (5) on a winding up order being made, the Official Receiver becomes the liquidator and he continues to act until another person becomes liquidator; and
- (6) on a winding up order being made, the powers of the directors cease and are assumed by the liquidator.

Immediately after a winding up order is made, the Official Receiver is appointed by the Court to act as a liquidator for the Maltese company until the appointment of a liquidator by the creditors. The Official Receiver also acts as liquidator for the Maltese company during any vacancy.

The Official Receiver's primary role at the initial stage of the winding up is to decide whether to summon meetings of the company's creditors and contributories so that they may resolve whether one or more persons shall be appointed as liquidator(s) in place of the Official Receiver; and whether to constitute a liquidation committee to supervise the liquidator's conduct. Secondly, the Official Receiver is obliged to investigate the causes of the company's insolvency or its failure to pay its debts. Furthermore, the Official Receiver shall also investigate the promotion, formation, business dealings, and affairs of the company, and make a report(s) to the Court as he may deem fit.

Once a liquidator is appointed, such liquidator is in fact bound to give to the Official Receiver such information and such access to and facilities for inspecting the accounts, accounting records and documents of the company and, generally, such aid as may be requisite for enabling the Official Receiver to perform his duties under the Companies Act, 1995, Cap 386 of the laws of Malta. Moreover, on certain occasions, the Official Receiver is even empowered to replace the Liquidation Committee by sanctioning the liquidator's acts.

### ***Company Rescue***

The court is empowered to place a company under a company recovery procedure and to appoint a special controller to take over, manage and administer the business of a company for a period to be specified by the court, which period, however, may not exceed 12 months; *provided* that at any time during which the company recovery procedure is in force, the court may, upon good cause being shown, extend the period by such additional period or periods which in aggregate do not exceed a further 12 months.

The court will grant such an order if it is satisfied that the financial and economic situation of the Maltese company can be improved in the interest of its creditors, employees and of the company itself as a viable going concern.

### ***Suspect Periods***

The basic company law rule as set out in Article 303 of the Companies Act, 1995 is that there is a six-month period before the effective date of the dissolution of the company whereby a transaction can be deemed to be a fraudulent preference against its creditors if it constitutes a transaction at an undervalue or if a preference is given.

The law stipulates that:

- (a) a Maltese company enters into a transaction at an undervalue if:
  - (i) the company makes a gift or otherwise enters into a transaction on terms that provide for the company to receive no consideration; or
  - (ii) the company enters into a transaction for a consideration the value of which, in money or money's worth, is significantly less than the value in money or money's worth of the consideration provided by the company;
- (b) a company gives a preference to a person if:
  - (i) that person is one of the company's creditors or a surety or guarantor for any of the company's debts or other liabilities; and
  - (ii) the company does anything or suffers anything to be done which, in either case, has the effect of putting that person into a position which, in the event of the company going into insolvent winding-up, will be better than the position he would have been in had that act or omission not occurred.

There is also another general rule found in the Civil Code, Cap 16 of the Laws of Malta, which may be applicable. This rule, called the *actio pauliana*, basically establishes that any creditor is competent to impeach any act made by the debtor-in-fraud of his claims.

### ***Limitation on Enforcement***

Under Maltese law, a person who guarantees a commercial obligation is, saving any stipulation to the contrary, presumed to be jointly and severally liable with the principal debtor. As a result, the borrower and the guarantors are jointly and severally liable to make payments in terms of the agreements. When debtors are jointly and severally liable they are all bound for the same obligation in such a way that each of them may be compelled to discharge the whole debt, and the payment made by one of them operates so as to release the others as against the creditor. In terms of the Civil Code, this kind of guarantee is regulated by the institute of "suretyship" and a guarantor is known as a surety. A number of provisions relating to suretyship are of direct relevance in this case, including that:

- (i) a suretyship can only exist in respect of a valid obligation;
- (ii) a suretyship which exceeds the debt or is contracted under more onerous conditions shall only be valid to the extent of the principal obligation;

- (iii) a surety who has paid the principal debt succeeds *ipso jure* to all the rights which the creditor had against the debtor;
- (iv) a surety may set up against the creditor all the pleas which appertain to the principal debtor and which are inherent in the debt;
- (v) a surety, even if jointly and severally bound, is released if the subrogation to the rights, hypothecs and privileges of the creditor cannot take place in his favor owing to the creditor's fault; and
- (vi) if the creditor releases one of his sureties without the consent of the other sureties, such release operates also in favor of the other sureties to the extent of the share of the surety so released.

Of the above, the most important provision to keep in mind is that under the laws of Malta, guarantees are accessory to the principal obligation they secure and, consequently, should the principal obligation being secured be null, the guarantees and pledges would also be null. This rule that a surety cannot be liable for more than the principal debtor is likely to be treated as a rule of public policy by Maltese courts.

## Norway

### *Insolvency*

Norwegian insolvency legislation is regulated by the Norwegian Bankruptcy Act of June 8, 1984 No. 58 (the "Bankruptcy Act"), which sets out the various procedures to be followed both in case of court administered debt negotiations and bankruptcy proceedings, and the Norwegian Creditors Recovery Act of 8 June 1984 No. 59 (the "Recovery Act") containing provisions on, among other things, the priority of claims.

The key features of the Norwegian bankruptcy proceedings are (i) the seizure and subsequent disposal of debtor's assets, (ii) assessment and ranking of claims, (iii) testing and revocation of transactions (including securing of existing claims) made prior to bankruptcy, (iv) handling of the debtor's contractual relationships and (v) distribution of funds (if any) in accordance with the priority rules. If the business operations of the bankrupt company are continued, they are in practice continued at the risk of, and only to the extent guaranteed by, the creditors.

Bankruptcy proceedings may be opened provided that the debtor is insolvent. Both the debtor and the creditors (holding or pretending to hold a claim) can petition for bankruptcy.

There are two requirements for a debtor to be deemed to be insolvent. The debtor must (i) be unable to service its debt as it becomes due (the "cash flow test"), and (ii) the debtor must be in "deficit" (the company's debts must exceed the sum of its assets and revenues) (the "balance sheet test").

During bankruptcy proceedings the debtor's assets are controlled by the court appointed administrator (generally a lawyer), on behalf of the bankruptcy estate. The main task of the administrator is to turn all the debtor's assets into cash in the manner assumed to be most profitable for the bankruptcy estate (the creditors), and then distribute the available cash to the rightful creditors.

All the debtor's assets will in practice be seized by the bankruptcy estate, and the debtor may not dispose of the seized assets in any way while the bankruptcy proceedings are ongoing. The bankruptcy estate may also seize assets held by third parties, if these assets are acquired from the debtor in an unlawful manner, or if the acquisition lacks legal protection, or if the transaction can be reversed according to the Recovery Act. The bankruptcy estate is a separate legal entity, which is authorized to exercise all ownership interests/rights with respect to the seized assets, including but not limited to the realization of assets.

In a Norwegian bankruptcy, the creditors will be paid according to the following priority:

- Secured claims (valid and perfected security covered up to the value of the secured asset—either after the realization by the secured creditor itself or after realization undertaken by the bankruptcy estate).



- Super priority claims (claims which arise during the bankruptcy proceedings, administrator's costs, obligations of the bankruptcy estate).
- Salary claims (within certain limitations).
- Tax claims (such as withholding tax and value-added tax within certain limitations).
- Ordinary unsecured claims (all other claims unless subordinated, including unsecured debt, trade creditors and indemnity claims).
- Subordinated claims (including interest incurred after the opening of bankruptcy proceedings, claims subordinated by agreement, liquidated damages and penalty claims).

Pursuant to the Recovery Act, the bankruptcy estate may be entitled to set aside or reverse transactions carried out during the three- up to 12-month period (and in respect of transactions in favor of related parties up to two years) before the opening of the bankruptcy, such as extraordinary payments of certain creditors, security established for old debt and transaction at under- value. The bankruptcy estate may also, under certain circumstances, be entitled to set aside or reverse transactions made in bad faith or negligently which in an improper manner increase the debtor's debt, favor one creditor at the expense of others or deprive the debtor of assets which may otherwise have served to cover the creditors' claims, in which case the time limit for challenges by the bankruptcy estate is increased to 10 years.

It should also be noted that the bankruptcy estate has a statutory first lien of up to five percent of the respective asset's estimated value or sales value over assets mortgaged/pledged by the debtor or mortgaged/pledged by a third party for the debtor's indebtedness (limited, however, to the standard Norwegian Court Fee (presently being in the amount of 860 Norwegian krone) multiplied by 700 for assets registered in an asset register ("*realregister*"). Such statutory lien is not applicable to financial security pursuant to the Norwegian Financial Security Act no. 17/2004 (cash deposits and financial instruments), cf., the Norwegian Liens Act no. 2/1980 section 6-4 (9).

#### ***Limitations on guarantees provided by Guarantors incorporated in Norway***

Section 8-7 of the Norwegian Private Limited Companies Act 1997 (the "Norwegian Companies Act") restricts a Norwegian limited liability company from granting credit to, or providing guarantees and security interest for the obligations of, its shareholders or closely related entities of a shareholder beyond its distributable reserves (free equity) and then, further provided that satisfactory security for repayment/recovery has been established in favor of the relevant Norwegian limited liability company.

The above restriction does not, however, apply to credit, guarantee or security interest for the obligations of a parent company or another company within the same "group," as defined in the Norwegian Companies Act. This exemption must be read in conjunction with the group definition in Section 1-3 of the Norwegian Companies Act which, broadly speaking, includes Norwegian limited liability companies. The group exemption is, according to Section 1-4 of the Norwegian Companies Act, extended to limited liability companies established within the European Economic Area, but only to the extent such European Economic Area group companies are subject to laws that are correspondent to or more stringent than the Norwegian rules with respect to lending to, guaranteeing or providing security for the obligations of shareholders or a related party (a qualification which is difficult to apply in practice). Without having made a comparative analysis between Norwegian and English law on those issues, it should be deemed that a PLC company or a limited company subject to English law is not regarded as subject to laws that are equivalent to or more stringent than the Norwegian rules in this respect.

In addition to the restrictions with regard to, among others, upstream and cross-stream guarantees and security as outlined above, Section 8-10 of the Norwegian Companies Act prohibits a Norwegian private or public limited liability company from providing financial assistance (including to put funds at disposal, grant loans or provide security or guarantees) in connection with the acquisition of its shares or the shares in the parent company (and any intermediate parent company). The prohibition against financial assistance applies irrespective of whether the company in which shares are acquired is a Norwegian or foreign company, and there are no general exemptions available except for special cases of real estate financing and employee share purchase programs. The prohibition applies not only to granting of loans, guarantees and securities, but also to making assets available and other transfers which are not lawful distributions in accordance with the Norwegian Companies Act. The assistance is prohibited if made "in connection with" the acquisition of the shares, which

may also cover financial assistance after completion of the acquisition, for instance by way of a refinancing of acquisition debt.

A loan, guarantee or security interest infringing the limitations set out in Section 8-7 and Section 8-10 of the Norwegian Companies Act is void and any funds paid out pursuant to such guarantee or security interest will have to be repaid. In addition, loans, securities and guarantees of Guarantors incorporated in Norway may be deemed void for failing to comply with the provisions in Chapter 3 of the Norwegian Companies Act regulating transactions between the company and its shareholders and transactions within the “group”.

The principle of corporate benefit also exists in Norway and may in some situations impose a restriction on a Norwegian company’s ability to offer credits or a guarantee and provide security to shareholders (or close associates of the shareholders) in addition to the restrictions on financial assistance and upstream/cross-stream guarantees, loans and security described above.

Accordingly, any guarantees for the notes provided by Guarantors incorporated in Norway may be void under Norwegian law as infringing one or more of the above limitations.

The limitations set forth in these sections will apply mutatis mutandis to any security created by a Guarantor incorporated in Norway under the Collateral and to any guarantee, indemnity and similar obligations resulting in a payment obligation and payment pursuant to the Collateral and made by a Guarantor incorporated in Norway.

The liability of each Guarantor incorporated in Norway for the Issuer’s and the other Guarantors’ obligations under the notes will be limited to an aggregate of €6,267,000,000 and \$8,070,000,000 (or its equivalent in other currencies), plus any unpaid amount of interest, fees, liability, costs and expenses under the notes.

## **Singapore**

### ***Difference in Insolvency Law***

One of the Guarantors is incorporated under the laws of Singapore (“Singapore Guarantor”).

Any insolvency proceedings applicable to it will be likely to be governed by Singapore insolvency laws. Singapore insolvency laws differ from the insolvency laws of the United States and may make it more difficult for holders of the notes to recover the amount in respect of the Singapore Guarantor’s guarantee of the notes than they would have recovered in a liquidation or bankruptcy proceeding in the United States.

### ***Priority of Secured Creditors***

Singapore insolvency laws generally recognize the priority of secured creditors over unsecured creditors. The lenders under the Senior Secured Term Loans Agreement and the holders of the 2020 Senior Secured Notes and the 2019 Senior Secured Notes have, or will have, security interests on certain of the assets of the Singapore Guarantor.

### ***Preferential Creditors***

Under Section 328 of the Singapore Companies Act (Cap 50) (the “Singapore Companies Act”), in a winding-up of a Singapore company preferential debts are required to be paid in priority to all other debts other than those secured by a fixed charge. Certain preferential debts therefore have priority over debts secured by a floating charge (those listed in paragraphs (a) to (c) and (e) to (f) below) if the assets of the chargor company are insufficient to satisfy such preferential debts. The preferential debts covered by Section 328 of the Singapore Companies Act are described briefly below:-

- (a) costs and expenses of the winding up;
- (b) employees’ wages and salaries;
- (c) retrenchment benefits under employment contracts;
- (d) work injury compensation under the Work Injury Compensation Act (Cap 354) of Singapore;

- (e) certain amounts due under employee's superannuation or provident funds or under any scheme of superannuation which is an approved scheme under the Income Tax Act (Cap 134) of Singapore;
- (f) other remuneration payable to employees such as vacation leave and death benefits;
- (g) taxes assessed and goods and services tax; and
- (h) gratuity or other sum of money due and owing to an employee on his retirement or on termination of his services pursuant to a collective agreement or an award.

### ***Transactions at Undervalue or Unfair Preference***

Under Singapore insolvency law, if a Singapore company goes into liquidation, and has entered into certain transactions at an undervalue within the last five years, or has entered into a transaction by way of unfair preference in the past six months (a 2-year period applies in the case of a transaction with a connected party), those transactions may be liable to be made void or voidable.

### ***Disclaimer of Onerous Contracts***

Section 332 of the Singapore Companies Act provides that where any property of a company consists of either an estate or interest in land that is burdened with onerous covenants, shares in corporations, unprofitable contracts or any other property that is unsaleable by reason of its binding the company to any onerous act or payment, the liquidator may apply to disclaim such property within 12 months of (i) commencement of winding-up or (ii) such time as the liquidator becomes aware of such property or such extended period as is allowed by the court.

## **Switzerland**

### ***Limitations on guarantees provided by Guarantors incorporated in Switzerland***

Swiss rules regarding capital maintenance, including but not limited to Articles 671(1) to (4), 675(2) and 680(2) of the Swiss Code of Obligations, prohibit the direct or indirect repayment of a Swiss stock corporation's share capital and legal reserves to its shareholders and restrict the distribution of a Swiss stock corporation's accrued earnings to its shareholders. Guarantees granted by a Swiss stock corporation in order to guarantee liabilities of a direct or indirect parent or sister company may be considered as an indirect distribution of assets which are subject to the limitation provided by Swiss law to protect the share capital and legal reserves of Swiss stock corporation. Similar rules apply in case the guarantee or collateral is granted by a Swiss limited liability company (*GmbH*). Therefore, it is standard market practice for credit agreements, guarantees to contain so-called "limitation language" in relation to Swiss subsidiaries. Pursuant to such limitation language, the beneficiaries of the guarantees agree to enforce the guarantees against the Swiss subsidiary only to the extent that such enforcement does not result in the subsidiary's net assets falling below its stated share capital and legal reserves. Accordingly, the documentation in relation to the guarantees, to the extent they concern the Swiss Guarantors, contains such limitation language and such guarantees are limited in the manner described.

### ***Insolvency***

In the event of a Swiss entity's insolvency, the respective insolvency proceedings would be governed by Swiss law as a result of such Swiss entity's offices being registered in the competent commercial register in Switzerland. The enforcement of claims and questions relating to insolvency and bankruptcy in general are dealt with by the Swiss Federal Act on Debt Enforcement and Bankruptcy. Under these rules, claims that are pursued against a Swiss entity can lead to the opening of bankruptcy (*Konkurs*) and, hence, a general liquidation of all assets, even if located outside Switzerland, and liabilities of the debtor. However, with regard to assets located outside Switzerland, a Swiss bankruptcy decree is enforceable only if it is recognized at the place where such assets are located. If bankruptcy has not been declared, creditors secured by a pledge must follow a special enforcement proceeding limited to the liquidation of the collateral (*Betreibung auf Pfandverwertung*) unless the parties have agreed on a private liquidation. However, if bankruptcy is declared while such a special enforcement proceeding is pending, the proceeding ceases and the creditor participates in the bankruptcy proceedings with the other creditors and a private liquidation is no longer permitted. Certain particular rules apply to security interests created over intermediated securities pursuant to the Swiss Federal Intermediated Securities Act.

As a rule, the opening of bankruptcy by the competent court needs to be preceded by a prior debt enforcement procedure which involves, inter alia, the issuance of a payment summons by local debt enforcement authorities (*Betriebsamt*). However, the competent court may also declare a debtor bankrupt without such prior proceedings if the following requirements are met: (i) at the request of the debtor, if the debtor's board of directors or the auditors of the company (in case of failure of the board of directors) declare that the debtor is overindebted (*überschuldet*) within the meaning of art. 725 (2) of the Swiss Code of Obligations (or the corresponding provision of the Swiss Code of Obligations in case of a limited liability company (*GmbH*)) or if it declares to be insolvent (*zahlungsunfähig*), and (ii) at the request of a creditor, if the debtor commits certain acts to the detriment of its creditors or ceases to make payments (*Zahlungseinstellung*) or if certain events happen during composition proceedings. The bankruptcy proceedings are carried out and the bankrupt estate is managed by the receiver in bankruptcy (*Konkursverwaltung*).

All assets at the time of the declaration of bankruptcy and all assets acquired or received subsequently form the bankrupt estate which, after deduction of costs and certain other expenses, is used to satisfy the creditors. The assets are liquidated by the receiver in bankruptcy in the same manner as the other assets of the bankrupt estate. Final distribution of non-secured claims is based on a ranking of creditors in three classes. The first and the second class, which are privileged, comprise claims under employment contracts, accident insurance, pension plans, value added tax and family law. Certain privileges can also be claimed by the government and its subdivisions based on specific provisions of Federal law. All other creditors are treated equally in the third class. A secured party participates in the third class to the extent its claim is not covered by any collateral.

Swiss insolvency laws also provide for reorganization procedures by composition with the debtor's creditors. Reorganization is initiated by a request with the competent court for a stay (*Nachlassstundung*) pending negotiation of the composition agreement with the creditors and confirmation of such agreement by the competent court. A distinction is made between a composition agreement providing for the assignment of assets (*Nachlassvertrag mit Vermögensabtretung*) which leads to a private liquidation and in many instances has analogous effects as a bankruptcy, and a dividend composition (*Dividenden-Vergleich*) providing for the payment of a certain percentage on the creditors' claims and the continuation of the debtor. Further, there is a possibility of a composition in the form of a mere payment term extension (*Stundungsvergleich*). During a moratorium, debt collection proceedings cannot be initiated and pending proceedings are stayed. Furthermore, the debtor's power to dispose of its assets and to manage its affairs is restricted. In case of a pledge, the secured party is not entitled to proceed with a private liquidation until the confirmation of the settlement by the competent court. A secured creditor participates in the settlement only for the amount of its claim not covered by the collateral. The moratorium does not affect the agreed due dates of debts (contrary to bankruptcy, in which case all debts become immediately due upon adjudication). The moratorium aims at facilitating the conclusion of one of the above composition agreements. Any composition agreement needs to be approved by the creditors and confirmed by the competent court. With the judicial confirmation, the composition agreement becomes binding on all creditors, whereby secured claims are only subject to the composition agreement to the extent that the collateral proves to be insufficient to cover the secured claims.

Foreign bankruptcy decrees issued in the country of a debtor's domicile may be recognized in Switzerland only, provided that (i) the bankruptcy decree is enforceable in the country where it was issued, (ii) its recognition is, inter alia, not against Swiss public policy, and (iii) the country which issued the bankruptcy decree grants reciprocity to Switzerland.

### **Avoidance**

Certain arrangements or dispositions that are made during a certain period (the "suspect period") preceding the declaration of bankruptcy or the grant of a moratorium in connection with a composition proceeding may be challenged by the receiver in bankruptcy (*Konkursverwaltung*) and certain creditors under the applicable rules of avoidance. The avoidance may relate to (i) gifts and gratuitous transactions made in the suspect period of 12 months prior to being declared bankrupt or the grant of a moratorium, (ii) certain acts of a debtor in the suspect period of 12 months prior to being declared bankrupt or the grant of a moratorium if the debtor at that time was overindebted, and (iii) dispositions made by the debtor within a suspect period of five years prior to being declared bankrupt or the grant of a moratorium with the intent to disadvantage its creditors or to prefer certain of its creditors to the detriment of other creditors. The transactions potentially subject to avoidance also include those contemplated by a Swiss entity's Guarantee of the notes. If they are challenged successfully, the rights granted under the Swiss Guarantee of the notes may become unenforceable and any amounts received must be refunded to the insolvent estate.

## **United States**

### ***Fraudulent Transfer***

Under the U.S. Bankruptcy Code or comparable provisions of state fraudulent transfer or fraudulent conveyance laws, the transfer of an interest in property or the incurrence of an obligation, including the incurrence of the obligations under the notes, the issuance of the guarantees and the grant of security, whether now or in the future, by the Issuer and the Guarantors (together, the “Obligors”) could be avoided, if, among other things, at the time the Obligors made such transfer or incurred such obligation, the Obligors (i) intended to hinder, delay or defraud any present or future creditor or (ii) received less than reasonably equivalent value or fair consideration for the transfer or obligation and:

- were insolvent on the date the transfer was made or obligation incurred or were rendered insolvent by the transfer or obligation;
- were engaged in a business or transaction or about to be engaged in a business or transaction for which the Obligors’ remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that they would incur, debts beyond their ability to pay such debts as they mature.

### ***Preference***

Any future grant of security interest with regard to the Collateral in favor of the notes, including pursuant to security documents delivered after the date of the Indenture, might be avoidable in a U.S. bankruptcy case by the grantor (as debtor-in-possession) or by its bankruptcy trustee as a preference if certain circumstances exist (subject to exceptions), including, among others, the grantor is insolvent at the time of the grant, a bankruptcy case in respect of the grantor is commenced within 90 days following the grant (or in certain circumstances, a longer period) and the security interest permits the holders of the notes to receive a greater recovery than if the bankruptcy case were a case under Chapter 7 of the Bankruptcy Code and the security had not been granted.

### ***The Automatic Stay***

The right of a holder of the notes to enforce its security interests against the Obligors upon the occurrence of an event of default under the indenture governing the notes is likely to be significantly impaired by applicable U.S. bankruptcy law if one or more of the Obligors becomes a debtor in a case under the U.S. Bankruptcy Code. Upon the commencement of a case under the U.S. Bankruptcy Code, a secured creditor, such as a holder of notes, is prohibited by the automatic stay imposed by the U.S. Bankruptcy Code from commencing or continuing any act to obtain possession of or exercise control over property of the bankruptcy estate. The automatic stay in a bankruptcy case of one or more of the Obligors could therefore prevent the holders of the notes from obtaining possession or exercising control over the Collateral or commencing any action in an attempt to obtain possession or exercise control over the Collateral. The automatic stay could be lifted or modified with bankruptcy court approval in certain circumstances, but parties may object to any creditor’s request to lift or modify the automatic stay, and the bankruptcy court may deny such a request.

### ***Right of Debtor-In-Possession to Remain in Control of Collateral and the Bankruptcy Process***

An entity that becomes a debtor under chapter 11 of the U.S. Bankruptcy Code remains in possession of its property and is authorized to operate and manage its business as a “debtor-in-possession,” subject to certain limitations. This remains the case unless a chapter 11 trustee is appointed or the chapter 11 case is converted to a chapter 7 liquidation under the U.S. Bankruptcy Code. Moreover, the U.S. Bankruptcy Code permits the debtor, with consent of the secured creditor or approval from the bankruptcy court, to continue to retain and use collateral even though the debtor is in default under the applicable debt instruments, provided that, upon the secured creditor’s request, the secured creditor is given “adequate protection” of its interest in the debtor’s property. The term “adequate protection” is not defined in the U.S. Bankruptcy Code, but it may include making periodic cash payments, providing an additional or replacement lien or granting other relief, in each case to the extent that the value of the secured creditor’s interest in such collateral decreases during the pendency of the bankruptcy case as a result of, among other things, the use, sale or lease of such collateral or the imposition of the automatic stay. The type of adequate protection provided to a secured creditor may vary according to circumstances. A U.S. bankruptcy court may determine that a secured creditor is not entitled to adequate protection for a decrease in the value of its collateral if the value of the collateral exceeds the amount of the debt that it secures.

Only the debtor in a chapter 11 bankruptcy case may propose a chapter 11 plan unless the debtor fails to file a plan within the first 120 days of the case or its plan has not been accepted within the first 180 days of the case by each class of claims or interests that is impaired under the plan. The bankruptcy court may reduce or enlarge these periods for cause upon request of a party in interest. The 120-day period could be extended for up to 18 months after a chapter 11 filing, while the 180-day period could be extended for up to 20 months after a chapter 11 filing. During these “exclusive periods,” other parties, such as secured creditors, would be precluded from proposing or soliciting acceptances of their own chapter 11 plans.

***A Debtor-In-Possession May Obtain New Credit Secured by a Lien that is Senior or Equal to Existing Liens***

The U.S. Bankruptcy Code permits a debtor-in-possession or trustee in a chapter 11 case to obtain an extension of new credit from an existing lender or from a new lender. The bankruptcy court may, depending on the facts and circumstances, authorize the debtor-in-possession or trustee to obtain new credit or incur new debt that is secured by a lien that is senior or equal to existing liens, provided that, among other things, there is adequate protection of the interests of the holders of the existing liens. In other words, it is possible that in connection with a chapter 11 case of one or more of the Obligors, such Obligor or Obligors would be permitted to incur new debt that is secured by a lien that is senior or equal to the liens that exist at the time of the chapter 11 filing.

***Ability to Confirm a Chapter 11 Plan Notwithstanding the Dissenting Votes of Creditors***

A chapter 11 plan provides for the comprehensive treatment of all claims asserted against the debtor and the property of the bankruptcy estate and may provide for the readjustment or extinguishment of equity interests. Claims and interests may be classified by type. Only those classes of claims and interests impaired by the plan may vote to accept or reject such plan. Classes of claims and interests that are unimpaired are not entitled to vote on the plan and are deemed to accept it. Classes of claims and interest that receive no distributions under the plan are not entitled to vote on the plan and are deemed to reject it. A class of claims is deemed to accept the plan if creditors holding at least two-thirds in amount and more than one-half in number of the claims of such class accept the plan. A plan can be confirmed by the bankruptcy court over the dissenting votes of members of a class that accepts the plan overall. Furthermore, even if one or more impaired classes reject the plan, the plan may still be confirmed in accordance with the “cram- down” provisions of the U.S. Bankruptcy Code, which require, among other things, that one impaired class has accepted the plan and that the plan does not discriminate unfairly, and is fair and equitable, with respect to each class of claims or interests that is impaired under, and has not accepted, the plan. This could allow the debtor or other plan proponent to confirm its plan over the objection of one or more dissenting classes.

## **BOOK-ENTRY; DELIVERY AND FORM**

### **General**

Each series of the notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “Regulation S Global Notes”). The Regulation S Global Notes representing the Dollar IGH Notes (the “Dollar Regulation S Global Notes”) will be deposited upon issuance with The Bank of New York Mellon as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. The Regulation S Global Notes representing the Euro IGH Notes (the “Euro Regulation S Global Notes”) were deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Each series of the notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “144A Global Notes” and, together with the Regulation S Global Notes, the “Global Notes”). The 144A Global Notes representing the Dollar IGH Notes (the “Dollar 144A Global Notes”) will be deposited upon issuance with The Bank of New York Mellon as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. The 144A Global Notes representing the Euro IGH Notes (the “Euro 144A Global Notes”) were deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

The Dollar 144A Global Notes and the Dollar Regulation S Global Notes are collectively referred to herein as the “Dollar Global Notes.” The Euro 144A Global Notes and the Euro Regulation S Global Notes are collectively referred to herein as the “Euro Global Notes.”

Ownership of interests in the 144A Global Notes (“144A Book-Entry Interests”) and ownership of interests in the Regulation S Global Notes (the “Regulation S Book-Entry Interest” and, together with the 144A Book-Entry Interests, the “Book-Entry Interests”) will be limited to persons that have accounts with DTC, Euroclear and/or Clearstream or persons that may hold interests through their participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC, Euroclear and/or Clearstream and their participants. The Book-Entry Interests in the Dollar Global Notes will be issued only in denominations of \$200,000 and integral multiples of \$1,000 in excess thereof and the Book-Entry Interests in Euro Global Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, DTC, Euroclear or Clearstream, as applicable, will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the notes are in global form, owners of interest in the Global Notes will not have the notes registered in their names, will not receive physical delivery of the notes in certificated form and will not be considered the registered owners or “holder” of the notes under the Indenture for any purpose.

So long as the notes are held in global form, DTC, Euroclear or Clearstream, as applicable (or their respective nominees), will be considered the holders of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of DTC, Euroclear or Clearstream, as applicable, and indirect participants must rely on the procedures of DTC, Euroclear or Clearstream, as applicable, and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the Indenture.

Neither the Issuer, the Registrar, The Bank of New York Mellon as custodian for DTC nor the Trustee under the Indenture nor any of the Issuer’s respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

### **Issuance of Definitive Registered Notes**

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive notes in registered form (the “Definitive Registered Notes”):

- if DTC (with respect to the Dollar Global Notes) or Euroclear and Clearstream (with respect to the Euro Global Notes) notify the Issuer that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the Issuer within 120 days;
- if the Issuer, at its option, notifies the Trustee in writing that it elects to exchange in whole, but not in part, the Global Note for Definitive Notes; or
- if DTC, Euroclear or Clearstream so requests following an event of default under the Indenture.

In such an event, the registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of DTC, Euroclear or Clearstream, as applicable, or the Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in “Notice to Investors,” unless that legend is not required by the Indenture or applicable law.

### **Redemption of the Global Notes**

In the event any Global Note, or any portion thereof, is redeemed, DTC, Euroclear or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by DTC, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of DTC, Euroclear and Clearstream, if fewer than all of the notes are to be redeemed at any time, DTC, Euroclear and Clearstream will credit their respective participants’ accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however*, that no Book-Entry Interest of less than \$200,000, in the case of the Dollar IGH Notes, or €100,000, in the case of the Euro IGH Notes, principal amount at maturity, or less, may be redeemed in part.

### **Payments on Global Notes**

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuer to the Principal Paying Agent. The Principal Paying Agent will, in turn, make such payments to DTC or its nominee (in the case of the Dollar Global Notes) and to the common depository for Euroclear and Clearstream (in the case of the Euro Global Notes), which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture governing the notes, the Issuer and the Trustee will treat the registered holder of the Global Notes (for example, DTC, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer, the Trustee, the Registrar nor any Paying Agent or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- DTC, Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in “street name.”



### **Currency of Payment for the Global Notes**

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Dollar Global Notes will be paid to holders of interest in such notes (the “DTC Holders”) through DTC in dollars. The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Euro Global Notes will be paid to holders of interest in such notes (the “Euroclear/Clearstream Holders”) through Euroclear or Clearstream, as applicable, in euro.

Notwithstanding the payment provisions described above, DTC Holders may elect to receive payments in respect of the Dollar Global Notes in euro, and Euroclear/Clearstream Holders may elect to receive payments in respect of the Euro Global Notes in dollars.

If so elected, a DTC Holder may receive payment of amounts payable in respect of its interest in the Dollar Global Notes in euro in accordance with DTC’s customary procedures, which include, among other things, giving to DTC a notice of such holder’s election to receive payments in euro. All costs of conversion resulting from any such election will be borne by such holder.

If so elected, a Euroclear/Clearstream Holder may receive payments of amounts payable in respect of its interest in the Euro Global Notes in dollars in accordance with Euroclear or Clearstream’s customary procedures, which include, among other things, giving to Euroclear or Clearstream, as appropriate, a notice of such holder’s election. All costs of conversion resulting from any such election will be borne by such holder.

### **Action by Owners of Book-Entry Interests**

DTC, Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of the notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such participant or participants has or have given such direction. DTC, Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the notes, each of DTC, Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

### **Transfers**

Transfers between participants in DTC will be done in accordance with DTC rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of DTC and in accordance with the provisions of the Indenture.

The Global Notes will bear a legend to the effect set forth in “Notice to Investors.” Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in “Notice to Investors.”

Through and including the 40th day after the later of the commencement of the Offering of the notes and the closing of the Offering (the “40-day Period”), beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note denominated in the same currency only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the Trustee a certificate (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “Notice to Investors” and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

After the expiration of the 40-day Period, beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note denominated in the same currency without compliance with these certification requirements.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note denominated in the same currency only upon receipt by the Trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act (if available).

Subject to the foregoing, and as set forth in “Notice to Investors,” Book-Entry Interests may be transferred and exchanged as described under “Description of the Notes—Transfer and Exchange.” Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under “Description of the Notes—Transfer and Exchange” and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See “Notice to Investors.”

This paragraph refers to transfers and exchanges with respect to Dollar Global Notes only. Transfers involving an exchange of a Regulation S Book-Entry Interest for 144A Book-Entry Interest in a Dollar Global Note will be done by DTC by means of an instruction originating from the Trustee through the DTC Deposit/Withdrawal Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Regulation S Global Note and a corresponding increase in the principal amount of the corresponding 144A Global Note. The policies and practices of DTC may prohibit transfers of unrestricted Book-Entry Interests in the Regulation S Global Note prior to the expiration of the 40 days after the date of initial issuance of the notes. Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

#### **Information Concerning DTC, Euroclear and Clearstream**

All Book-Entry Interests will be subject to the operations and procedures of DTC, Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. The Issuer is not responsible for those operations or procedures. DTC has advised the Issuer that it is:

- a limited purpose trust company organized under New York Banking Law;
- a “banking organization” under New York Banking Law;
- a member of the Federal Reserve System;
- a “clearing corporation” within the meaning of the New York Uniform Commercial Code; and
- a “clearing agency” registered under Section 17A of the U.S. Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of transactions among its participants. It does this through electronic book-entry changes in the accounts of securities participants, eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC’s owners are the New York Stock Exchange, Inc., the American Stock Exchange, Inc., the National Association of Securities Dealers, Inc. and a number of its direct participants. Others, such as banks, brokers and dealers and trust companies that clear through or maintain a custodial relationship with a direct participant, also have access to the DTC system and are known as indirect participants.

Like DTC, Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because DTC, Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the DTC, Euroclear and Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the DTC, Euroclear and Clearstream systems will receive distributions attributable to the 144A Global Notes only through DTC, Euroclear and Clearstream participants.

### **Global Clearance and Settlement Under the Book-Entry System**

The notes represented by the Global Notes are expected to be admitted to trading on the Euro MTF and listed on the official list of the Luxembourg Stock Exchange and to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such notes will therefore be required by DTC to be settled in immediately available funds. The Issuer expects that secondary trading in any certificated notes will also be settled in immediately available funds. Subject to compliance with the transfer restrictions applicable to the Global Notes, crossmarket transfers between participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be done through DTC in accordance with DTC's rules on behalf of each of Euroclear or Clearstream by its common depository; however, such crossmarket transactions will require delivery of instructions to Euroclear or Clearstream by the counterparty in such system in accordance with the rules and regulations and within the established deadlines of such system (Brussels time). Euroclear or Clearstream will, if the transaction meets its settlement requirements, deliver instructions to the common depository to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Notes by DTC, and making and receiving payment in accordance with normal procedures for same-day funds settlement application to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the common depository.

Because of the time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear and Clearstream as a result of a sale of an interest in a Global Note by or through a Euroclear or Clearstream participant to a participant in DTC, will be received with value on the settlement date of DTC, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

Although DTC, Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, any Guarantor, the Trustee, the Registrar or the Principal Paying Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

### **Initial Settlement**

Initial settlement for the Dollar IGH Notes will be made in dollars and initial settlement for the Euro IGH Notes will be made in euro. Book-Entry Interests owned through DTC, Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of DTC, Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

## **Secondary Market Trading**

The Book-Entry Interests will trade through participants of DTC and Euroclear or Clearstream will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

## CERTAIN TAX CONSIDERATIONS

### Certain Luxembourg Tax Considerations

*The following is a description of certain tax considerations, under the existing laws of Luxembourg as currently applied by the Luxembourg tax authorities, relating to a holding of the notes. It does not purport to be a complete analysis of all tax considerations relating to the notes. Prospective purchasers of the notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of any other jurisdiction of acquiring, holding, redeeming and disposing of the notes receiving payments and/or other amounts thereunder. This summary is based upon the law as in effect on the date hereof and is subject to any change in law that may take effect after such date, and may be retroactively applicable.*

### **Luxembourg Tax Residency of the Holders of the Notes**

A holder of the notes will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding of the notes or the execution, performance, delivery and/or enforcement of the notes.

### **Withholding Tax**

#### *Resident Holders of the Notes*

A 10% Luxembourg withholding tax is levied on interest payments made by Luxembourg paying agents to beneficial owners who are Luxembourg resident individuals or to certain entities that secure interest payments on behalf of such individuals (unless such entities have opted either to be treated as UCITS recognised in accordance with the European Council Directive 85/611/EEC as replaced by the European Council Directive 2009/65/EC). This withholding tax also applies on accrued interest received upon disposal, redemption or repurchase of the notes. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth.

Further, Luxembourg resident individuals who are the beneficial owners of interest payments made by a paying agent established outside Luxembourg in a Member State of the European Union or the European Economic Area or in a jurisdiction having concluded an agreement with Luxembourg in connection with the EU Savings Directive, and acting in the course of their private wealth, may also opt for a final 10% levy. In such case, the 10% levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agents. The option for the 10% final levy must cover all interest payments made by the paying agents to the Luxembourg resident beneficial owner during the entire civil year.

#### *Non-resident Holders of the Notes*

Under the Luxembourg tax laws currently in effect and subject to the application of the Luxembourg laws dated 21 June 2005 (the "Laws") implementing the EU Savings Directive as defined below and several agreements concluded between Luxembourg and certain dependent or associated territories of the European Union, there is no withholding tax on payments of interests (including accrued but unpaid interest) made to a Luxembourg non-resident holder of the notes. There is also no Luxembourg withholding tax, upon repayment of the principal, or subject to the application of the Laws, upon redemption or exchange of the notes.

Under the Laws, a Luxembourg based paying agent (within the meaning of the EU Savings Directive) is required since 1 July 2005, to withhold tax on interest and other similar income (including reimbursement premium received at maturity) paid by it to (or under certain circumstances, to the benefit of) an individual or a residual entity ("Residual Entity") in the sense of article 4.2. of the EU Savings Directive (*i.e.* an entity without legal personality except for (1) a Finnish *avoin yhtiö* and *kommandiittiyhtiö / öppet bolag* and *kommanditbolag* and (2) a Swedish *handelsbolag* and *kommanditbolag*, and whose profits are not taxed under the general arrangements for the business taxation and that is not, or has not opted to be considered as, an undertaking for collective investment subject to the law of 17 December 2010 ("UCITS") recognised in accordance with Council Directive 85/611/EEC as replaced by Council Directive 2009/65/EC), resident or established in another Member State of the European Union unless the beneficiary of the interest payments elects for an exchange of information. The same regime applies to payments to individuals or Residual Entities resident in any of the following territories: Aruba, British Virgin Islands, Curaçao, Guernsey, Isle of Man, Jersey, Montserrat, and Sint Maarten.

The current withholding tax is 35% since 1 July 2011.

Holders of the notes should note that the European Commission adopted a new draft EU Savings Directive, which, among other changes, seeks to extend the application of the EU Savings Directive to (i) payments challenged through certain intermediate structures (whether or not established in a Member State) for the ultimate benefit of an EU resident individual, and (ii) a wider range of income similar to savings income. Further developments in this respect should be monitored on a continuing basis, since no certainty exists over whether and when the proposed amendments to the EU Savings Directive will be implemented. Holders of notes who are in any doubt as to their position should consult their professional advisors.

Holders should further also note that the Luxembourg government has publicly announced that Luxembourg will replace the current withholding tax regime with respect to the EU Savings Directive with an automatic information exchange mechanism as of 1 January 2015.

In each case described here above, responsibility for the withholding tax will be assumed by the Luxembourg paying agent.

## ***Income Taxation***

### *Taxation of Luxembourg Non—residents*

Holders of notes who are non-residents of Luxembourg and who do not have a permanent establishment or a permanent representative in Luxembourg to which the notes are attributable are not liable to any Luxembourg income tax, whether they receive payments of principal or interest (including accrued but unpaid interest) or realise capital gains upon redemption, repurchase, sale or exchange of any notes.

Holders of notes who are non-residents of Luxembourg who have a permanent establishment or a permanent representative in Luxembourg to which the notes are attributable have to include any interest received or accrued, as well as any capital gain realized on the sale or disposal of the notes in their taxable income for Luxembourg income tax assessment purposes.

### *Taxation of Luxembourg Residents*

#### *Luxembourg Resident Individuals*

An individual holders of notes acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts under the notes except if a withholding tax has been levied on such payments in accordance with the rules mentioned above.

Under Luxembourg domestic tax law, gains realised upon the sale, disposal or redemption in any form whatsoever of the notes which do not constitute Zero Coupon notes, by an individual holder of notes who acts in the course of the management of his/her private wealth are not subject to Luxembourg income tax, provided this sale or disposal takes place at least six months after the acquisition of the notes. An individual holder of notes who acts in the course of the management of his/her private wealth and who is a resident of Luxembourg for tax purposes, has to include the portion of the gain corresponding to accrued but unpaid income in respect of the notes in his/her taxable income, insofar as the accrued but unpaid interest is indicated separately in the agreement. A gain realised upon a sale of Zero Coupon notes before their maturity by Luxembourg resident holders of Zero Coupon notes in the course of the management of their private wealth must be included in their taxable income for Luxembourg income tax assessment purposes.

Luxembourg resident individual holders of notes acting in the course of the management of a professional or business undertaking to which the notes are attributable, have to include any interest received or accrued, as well as any gain realised on the sale or disposal of the notes in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the notes sold or redeemed.

### *Luxembourg Corporate Residents*

Luxembourg corporate holders of notes must include any interest received or accrued, as well as any gain realised on the sale or disposal in any form whatsoever of the notes in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including acquired but unpaid interest) and the lower of the cost or book value of the notes sold or redeemed.

### *Luxembourg Residents Benefiting from a Special Tax Regime*

Luxembourg holders of the notes who benefit from a special tax regime, such as, for example, (i) undertakings for collective investment subject to the law of 17 December 2010 or (ii) specialized investment funds subject to the amended law of 13 February 2007 or (iii) family wealth management companies governed by the amended law of 11 May 2007, are exempt from income taxes in Luxembourg and thus income derived from the notes as well as gains realized thereon, are not subject to income taxes.

### *Net Wealth Tax*

Luxembourg resident holders of the notes and non resident holder of the notes, who have a permanent establishment or a permanent representative in Luxembourg to which the notes are attributable, are subject to Luxembourg net wealth tax on such notes, except if the holder of the notes is (i) a resident or non-resident individual taxpayer, (ii) an undertaking for collective investment subject to the law of 17 December 2010, (iii) a securitization company governed by the amended law of 22 March 2004 on securitisation, (iv) a company governed by the amended law of 15 June 2004 on venture capital vehicles or (v) a specialized investment fund governed by the amended law of 13 February 2007 or (vi) a family wealth management company governed by the amended law of 11 May 2007.

### *Other Taxes*

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the holders of the notes as a consequence of the issuance of the notes nor will any of these taxes be payable as a consequence of a subsequent transfer of redemption or repurchase of the notes.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the notes or in respect of the payment of interest or principal under the notes or the transfer of the notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

Under current Luxembourg tax law, where an individual holder of the notes is a resident for inheritance tax purposes of Luxembourg at the time of his/her death, the notes are included in his/her taxable estate for inheritance tax purposes. Gift tax may be due on a gift or donation of notes if the gift is embodied in a deed passed in front of a Luxembourg notary or otherwise registered in Luxembourg.

### **EU Directive on the Taxation of Savings Income**

On 3 June 2003, the EU Council of Economic and Finance Ministers adopted the Council Directive 2003/48/EC regarding the taxation of savings income (the "EU Savings Directive") that entered into force on 1 July 2005.

Member States are required to provide to the tax authorities of other Member States and to the tax authorities of Anguilla, Aruba, the British Virgin Islands, the Cayman Islands, Curaçao, Guernsey, Jersey, Isle of Man, Montserrat, Sint Maarten and Turk and Caicos (collectively the "Dependent and Associated Territories" and each a "Dependent and Associated Territory") details of payments of interest and other similar income paid by a paying agent (within the meaning of the EU Savings Directive) to (or under certain circumstances, to the benefit of) an individual or a residual entity (as defined by the EU Savings Directive) resident or established in another Member State or in a Dependent and Associated Territory in accordance with certain bilateral agreements concluded between Luxembourg and those countries provided such agreements foresee reciprocal measures.

Also with effect from 1 July 2005, a number of non-EU countries (Switzerland, Andorra, Liechtenstein, Monaco and San Marino) have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the EU Savings Directive) within its jurisdiction to, or collected by such a paying agent for, an individual resident or a residual entity (as defined by the EU Savings Directive) established in a Member State.

For a transitional period, however, currently Austria and Luxembourg are instead allowed (unless they elect otherwise) to impose a withholding tax that currently is set at a rate of 35% unless the beneficiary of the interest payments elects for the exchange of information above mentioned. Furthermore, the Luxembourg government has publicly announced that Luxembourg will replace the current withholding regime with respect to the EU Savings Directive with an automatic information exchange mechanism as of 1 January 2015.

### **United Kingdom Tax Considerations**

The following is a general description of certain UK tax consequences of acquiring, holding and disposing of the notes and is based on the Issuer's understanding of current UK law and HM Revenue & Customs ("HMRC") practice as at the date hereof, both of which are subject to change, possibly with retrospective effect. This description is not exhaustive and relates only to the position of persons who are the absolute beneficial owners of the notes and may not apply to certain classes of persons, such as brokers, dealers in securities, persons connected with the Issuer or certain professional investors, to whom special rules may apply. This description does not purport to constitute legal or tax advice and any holders who are in any doubt as to their tax position should consult their independent professional advisors. Further, these comments do not deal with holders of the notes who are individuals treated as non-domiciled and resident or ordinarily resident in the United Kingdom for UK tax purposes. Any such holders of the notes who are subject to tax in a jurisdiction other than the United Kingdom should consult their professional advisors.

#### ***Interest on the Notes***

The notes will constitute "quoted Eurobonds" within the meaning of Section 987 of the Income Tax Act 2007 ("ITA") while they are and remain listed on a "recognised stock exchange" within the meaning of Section 1005 ITA. While the notes are, and continue to be, quoted Eurobonds, payments of interest on the notes may be made without deduction or withholding for or on account of UK income tax. Securities that have been admitted to the Official List by the Société de la Bourse de Luxembourg and are admitted to trading on the Euro MTF Market will meet the requirement to be listed on a recognised stock exchange. So long as this remains the case with respect to the notes, they will therefore constitute quoted Eurobonds.

If the notes do not constitute "quoted Eurobonds," an amount may, subject to any relief available under any applicable double taxation treaty and to the availability of any other relief, have to be withheld on account of UK income tax from payments of interest on the notes at the "basic rate" of UK income tax (currently 20%).

If interest were to be paid under deduction of UK income tax, holders of the notes who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

The interest may have a UK source and accordingly may be chargeable to UK income or corporation tax by direct assessment even where paid without deduction or withholding. However, where the interest is paid without deduction or withholding, the interest will not be assessed to UK tax in the hands of holders of the notes who are not resident for tax purposes in the United Kingdom, except where the holder carries on a trade, profession or vocation through a branch or agency (or, in the case of a corporate holder, a permanent establishment) in the United Kingdom in connection with which the interest is received or to which the notes are attributable, in which case (subject to exemptions for interest received by certain categories of agent) tax may be levied on the UK branch, agency or permanent establishment.

Holders of the notes may wish to note that the provisions referred to in "Description of the Notes—Payment of Additional Amounts" would not apply if HMRC sought to assess directly the person entitled to the relevant interest to UK tax. However, exemption from, or reduction of, such UK tax liability might be available under an applicable double taxation treaty.



Holders of the notes who are individuals may wish to note that HMRC has power to obtain information (including the name and address of the recipient or beneficial owner of the relevant payment) from any person in the United Kingdom who either pays interest to, or receives interest for the benefit of, an individual. Any information obtained may, in certain circumstances, be provided by HMRC to the tax authorities of other jurisdictions.

#### ***United Kingdom Holders Subject to Corporation Tax***

In general, holders of the notes who are within the charge to UK corporation tax will be charged to tax on income in respect of all profits, gains and losses on, and fluctuations in value of, the notes (whether attributable to currency fluctuations or otherwise) measured and recognized in each accounting period broadly in accordance with their statutory accounting treatment.

#### ***United Kingdom Holders not Subject to Corporation Tax***

HMRC may consider that the notes constitute “deeply discounted securities” for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 by virtue of the provisions set out under “Description of the Notes—Purchase of the Notes Upon a Change of Control.” If the notes do constitute deeply discounted securities, individual holders who are resident for tax purposes in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the notes are attributable will generally be held liable to UK income tax on any gain made on the sale or other disposal (including redemption) of the notes, but such holders will not be able to claim relief from UK income tax in respect of costs incurred on the acquisition, transfer or redemption, or losses incurred on the transfer or redemption, of the notes.

If the notes do not constitute deeply discounted securities, the disposal of the notes by an individual holder who is resident or ordinarily resident for tax purposes in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the notes are attributable may give rise to a chargeable gain or allowable loss for the purposes of UK tax on chargeable gains, depending on individual circumstances. In calculating any gain or allowable loss on the disposal of the notes, sterling values are compared at acquisition and disposal. Accordingly, a taxable gain can arise even where the dollar amount received on a disposal is less than or the same as the dollar amount paid for the notes.

Special rules may apply to individuals who have ceased to be resident or ordinarily resident for tax purposes in the United Kingdom and who dispose of their notes before becoming once again resident or ordinarily resident in the United Kingdom. Noteholders are advised to consult their own professional advisors if they require any advice or further information relating to residency.

On the disposal of notes by a holder (if they do not constitute deeply discounted securities), any interest which has accrued since the last interest payment date may be chargeable to tax on income under the rules relating to accrued income profits as set out in Chapter 2 of Part 12 of ITA (the “accrued income scheme”) if that holder is resident or ordinarily resident for tax purposes in the United Kingdom or carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the notes are attributable. Further, if the notes are regarded as variable rate securities for the purposes of the accrued income scheme, the holder may be subject to UK income tax on such amount as HMRC deems just and reasonable and the transferee of the notes would not be entitled to any corresponding allowance under the accrued income scheme. A note is deemed to be a variable rate security unless throughout the period from issue to redemption the note carries: (i) interest at a fixed rate; (ii) interest bearing a fixed relationship to a standard, published base rate; or (iii) interest bearing a fixed relationship to a published index of prices. Holders of the notes are advised to consult their own professional advisors if they require any advice or further information about the accrued income scheme in general and the potential tax consequences of holding variable rate securities.

#### ***Ordinary residence***

It is currently proposed that, with effect from 6 April 2013, the concept of “ordinary residence” will cease to be relevant to whether an individual is subject to UK income tax or capital gains tax. It is also proposed that new rules will then be introduced relating to individuals who have been resident in the UK and who then cease to be resident in the UK only temporarily. These proposals have not yet been enacted.

### *Stamp Duty and Stamp Duty Reserve Tax*

No UK stamp duty or stamp duty reserve tax is payable on issue of or on a transfer of the notes.

### *EU Savings Directive*

The European Union has adopted a directive (Council Directive 2003/48/EC, the “Directive”) regarding the taxation of savings income. The Directive provides for member states of the European Union (each, a “Member State”) to provide to the tax authorities of another Member State details of certain payments of interest and other similar income paid by a person within its jurisdiction to an individual (or certain other persons) in that other Member State, except that Austria and Luxembourg may instead impose a withholding system for a transitional period unless during such period they elect otherwise. The Directive does not preclude Member States from levying other types of withholding tax.

On November 13, 2008 the European Commission published a proposal for amendments to the Directive. The European Parliament approved an amended version of this proposal on April 24, 2009. If any of the proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

### **Material U.S. Federal Income Tax Considerations**

**TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT ANY DISCUSSION OF TAX MATTERS SET FORTH IN THIS OFFERING MEMORANDUM WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN AND WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER FEDERAL, STATE OR LOCAL TAX LAW. EACH PROSPECTIVE INVESTOR SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

The following discussion is a summary based on present law of the material U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the notes. This discussion addresses only U.S. Holders (as defined below) who purchase the notes in the original issuance at the original offering price, hold the notes as capital assets and use the U.S. dollar as their functional currency. This summary does not address the tax consequences to subsequent purchasers of the notes.

This discussion is not a complete description of all U.S. federal income tax considerations relating to the notes. It does not address the tax treatment of prospective purchasers subject to special rules, such as banks, dealers, traders that elect to mark to market, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, investors liable for the alternative minimum tax, U.S. expatriates, tax-exempt entities or persons holding the notes as part of a hedge, straddle, conversion or other integrated financial transaction. This summary does not discuss any tax consequences arising under the U.S. federal estate and gift tax laws or the laws of any state, local, non-U.S. or other taxing jurisdiction.

**YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR ABOUT THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES TO YOU OF PURCHASING, HOLDING AND DISPOSING OF THE NOTES, AS WELL AS THE CONSEQUENCES TO YOU ARISING UNDER THE LAWS OF ANY OTHER TAXING JURISDICTION OR DUE TO CHANGES IN TAX LAW.**

For purposes of this discussion, a “U.S. Holder” is a beneficial owner that is, for purposes of U.S. federal income taxation, (i) a citizen or resident alien of the United States, (ii) a corporation, or other entity treated as a corporation, created or organized in or under the laws of the United States or its political subdivisions, (iii) a trust that (a) is subject to the control of a U.S. person and the primary supervision of a U.S. court or (b) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person or (iv) an estate, the income of which is subject to U.S. federal income taxation regardless of its source.

If a partnership (or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) acquires or holds the notes, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner or partnership considering acquiring or holding the notes should consult its own tax advisor.

This summary is based on the Code, U.S. Treasury Regulations, rulings and judicial decisions as of the date hereof, which are subject to change (possibly with retroactive effect), so as to result in U.S. federal income tax consequences different from those summarized below. No rulings from the Internal Revenue Service (the “IRS”) have been or will be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the notes and that any such position would not be sustained.

### ***Interest***

Generally, interest on the notes will be taxable to you as ordinary income at the time it accrues or is received, in accordance with your regular method of accounting for U.S. federal income tax purposes. Interest will be income from sources outside the United States and, for purposes of the U.S. foreign tax credit, will generally be considered passive category income. The notes will not be treated as issued with original issue discount for U.S. federal income tax purposes.

In the event that Additional Amounts are paid in respect of withholding or deductions for taxes imposed on payments on the notes (as described under “Description of the Notes—Payment of Additional Amounts”), such Additional Amounts will be taxable to you as ordinary income at the time the amounts accrue or are received, in accordance with your regular method of accounting for U.S. federal income tax purposes. The amount taxable to you will also include all taxes withheld or deducted in respect thereof. Thus, you may be required to report income in an amount greater than the cash you receive in respect of payments on the notes. You may be eligible to claim a credit or deduction in respect of such taxes for purposes of computing your U.S. federal income tax liability, subject to certain limitations.

If you receive interest payments in euro and you use the cash basis method of accounting, you will be required to include in income the U.S. dollar value of the amount received, determined by translating the euro received at the “spot rate” in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. Your tax basis in the euro received as interest on a note will be the U.S. dollar value thereof at the spot rate in effect on the date of receipt.

If you receive interest payments in euro and you use the accrual method of accounting, you may determine the amount of income recognized with respect to such interest in accordance with either of two methods. Under the first method, you will be required to include in income for each taxable year the U.S. dollar value of the interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest accrued. Under the second method, you may elect to translate interest income at the spot rate on (i) the last day of the accrual period, (ii) the last day of the taxable year if the accrual period straddles your taxable year or (iii) the date the interest payment is received if such date is within five days of the end of the accrual period. Upon receipt of an interest payment (including amounts received upon the sale, redemption or other taxable disposition of a note attributable to accrued but unpaid interest), you will recognize exchange gain or loss, generally treated as ordinary income or loss, in an amount equal to the difference, if any, between the U.S. dollar value of such payment (determined by translating the euro received at the spot rate in effect on the date of receipt) and the U.S. dollar value of the interest income that you have previously included in income with respect to such payment.

### ***Sale, Redemption or Disposition***

You generally will recognize gain or loss on a sale, redemption or other taxable disposition of a note in an amount equal to the difference between the U.S. dollar value of the amount realized (less any accrued but unpaid interest, which is taxed as interest) and your adjusted tax basis in the note. Your adjusted tax basis in a note generally will be the U.S. dollar cost for the note, decreased by any payments on the note other than interest previously received. If you purchased a note with euro, your cost generally will be the U.S. dollar value of the euro paid for such note determined at the spot rate on the date of such purchase (or, in the case of a cash basis or electing accrual basis taxpayer, the settlement date of the purchase, if the note is traded on an established securities market). If your note is sold, redeemed or otherwise disposed of in a taxable transaction for euro, then your amount realized generally will be based on the spot rate in effect on the date of such sale, redemption or other taxable disposition (or, in the case of a cash basis or electing accrual basis taxpayer, the settlement date of the sale or other taxable disposition, if the note is traded on an established securities market).

Gain or loss on disposition of a note generally will be U.S. source capital gain or loss. Any capital gain or loss will be long-term capital gain or loss if you have held the note for more than one year at the time of disposition. A non-corporate U.S. Holder generally will be eligible for reduced rates of taxation on any long-term capital gain recognized. Deductions for capital losses are subject to limitations.

If you hold a Euro IGH Note, a portion of your gain or loss may be treated as exchange gain or loss, which will be generally treated as U.S. source ordinary income or loss. The amount of exchange gain or loss is equal to the difference between (i) the U.S. dollar value of your purchase price for the note determined on the date of the sale, redemption or other taxable disposition of the note and (ii) the U.S. dollar value of your purchase price of the note on the date you purchased the note (or, possibly, in the case of a cash basis or electing accrual basis taxpayer, the settlement dates of such purchase and taxable disposition, if the note is traded on an established securities market). The amount of exchange gain or loss will be limited to the amount of overall gain or loss realized on the disposition of the note. Your tax basis in euro received upon the sale, redemption or other taxable disposition of a note generally will be the U.S. dollar value thereof at the spot rate in effect on the date the euro are received. Any gain or loss recognized by you on a taxable disposition of the euro will be ordinary income or loss and generally will be U.S. source gain or loss.

In certain circumstances, U.S. Treasury Regulations require foreign exchange losses in excess of a threshold amount to be reported to the IRS. If you hold a Euro IGH Note, you should consult your tax advisors to determine the tax return obligations, if any, with respect to an investment in the note, including any requirement to file IRS Form 8886.

### ***Information Reporting and Backup Withholding***

Payments of interest and proceeds from the sale, redemption or other taxable disposition of a note may be reported to the IRS unless you establish a basis for exemption. Backup withholding may apply to amounts subject to reporting if you fail to provide an accurate taxpayer identification number or, in the case of interest payments, fail either to report in full dividend and interest income or, in either case, fail to make certain certifications. Backup withholding is not an additional tax. You generally can claim a credit against your U.S. federal income tax liability for the amount of any backup withholding and a refund of any excess, provided that the required information is timely furnished to the IRS.

### ***Information with Respect to Foreign Financial Assets***

Individuals that own “specified foreign financial assets” with an aggregate value in excess of \$50,000 are generally required to file information reports with respect to such assets with their U.S. federal income tax returns. Depending on the individual’s circumstances, higher threshold amounts may apply. “Specified foreign financial assets” include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in non-U.S. entities. The notes may be treated as specified foreign financial assets. You may be subject to this information reporting regime and required to file IRS Form 8938 listing these assets with your U.S. federal income tax return. Failure to file information reports may subject you to penalties. You are urged to consult your own tax advisor regarding your obligations to file information reports with respect to the notes.

## NOTICE TO INVESTORS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the notes.

The notes and the guarantees have not been and will not be registered under the Securities Act, or the securities laws of any other jurisdiction, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or the securities laws of any other jurisdiction. Accordingly, the notes are being offered and sold only to qualified institutional buyers (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A under the Securities Act and in offshore transactions in reliance on Regulation S under the Securities Act.

We have not registered and will not register the notes or the guarantees under the Securities Act and, therefore, the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

We use the terms “offshore transaction,” “U.S. person” and “United States” with the meanings given to them in Regulation S.

Each purchaser of the notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer as follows:

- (1) You understand and acknowledge that the notes and the guarantees have not been registered under the Securities Act or any other applicable securities laws and that the notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A under the Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.
- (2) You are not our “affiliate” (as defined in Rule 144 under the Securities Act) or acting on our behalf and you are either:
  - (a) a QIB, within the meaning of Rule 144A under the Securities Act and are aware that any sale of these notes to you will be made in reliance on Rule 144A under the Securities Act, and such acquisition will be for your own account or for the account of another QIB; or
  - (b) you are purchasing the notes in an offshore transaction in accordance with Regulation S under the Securities Act.
- (3) You acknowledge that none of the Issuer, the Guarantors nor any person representing any of them, has made any representation to you with respect to us or the offer or sale of any of the notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the notes. You have had access to such financial and other information concerning us and the notes as you have deemed necessary in connection with your decision to purchase any of the notes, including an opportunity to ask questions of, and request information from, us.
- (4) You are purchasing the notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or the securities laws of any other jurisdiction, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within its or their control and subject to your or their ability to resell such notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act.

- (5) You agree on your own behalf and on behalf of any investor account for which you are purchasing the notes, and each subsequent holder of the notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such notes prior to the date (the “Resale Restriction Termination Date”) that is one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the date of the original issue and the last date on which the Issuer or any of its affiliates was the owner of such notes (or any predecessor thereto) only (i) to the Issuer, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the notes are eligible pursuant to Rule 144A under the Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer’s and the Trustee’s rights prior to any such offer, sale or transfer (I) pursuant to clauses (iv) and (v) to require the delivery of an opinion of counsel, certification or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each note contains a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT (“RULE 144A”), TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER’S AND THE TRUSTEE’S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE

(E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If you purchase notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these notes as well as to holders of these notes.

- (6) You agree that you will give to each person to whom you transfer the notes notice of any restrictions on the transfer of such notes.
- (7) You acknowledge that until 40 days after the commencement of the Offering, any offer or sale of the notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.
- (8) You acknowledge that the Trustee will not be required to accept for registration or transfer any notes acquired by you except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set forth therein have been complied with.
- (9) You acknowledge that we and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agree that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the notes are no longer accurate, it shall promptly notify us. If you are acquiring any notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.
- (10) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer that would result in a public offering of the notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the notes are subject to the selling restrictions set forth under "Plan of Distribution."

## **ERISA Considerations**

Any purchaser, including, without limitation, any fiduciary purchasing on behalf of (i) an employee benefit plan (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) subject to the provisions of Part 4 of Subtitle B of Title I of ERISA or a plan, individual retirement account or other arrangement to which Section 4975 of the Code applies (each, a "Plan"), (ii) an entity whose underlying assets include "plan assets" with respect to a Plan by reason of a Plan's investment in such entity or otherwise (each, a "Benefit Plan Investor") or (iii) a governmental, church or non-U.S. plan or other arrangement that is subject to any Federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code ("Similar Laws"), transferee or holder of the notes will be deemed to have represented, agreed and acknowledged (as applicable) in its corporate and fiduciary capacity, that:

- (a) With respect to the acquisition, holding and disposition of the notes, or any interest therein, (1) either (A) it is not, and it is not acting directly or indirectly on behalf of (and for so long as it holds such notes or any interest therein will not be, and will not be acting directly or indirectly on behalf of), a Plan, a Benefit Plan Investor, or a governmental, church or non-U.S. plan or other arrangement that is subject to Similar Laws, and no part of the assets used or to be used by it to acquire or hold such notes or any interest therein constitutes the assets of any such Plan, Benefit Plan Investor or governmental, church or non-U.S. plan or other arrangement that is subject to Similar Laws, or (B) (i) its acquisition, holding and disposition of such notes or any interest therein does not and will not constitute or otherwise result in a non-exempt prohibited

transaction under Part 4 of Subtitle B of Title I of ERISA or Section 4975 of the Code, as applicable (or, in the case of a governmental, church or non-U.S. plan or other arrangement, a violation of any applicable Similar Laws); and (ii) none of the Issuer, the guarantors, the Trustee or any of their respective affiliates, is a sponsor of, or a fiduciary (within the meaning of Section 3(21) of ERISA or, with respect to a governmental, church or non-U.S. plan or other arrangement, any definition of “fiduciary,” or any substantially similar concept, under any applicable Similar Laws) with respect to the purchaser, transferee or holder in connection with any acquisition, holding or disposition of such notes, or as a result of any exercise by the Issuer or any of its affiliates of any rights in connection with such notes, and no advice provided by the Issuer or any of their affiliates has formed a primary basis for any investment or other decision by or on behalf of the purchaser, transferee or holder in connection with such notes and the transactions contemplated with respect to such notes; and (2) it will not sell or otherwise transfer such notes or any interest therein other than to a purchaser or transferee that is deemed (or if required by the applicable indenture, certified) to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such notes or any interest therein.

- (b) The acquirer and any fiduciary causing it to acquire an interest in any notes agrees to indemnify and hold harmless the Issuer, the guarantors, the Trustee and their respective affiliates, from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations and agreements being or becoming false.
- (c) Any purported acquisition or transfer of any note or beneficial interest therein to a purchaser or transferee that does not comply with the requirements of the above provisions shall be void *ab initio*.



## PLAN OF DISTRIBUTION

### Notes are Not being Registered

The notes and the guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to certain persons in offshore transactions in reliance on Regulation S under the Securities Act. In addition, until 40 days following the later of (i) the commencement of this Offering and (ii) the Issue Date, an offer or sale of the notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under “Notice to Investors.”

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us that would permit a public offering of the notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the notes in any jurisdiction where action for this purpose is required. Accordingly, the notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this offering memorandum and resale of the notes. See “Notice to Investors.”

The Issuer and the Guarantors have agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(2) of the Securities Act or the safe harbor of Rule 144A and Regulation S under the Securities Act to cease to be applicable to the offer and sale of the notes.

### New Issue of Securities

The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any U.S. securities exchange or for inclusion of the notes on any automated dealer quotation system. We have been advised by the initial purchasers that they presently intend to make a market in the notes after completion of the Offering. However, they are under no obligation to do so and may discontinue any market making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors. See “Risk Factors—Risks related to the Notes and Our Capital Structure—Lack of public market—There may not be an active trading market for the notes, in which case your ability to sell the notes may be limited.”

As at the date of this offering memorandum, the Issuer has already made an application to list the notes on the Official List of the Luxembourg Stock Exchange for trading on the Luxembourg Stock Exchange’s Euro MTF market, however, we cannot assure you that such listing will be maintained.

### No Sales of Similar Securities

We have agreed that we will not, for a period of 60 days after May 2, 2013, without the prior written consent of the Representatives, directly or indirectly, pledge, issue, sell, offer to sell, grant any option for the sale of, or otherwise dispose of any of our other debt securities having a maturity of more than one year from the date of issue, except for debt securities (A) issued or guaranteed in accordance with, or as permitted under, the Senior Secured Term Loans Agreement, (B) issued or guaranteed in connection with the sales of receivables pursuant to securitization or factoring arrangements or issuances of debt securities pursuant to sales of such receivables, or the implementation of any receivables securitization or factoring facility or (C) issued or guaranteed in immaterial amounts in the ordinary course of business.

## **Price Stabilization and Short Positions**

In connection with the Offering, the initial purchasers (or persons acting on their behalf) may engage in transactions that stabilize the market price of the notes. Such transactions consist of bids or purchases to peg, fix or maintain the price of the notes. Purchases of a security to stabilize the price or to reduce a short position may cause the price of the security to be higher than it might be in the absence of such purchases.

In connection with the Offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of the notes than they are required to purchase in the Offering. The initial purchasers must close out any short position by purchasing the notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the Offering.

Similar to other purchase transactions, the initial purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the initial purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Any stabilizing action, if commenced, must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the notes. See "Risk Factors—Risks Relating to the Notes and Our Capital Structure—Lack of public market—There may not be an active trading market for the notes, in which case your ability to sell your notes may be limited" and "Stabilization."

## LEGAL MATTERS

Certain legal matters in connection with the Offering were passed upon for us by Cravath, Swaine & Moore LLP, as to matters of U.S. Federal and New York state law, by Slaughter and May, as to matters of English law and by MKNS, as to matters of Luxembourg law. Certain legal matters in connection with the Offering were passed upon for the initial purchasers by Latham & Watkins (London) LLP, as to matters of U.S. Federal, New York state and English law.

## INDEPENDENT AUDITORS

The consolidated financial statements of INEOS Group Holdings S.A. as of and for the years ended December 31, 2012 and 2011, included in this offering memorandum, have been audited by PricewaterhouseCoopers, *Société coopérative*, independent auditors (*réviseur d'entreprises agréé*), as stated in their report appearing herein.

The consolidated financial statements of INEOS Group Holdings plc as of and for the year ended December 31, 2010, included in this offering memorandum, have been audited by PricewaterhouseCoopers LLP, independent auditors, as stated in their report appearing herein.

PricewaterhouseCoopers LLP are members of the Institute of Chartered Accountants of England and Wales. PricewaterhouseCoopers, *Société coopérative* are members of the Luxembourg *Institut des Réviseurs d'Entreprises*.

## WHERE YOU CAN FIND MORE INFORMATION

We are not currently subject to the periodic reporting and other information requirements of the Exchange Act.

We have agreed in the Indenture governing these notes that, for so long as the notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) of the Exchange Act, upon written request of a holder or beneficial owner of the notes, furnish to such holder or beneficial owner or to the Trustee or any relevant paying agent for delivery to such holder or beneficial owner or prospective purchaser of the notes, as the case may be, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act, to permit compliance with Rule 144A thereunder in connection with resales of the notes. Any such request should be directed to the Issuer at INEOS Group Holdings S.A., 58, rue Charles Martel L-2134, Luxembourg, Grand Duchy of Luxembourg.

So long as the notes are admitted to trading on the Euro MTF market and to listing on the Official List of the Luxembourg Stock Exchange, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the paying agent in Luxembourg.

## SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

The Issuer and many of the Guarantors are companies incorporated in Luxembourg. Other Guarantors are organized under the laws of Belgium, Canada, England and Wales, Germany, Ireland, Jersey, Malta, Norway, Singapore, Switzerland and the United States, and future Guarantors may also be organized under the laws of non-U.S. jurisdictions. All of our directors and executive officers and many of the directors and officers of the Guarantors are non-residents of the United States. Although we and each of the Guarantors have submitted to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on our directors and executive officers and the directors and executive officers of the Guarantors or security providers. In addition, as many of our and the Guarantors' assets and the assets of our and their directors and executive officers are located outside of the United States, you may be unable to enforce against them or us judgments obtained in the U.S. courts predicated on civil liability provisions of the Federal securities laws of the United States.

If a judgment is obtained in a U.S. court against us or a Guarantor, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for the countries in which our Guarantors are located, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

### Belgium

The United States currently does not have a treaty with Belgium providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Consequently, a final judgment rendered by any Federal or state court in the United States, whether or not predicated solely upon U.S. Federal or state securities laws, would not automatically be enforceable in Belgium.

A U.S. judgment is recognized and enforced by the courts of Belgium following a procedure specified in the Belgian Private International Law Code (*Code de droit international privé/Wetboek van internationaal privaatrecht*). The enforcement of the U.S. judgment will be refused if:

- the enforcement is incompatible with the principles of public policy in Belgium or rules of Belgian public law;
- process rights of the defendant are violated;
- the judgment is still subject to further appeal under U.S. law; in that event, the Belgian courts can declare the judgment provisionally enforceable (the court has the ability to request a caution in such event);
- the U.S. court accepted its jurisdiction solely on the basis of presence of the defendant or its assets in the United States, without any direct relation with the dispute;
- the judgment has been obtained only to evade the applicable law in matters in which parties cannot dispose freely of their rights;
- the judgment is incompatible with a Belgian judgment or a prior foreign judgment that can be recognized in Belgium;
- the claim has been introduced in the United States after it has been introduced in Belgium and the claim in Belgium is still pending between the same parties and with the same subject;
- the Belgian courts had exclusive jurisdiction concerning the matter at stake;
- the recognition or enforcement violates articles 39, 57, 72, 95, 115 or 121 of the Belgian Code on Private International Law; or
- the judgment submitted to it is not authentic (if the judgment has been rendered *in absentia*, evidence must be provided that the defendant has been summoned).

A Belgian court will not reconsider the substantive correctness of the U.S. judgment.

With regard to the enforcement of a judgment through legal proceedings in Belgium (including the exequatur of foreign court decisions in Belgium), a registration tax at the rate of 3% of the amount of the judgment is payable by the debtor, if the sum of money which the debtor is ordered to pay by a Belgian court, or by a foreign court judgment that is either (i) automatically enforceable and registered in Belgium or (ii) rendered enforceable by a Belgian court, exceeds €12,500. The registration tax is payable by the debtor. The creditor is jointly liable up to a maximum of one-half of the amount the creditor recovers from the debtor.

It is questionable whether a Belgian court would accept jurisdiction and impose civil liability if proceedings were commenced in Belgium predicated solely upon U.S. Federal securities laws.

## Canada

The following summary with respect to the enforceability of certain U.S. court judgments in the Canadian provinces of Alberta, Nova Scotia and Ontario (individually a “Canadian Province” and collectively the “Canadian Provinces”) is based upon advice provided to us by U.S. and Canadian legal advisors. None of the Canadian Provinces currently have a treaty with the United States of America or any state thereof providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any Federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. Federal securities laws, would not automatically be recognized or enforceable in the Canadian Provinces. In order to enforce any such U.S. judgment in any Canadian Province, proceedings must first be initiated before a court of competent jurisdiction in such Canadian Province (a “Canadian Court”). In such an action, the Canadian Court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by a Canadian Court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to conflicts of laws principles of the relevant Canadian Province;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money;
- the U.S. judgment not contravening public policy of such Canadian Province;
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine;
- the judgment not being contrary to an order made by the Attorney General of Canada under the *Foreign Extraterritorial Measures Act* (Canada), or the Competition Tribunal under the *Competition Act* (Canada) in respect of certain judgments referred to in these statutes or the Governor in Council under the *United Nations Act* (Canada) or the *Special Economic Measures Act* (Canada);
- the U.S. judgment not having been obtained by fraud or in breach of principles of natural justice as understood under the laws of such Canadian Province;
- there not having been a prior inconsistent decision of a Canadian Court of such Canadian Province in respect of the same matter; and
- the enforcement proceedings being commenced within the applicable limitation period in the Canadian Province in which the proceeding is brought.

Subject to the foregoing, investors may be able to enforce in the Canadian Provinces judgments in civil and commercial matters that have been obtained from U.S. Federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in any of the Canadian Provinces. In addition, it is questionable whether a Canadian Court would accept jurisdiction and impose civil liability if the original action was commenced in any of the Canadian Provinces, instead of the United States, and predicated solely upon U.S. Federal securities laws.

## **England**

The following summary with respect to the enforceability of certain U.S. court judgments in England is based upon advice provided to us by U.S. and English legal advisors. The United States and England currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any Federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. Federal securities laws, would not automatically be recognized or enforceable in England. In order to enforce any such U.S. judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, an English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by an English court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to English conflicts of laws principles;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money;
- the U.S. judgment not contravening English public policy;
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the Protection of Trading Interests Act 1980;
- the U.S. judgment not having been obtained by fraud or in breach of English principles of natural justice;
- there not having been a prior inconsistent decision of an English court in respect of the same matter; and
- the English enforcement proceedings being commenced within six years from the date of the U.S. judgment.

Subject to the foregoing, investors may be able to enforce in England judgments in civil and commercial matters that have been obtained from U.S. Federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in England. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if the original action was commenced in England, instead of the United States, and predicated solely upon U.S. Federal securities laws.

## **Germany**

The following discussion with respect to the enforceability of certain U.S. court judgments in Germany is based upon advice provided to us by German legal advisors.

The United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Consequently, a final judgment for a payment rendered by any court in the United States would not automatically be enforceable in Germany.

Notwithstanding the preceding, a final judgment for payment rendered by any Federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. Federal securities laws, would generally be recognized in an action before a German court, and such German court generally will not investigate the merits of the original matter decided by a U.S. court. The recognition of the U.S. judgment by a German court would be conditional upon all of the following:

- U.S. courts could take jurisdiction of the case in accordance with the principles on jurisdictional competence according to German law;

- the document introducing the proceedings was duly made known to the defendant in a timely manner that allowed for adequate defense;
- the judgment is not contrary to (i) any prior judgment which became *res judicata* rendered by a German court or (ii) any prior judgment which became *res judicata* rendered by a foreign court which is recognized in Germany and the procedure leading to the respective judgment is not in contradiction to any such prior judgment;
- the effects of its recognition will not be in conflict with material principles of German law, including, without limitation, fundamental rights under the constitution of Germany (*Grundrechte*). In this context, it should be noted that any component of a U.S. Federal or state court civil judgment awarding punitive damages or any other damages which do not serve a compensatory purpose, such as treble damages, will not be enforced in Germany. They are regarded to be in conflict with material principles of German law;
- the reciprocity of enforcement of judgments is guaranteed; and
- the judgment became *res judicata* in accordance with the law of the place where it was pronounced.

Enforcement and foreclosure based on U.S. judgments may be sought against German defendants after having received an enforcement decision from a competent German court in accordance with the above principles. Subject to the foregoing, investors may be able to enforce judgments in Germany in civil and commercial matters obtained from U.S. Federal or state courts. However, we cannot assure you that those judgments will be enforceable. In addition, it is doubtful whether a German court would accept jurisdiction and impose civil liability in an original action predicated solely upon U.S. Federal securities laws.

## **Ireland**

The following summary with respect to the enforceability of certain U.S. court judgments in Ireland is based upon advice provided to us by U.S. and Irish legal advisors. The United States and Ireland currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any Federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. Federal securities laws, would not automatically be recognized or enforceable in Ireland. In order to enforce any such U.S. judgment in Ireland, proceedings must first be initiated before a court of competent jurisdiction in Ireland. In such an action, an Irish court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by an Irish court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to Irish conflicts of laws principles;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money;
- the U.S. judgment not contravening Irish public policy;
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine;
- the U.S. judgment not having been obtained or alleged to have been obtained by fraud or a trick;
- the U.S. judgment and the enforcement thereof were not and would not be contrary to natural or constitutional justice under Irish law;
- there not having been a prior inconsistent decision of an Irish court between the same parties;
- the procedural rules of the U.S. courts and the Irish courts having been observed; and



- the Irish enforcement proceedings being commenced within six years from the date of the U.S. judgment.

Subject to the foregoing, investors may be able to enforce in Ireland judgments in civil and commercial matters that have been obtained from U.S. Federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in Ireland. In addition, it is questionable whether an Irish court would accept jurisdiction and impose civil liability if the original action was commenced in Ireland, instead of the United States, and predicated solely upon U.S. Federal securities laws.

## **Jersey**

The following summary with respect to the enforceability of certain U.S. court judgments in Jersey is based upon advice provided to us by Jersey legal advisors. The United States and Jersey currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any Federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. Federal securities laws, would not automatically be recognized or enforceable in Jersey. In order to enforce any such U.S. judgment in Jersey, proceedings must first be initiated before a court of competent jurisdiction in Jersey. In such an action, a Jersey court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by a Jersey court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to Jersey conflicts of laws principles;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money (although there are circumstances where non-money judgments can also be enforced);
- the U.S. judgment not contravening Jersey public policy;
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the United Kingdom Protection of Trading Interests Act 1980 (as extended to Jersey by the Protection of Trading Interests Act 1980 (Jersey) Order 1983);
- the U.S. judgment not having been obtained by fraud or in breach of Jersey principles of natural justice; and
- there not having been a prior inconsistent decision of a Jersey court in respect of the same matter.

Subject to the foregoing, investors may be able to enforce in Jersey judgments in civil and commercial matters that have been obtained from U.S. Federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in Jersey. In addition, it is questionable whether a Jersey court would accept jurisdiction and impose civil liability if the original action was commenced in Jersey, instead of the United States, and predicated solely upon U.S. Federal securities laws.

## **Luxembourg**

The Issuer has been advised by Luxembourg counsel that the United States and Luxembourg are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. According to such counsel, an enforceable judgment for the payment of monies rendered by any U.S. Federal or state court based on civil liability, whether or not predicated solely upon the U.S. securities laws, would not directly be enforceable in Luxembourg. However, a party who received such favorable judgment in a U.S. court may initiate enforcement proceedings in Luxembourg (*exequatur*) by requesting enforcement of the U.S. judgment by the District Court (*Tribunal d'Arrondissement*) pursuant to Section 678 of the New Luxembourg Code of Civil Procedure. The District Court

will authorize the enforcement in Luxembourg of the U.S. judgment if it is satisfied that all of the following conditions are met:

- the U.S. judgment is enforceable (*exécutoire*) in the United States;
- the U.S. court awarding the judgment has jurisdiction, both according to its own national jurisdiction rules and to the Luxembourg principles of conflicts of jurisdiction and in particular, Luxembourg courts had no exclusive jurisdiction over the case at hand, to adjudicate the respective matter under applicable U.S. Federal or state jurisdictions rules;
- the U.S. court has applied to the dispute the substantive law which would have been applied by Luxembourg courts in accordance with Luxembourg conflict of laws rules;
- the U.S. judgment does not contravene Luxembourg international public policy or overriding mandatory provisions of Luxembourg law;
- the U.S. court has acted in accordance with its own procedural laws;
- the principles of natural justice have been complied with and the U.S. judgment was granted following proceedings where the defendant had the opportunity to appear and, if it appeared, to present a defense; and
- the U.S. judgment was not granted pursuant to an evasion of Luxembourg law (*fraude à la loi luxembourgeoise*).

Luxembourg courts do currently not review the merits of New York judgments even though there is no statutory prohibition of such review.

With regards to the enforcement of a judgment through legal proceedings in Luxembourg (including the exequatur of foreign court decisions in Luxembourg), Luxembourg courts as well as a Luxembourg authority (“*autorité constituée*”) may require the prior registration with the *Administration de l’Enregistrement et des Domaines* in Luxembourg of any document if it was to be produced in a Luxembourg court action or presented to a Luxembourg “*autorité constituée*” as the case may be, in which case either a nominal registration duty of €12.00 or an *ad valorem* duty of 0.24% (calculated on the basis of the payment obligation concerned), depending on the nature of the document submitted to registration would become payable. If registration is so required, the Luxembourg courts or the official Luxembourg authority may require that the agreements and/or any judgments obtained in the U.S. Federal or state courts must be translated into French or German.

Subject to the foregoing, investors may be able to enforce in Luxembourg judgments in civil and commercial matters that have been obtained from U.S. Federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in Luxembourg. In addition, it is questionable whether a Luxembourg court would accept jurisdiction and impose civil liability if the original action was commenced in Luxembourg instead of the United States, and predicated solely upon U.S. Federal securities laws.

## **Malta**

The United States and Malta currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Consequently, a final judgment for payment rendered by any Federal or state court in the United States would not automatically be recognized or enforceable in Malta.

Notwithstanding the above, Article 826 of the Code of Organization and Civil Procedure (Chapter 12 of the Laws of Malta) (the “Code of Organization and Civil Procedure”) provides that any judgment delivered by a competent court outside Malta and constituting a *res judicata* may be enforced by the competent court in Malta, in the same manner as judgments delivered in Malta, upon an application containing a demand that the enforcement of such judgment be ordered. Article 826 shall not have effect in each of the following instances:

- if the judgment sought to be enforced may be set aside on any of the grounds of retrial mentioned in Article 811 of the Code of Organization and Civil Procedure;

- in the case of a judgment by default, if the parties were not contumacious according to foreign law; and
- if the judgment contains any disposition contrary to public policy or to the internal public law of Malta.

### **Norway**

A judgment against the Issuer or any Guarantor in the courts of a state which is not, under the terms of the Lugano Convention on the Recognition of Judgments in Civil and Commercial Matters, a Contracting State (as defined in the Lugano Convention) or a state with which Norway has entered into a convention on the mutual recognition and enforcement of judgments, would not be recognized or enforceable in Norway as a matter of right unless the jurisdiction of such court has been specifically agreed between the parties in a civil matter in accordance with the Norwegian Civil Procedure Act section 19-16 cfr. section 4-6 or the recognition and enforcement of such judgments are otherwise accepted under Norwegian law. However, such judgments may be admissible as evidence in the courts of law, executive or other public authorities of Norway and may in such capacity carry persuasive authority depending on the merits of the judgment without a retrial on its merits. The foregoing could imply, *inter alia*, that judgments by U.S. courts would not be recognized or enforceable in Norway as a matter of right. A judgment against an Issuer or any Guarantor in the courts of a state which is, under the terms of the Lugano Convention on the Recognition of Judgments in Civil and Commercial Matters, a Contracting State (as defined in the Lugano Convention) or a state with which Norway has entered into a convention on the mutual recognition and enforcement of judgments, and judgments rendered by a court whose jurisdiction have been expressly agreed to and accepted by the party, in writing and in a particular civil matter, in accordance with the Norwegian Civil Procedure Act, and such judgments for which the recognition and enforcement is otherwise accepted under Norwegian law, would be recognized and enforceable in Norway, but only insofar as such recognition and enforcement would not be in breach of mandatory law or contrary to public policy in Norway. Only creditors of a claim may have active judicial standing in a Norwegian court; therefore, a security agent or other representative of the creditors may seek enforcement of a claim but such claim may have to be supported by the actual creditors of such claim.

### **Singapore**

A final and conclusive judgment on the merits properly obtained against (as the case may be) us or a Guarantor in any competent court of the United States of America for a fixed sum of money in respect of any legal suit or proceeding and which could be enforced by execution against (as the case may be) us or a Guarantor in the jurisdiction of the relevant court and has not been stayed or satisfied in whole may be sued on in Singapore as a debt due from (as the case may be) us or a Guarantor if:

- the relevant court had jurisdiction over (as the case may be) us or a Guarantor in that (as the case may be) us or a Guarantor was, at the time such proceeding was instituted, resident in the jurisdiction in which such proceeding had been commenced or had submitted to the jurisdiction of the relevant court;
- that judgment was not obtained by fraud;
- the enforcement of that judgment would not be contrary to public policy of Singapore;
- that the judgment had not been obtained in contravention of the principles of natural justice; and
- that the judgment of the relevant court does not include the payment of taxes, a fine or penalty.

### **Switzerland**

Our Swiss counsel has advised us that a United States judgment may be recognized and enforced upon request by the courts of Switzerland if certain requirements of the Swiss Federal Act on Private International Law are met, in particular, that:

- the foreign court had jurisdiction;
- the judgment of such foreign court has become final and non-appealable;
- the recognition of the foreign judgment is not manifestly contrary to the public policy or the law in Switzerland;

- the counterparty has been properly served with process according to the law of the state of his/her/its domicile or ordinary residence (if in Switzerland, through judicial aid granted by the Swiss authorities) or the counterparty has unconditionally joined the proceedings;
- the proceedings leading to the judgment have respected the principles of a fair trial (as understood in Switzerland) and, in particular, that the counterparty has been granted the right to be heard and the possibility to properly defend his/her/its case; and
- no action between the same parties and on the same subject matter has been commenced or decided first in Swiss court and no judgment between the same parties and on the same subject matter has been first rendered by a foreign court, which judgment may be recognized in Switzerland.

Subject to the foregoing, purchasers of the notes may be able to enforce in Switzerland judgments in civil and commercial matters obtained from United States Federal or state courts; however, we cannot assure you that those judgments will be enforceable. It is doubtful whether a Swiss court would accept jurisdiction and impose civil liability if proceedings were commenced in Switzerland predicated solely upon United States Federal or state securities laws. In addition, in an action brought in a Swiss court on the basis of United States Federal or state securities laws, the Swiss courts may not have the requisite power to grant the remedies sought. Awards of punitive damages awarded in original actions outside Switzerland may also not be enforceable in Switzerland. Enforcement of a claim or judgment by an insolvent non-Swiss resident claimant may be subject to the prior recognition of the non-Swiss insolvency proceedings by the competent Swiss authorities.

## LISTING AND GENERAL INFORMATION

1. The Issuer was incorporated under the laws of Luxembourg on December 22, 2010, having its registered office at 58, rue Charles Martel L-2134, Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number 157810.
2. Application has been made for the notes to be listed on the Official List of the Luxembourg Stock Exchange and to be traded on the Luxembourg Stock Exchange's Euro MTF Market.
3. So long as the notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market, copies of the Issuer's Articles of Association and those of the Guarantors and the Indenture (including the guarantees granted thereunder) will be available free of charge at the specified office of the Paying Agent in Luxembourg referred to in paragraph 9 below. So long as the notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market, copies of IGH's audited annual financial statements and the consolidated audited annual financial statements, consolidated quarterly financial information and all subsequent fiscal years will be available free of charge during normal business hours on any weekday at the offices of such Paying Agent in Luxembourg referred to in paragraph 9 below. So long as the notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market, copies of the security documents will be available free of charge during normal business hours on any weekday at the offices of the Paying Agent in Luxembourg referred to in paragraph 9 below.
4. We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge, except as otherwise noted, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of this offering memorandum.
5. The proceeds will be used at all times while any notes are outstanding outside Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.
6. Except as disclosed herein, there has been no material adverse change in IGH's consolidated financial position since the date of the last audited consolidated financial statements dated as of December 31, 2012.
7. Neither we nor any of our subsidiaries is a party to any litigation that, in our judgment, is material in the context of the issue of the notes, except as disclosed herein.
8. The Trustee for the notes is The Bank of New York Mellon, London Branch and its address is One Canada Square, London E14 5AL. The Trustee will be acting in its capacity as trustee for the holders of the notes and will provide such services to the holders of the notes as described in the Indenture.
9. We have appointed The Bank of New York Mellon (Luxembourg) S.A. as our Luxembourg Listing Agent, Paying Agent and Transfer Agent. We reserve the right to vary such appointment and shall publish notice of such change of appointment in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the Luxembourg Stock Exchange's website, [www.bourse.lu](http://www.bourse.lu). The Paying Agent in Luxembourg will act as intermediary between the holders of the notes and us and so long as the notes are listed on the Euro MTF Market we will maintain a paying agent and a transfer agent in Luxembourg.
10. The issue of the notes was authorized by resolutions of the Issuer's board of directors passed at meetings held on April 29, 2013. The guarantees of the Initial Stage Guarantors were authorized by resolutions of the respective board of directors of such Guarantors passed at meetings held on or before April 30, 2013.
11. The Dollar IGH Global Notes sold pursuant to Regulation S and Rule 144A under the Securities Act have been accepted for clearance and settlement through the facilities of DTC, Clearstream and Euroclear. The ISIN number for the Dollar IGH Global Notes sold pursuant to Regulation S is USL5078PAA59 and the ISIN number for the Dollar IGH Global Notes sold pursuant to Rule 144A is US44986UAA79. The CUSIP number for the Dollar IGH Global Notes sold pursuant to Regulation S is L5078P AA5 and the CUSIP number for the Dollar IGH Global Notes sold pursuant to

Rule 144A is 44986U AA7. The common code for the Dollar IGH Global Notes sold pursuant to Regulation S is 092819272 and the common code for the Dollar IGH Global Notes sold pursuant to Rule 144A is 092819299.

The Euro IGH Global Notes sold pursuant to Regulation S and Rule 144A under the Securities Act have been accepted for clearance and settlement through the facilities of Clearstream and Euroclear under common codes 092818977 and 092818993, respectively. The ISIN number for the Euro IGH Global Notes sold pursuant to Regulation S is XS092818977 and the ISIN number for the Euro IGH Global Notes sold pursuant to Rule 144A is XS0928189934.

12. Set forth below is certain information with respect to the Initial Stage Guarantors.

INEOS Manufacturing Belgium NV is a limited liability company organized under the laws of Belgium. It is registered with the RPR of Antwerpen under Company Number 0869.926.088 and the address of its registered office is Scheldelaan 482, 2040 Antwerpen (Belgium).

INEOS NV is a limited liability company organized under the laws of Belgium. It is registered with the RPR of Antwerpen under Company Number 0454.443.614 and the address of its registered office is Haven 1053—Nieuwe Weg 1, 2070 Zwijndrecht (Belgium).

INEOS Phenol Belgium NV is a limited liability company organized under the laws of Belgium. It is registered with the RPR of Dendermonde under Company Number 0888.947.788 and the address of its registered office is Haven 1930—Geslecht 1, 9130 Beveren (Belgium).

INEOS Group Holdings Limited (formerly INEOS Group Holdings plc) is a limited company organized under the laws of England and Wales incorporated on May 14, 2001. It is registered at Companies House with Company Number 04215862 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Holdings Limited is a limited company organized under the laws of England and Wales incorporated on May 14, 2001. It is registered at Companies House with Company Number 04215887 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Tenderco Limited is a limited company organized under the laws of England and Wales incorporated on March 10, 2010. It is registered at Companies House with Company Number 07185465 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Chemicals Grangemouth Limited is a limited company organized under the laws of England and Wales incorporated on August 5, 2009. It is registered at Companies House with Company Number 06981897 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Commercial Services UK Limited is a limited company organized under the laws of England and Wales incorporated on November 19, 2010. It is registered at Companies House with Company Number 07445497 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Finance plc is a public limited company organized under the laws of England and Wales incorporated on November 23, 2009. It is registered at Companies House with Company Number 07084307. The address of the Issuer's registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Group Limited is a limited company organized under the laws of England and Wales incorporated on March 19, 1998. It is registered at Companies House with Company Number 03534631 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Holdings (Investments) Limited is a limited company organized under the laws of England and Wales incorporated on January 18, 2011. It is registered at Companies House with Company Number 07497205 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Limited is a limited company organized under the laws of England and Wales incorporated on April 25, 2008. It is registered at Companies House with Company Number 06576859 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Investments International Limited is a limited company organized under the laws of England and Wales incorporated on March 2, 2000. It is registered at Companies House with Company Number 03938607 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS UK Holdings 1 is a private unlimited company organized under the laws of Ireland registered on December 13, 2006. It is registered with the Companies Registration Office under Company Number 431558 and the address of its registered office is Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland.

INEOS UK Holdings 2 is a private unlimited company organized under the laws of Ireland registered on December 13, 2006. It is registered with the Companies Registration Office under Company Number 431571 and the address of its registered office is Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland.

INEOS Manufacturing Deutschland GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany registered for the first time on July 5, 2002. It is presently registered with the Commercial Register of local court of Köln Number HRB 57260 and the address of its registered office is Alte Straße 201, 50769 Köln.

INEOS Phenol GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany registered for the first time on April 23, 1997, originally in the legal form of a limited partnership under the name of Phenolchemie GmbH & Co. Kommanditgesellschaft. It is presently registered with the Commercial Register of local court of Gelsenkirchen Number HRB 9687 and the address of its registered office is Dechenstraße 3, 45966 Gladbeck.

INEOS Deutschland GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany registered for the first time on May 9, 2005. It is presently registered with the Commercial Register of local court of Köln Number HRB 61258 and the address of its registered office is Alte Straße 201, 50769 Köln.

INEOS Deutschland Holding GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany registered for the first time on June 6, 2008. It is presently registered with the Commercial Register of local court of Köln Number HRB 64857 and the address of its registered office is Alte Straße 201, 50769 Köln.

INEOS Köln Beteiligungs GmbH & Co. KG is a limited partnership (*Kommanditgesellschaft*) organized under the laws of Germany registered for the first time on February 1, 2007. It is registered with the Commercial Register of local court of Köln Number HRA 24630 and the address of its office is Alte Straße 201, 50769 Köln.

INEOS Köln GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany registered for the first time on December 1, 1998, originally under the name of "CAROLINE" Siebzehnte Vermögensverwaltungsgesellschaft mbH. It is presently registered with the Commercial Register of local court of Köln Number HRB 37428 and the address of its registered office is Alte Straße 201, 50769 Köln.

INEOS Köln Verwaltungs GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany registered for the first time on November 16, 2006. It is presently registered with the Commercial Register of local court of Köln Number HRB 59517 and the address of its registered office is Alte Straße 201, 50769 Köln.

INEOS Phenol Verwaltungsgesellschaft mbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) organized under the laws of Germany registered for the first time on December 13, 1996, originally under the name of Phenolchemie Verwaltungsgesellschaft mit beschränkter Haftung. It is presently registered with the Commercial Register of local court of Gelsenkirchen Number HRB 4099 and the address of its registered office is Dechenstraße 3, 45966 Gladbeck.

INEOS Partners is a general partnership formed under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

INEOS US Holding Company II LLC is a limited liability company formed under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

INEOS Delaware II LLC is a limited liability company incorporated under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

INEOS Delaware LLC is a limited liability company formed under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

INEOS Holding Company LLC is a limited liability company formed under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

INEOS Intermediate Investment Company is a corporation incorporated under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

INEOS US Intermediate Holding Company LLC is a limited liability company formed under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

INEOS Fluor Americas LLC is a limited liability company formed under the laws of Louisiana. Its registered office is at 8550 United Plaza Blvd., Baton Rouge, LA 70809, United States.

INEOS Americas LLC is a limited liability company formed under the laws of Alabama. Its registered office is at 5 Dauphin Street, Suite 201, Mobile, AL 36602, United States.

INEOS US Finance LLC is a limited liability company formed under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

INEOS USA LLC is a limited liability company formed under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

INEOS Luxembourg I S.A. is a “société anonyme” incorporated under the laws of Luxembourg having its registered office at 58, rue Charles Martel L-2134 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B158195.

INEOS Luxembourg II S.A. is a “société anonyme” incorporated under the laws of Luxembourg having its registered office at 58, rue Charles Martel L-2134 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B158194.

INEOS Europe AG is a limited company incorporated and existing under the laws of Switzerland, with its registered office at 3 avenue des Uttins, 1180 Rolle Switzerland, registered under number CH-550-1083017-1

INEOS Group AG is a limited company incorporated and existing under the laws of Switzerland, with its registered office at 3 avenue des Uttins, 1180 Rolle Switzerland, registered under number CH-550-1083014-7

13. Set forth below is certain information with respect to the entities that constitute the Additional Guarantors. For more information, see “Description of the Collateral and the Guarantees.”

INEOS Belgium Holdco NV is a limited liability company organized under the laws of Belgium. It is registered with the RPR of Brussels under Company Number 0871.523.521 and the address of its registered office is Ransbeekstraat 310, 1120 Neder-over-Heembeek (Belgium).

INEOS Belgium NV is a limited liability company organized under the laws of Belgium. It is registered with the RPR of Antwerpen under Company Number 0463.251.511 and the address of its registered office is Haven 1053—Nieuwe Weg 1, 2070 Zwijndrecht (Belgium).



INEOS Feluy SPRL is a private limited company organized under the laws of Belgium. It is registered with the RPR of Charleroi under Company Number 0862.492.029 and the address of its registered office is Parc de Feluy Nord-Zone C, 7181 FELUY (Belgium).

INEOS Canada Company is an unlimited liability company organized under the laws of Nova Scotia, Canada registered on June 1, 2005. It is registered under the Companies Act (Nova Scotia) under Corporation Number 3101804 and the address of its registered office is 900-1959 Upper Water Street, Halifax, Nova Scotia B3J 3N2.

INEOS Canada Investment Company is an unlimited liability company organized under the laws of Nova Scotia, Canada registered on November 29, 2005. It is registered under the Company Act (Nova Scotia) under Corporation Number 3119614 and the address of its registered office is 900-1959 Upper Water Street, Halifax, Nova Scotia B3J 3N2.

INEOS Canada Partnership is a partnership organized under the laws of the Province of Alberta, Canada registered on January 29, 2004. It is registered under the Partnership Act (Alberta) under registration number PT10888030 and the address of the registered office of its partners is Suite 900, 1959 Upper Water Street, Halifax, Nova Scotia, B3J 3N2.

INEOS Canada Preferred Holdings Limited is a limited company organized under the laws of Nova Scotia, Canada and formed by the amalgamation of INEOS Canada Holdings Company and INEOS Canada Preferred Holdings Limited on August 13, 2012. It is registered under the Companies Act (Nova Scotia) under Corporation Number 3265615 and the address of its registered office is 1100-1959 Upper Water Street, Halifax, Nova Scotia B3J 3E5.

INEOS European Holdings Limited is a limited company organized under the laws of England and Wales incorporated on December 10, 2004. It is registered at Companies House with Company Number 05310700 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Fluor Holdings Limited is a limited company organized under the laws of England and Wales incorporated on August 9, 2000. It is registered at Companies House with Company Number 04049690 and the address of its registered office is P.O. Box 9, Runcorn Site HQ, South Parade, Runcorn, Cheshire WA7 4JE, United Kingdom.

INEOS Fluor Limited is a limited company organized under the laws of England and Wales incorporated on July 26, 2000. It is registered at Companies House with Company Number 04041123 and the address of its registered office is P.O. Box 9, Runcorn Site HQ, South Parade, Runcorn, Cheshire WA7 4JE, United Kingdom.

INEOS Holdings International Limited (formerly INEOS Investment Holdings (Fluor & Silicas) Limited) is a limited company organized under the laws of England and Wales incorporated on April 27, 2000. It is registered at Companies House with Company Number 03982231 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS (Malta) Company is an unlimited Company organized under the laws of England and Wales incorporated on June 26, 2008. It is registered at Companies House with Company Number 06631578 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Manufacturing (Hull) Limited is a limited company organized under the laws of England and Wales incorporated on January 22, 2008. It is registered at Companies House with Company Number 06480046 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Nitriles (UK) Limited is a limited company organized under the laws of England and Wales incorporated on May 4, 2007. It is registered at Companies House with Company Number 06238238 and the address of its registered office is PO BOX 62, Seal Sands, Middlesbrough TS2 1TX, United Kingdom.

INEOS Overseas Company I Limited is a limited company organized under the laws of England and Wales incorporated on October 13, 2000. It is registered at Companies House with Company Number 04092648 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Overseas Company II Limited is a limited company organized under the laws of England and Wales incorporated on October 13, 2000. It is registered at Companies House with Company Number 04092597 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Oxide Limited is a limited company organized under the laws of England and Wales incorporated on April 6, 1998. It is registered at Companies House with Company Number 03545207 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Investment Holdings (Germany) Limited (formerly INEOS Phenol Limited) is a limited company organized under the laws of England and Wales incorporated on December 11, 2000. It is registered at Companies House with Company Number 04122347 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Silicas Holdings Limited is a limited company organized under the laws of England and Wales incorporated on June 12, 2000. It is registered at Companies House with Company Number 04012355 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Silicas Limited is a limited company organized under the laws of England and Wales incorporated on July 11, 1896. It is registered at Companies House with Company Number 00048745 and the address of its registered office is Hawkslease, Chapel Lane, Lyndhurst, Hampshire SO43 7FG, United Kingdom.

INEOS Jersey Limited is a private limited liability company organized under the laws of Jersey incorporated on November 8, 2005. It is registered at the JFSC Companies Registry with Company Number 91677 and the address of its registered office is Ogier House, The Esplanade, St. Helier, Jersey, JE4 9WG, Channel Islands.

INEOS Financing (Malta) Limited is a private limited liability company organized under the laws of Malta incorporated on August 20, 2007. It is registered at the Registry of Companies with Company Number C42141 and the address of its registered office is 171, Old Bakery Street, Valletta, VLT 1455, Malta.

INEOS Holdings (Malta) Limited is a private limited liability company organized under the laws of Malta incorporated on August 20, 2007. It is registered at the Registry of Companies with Company Number C42138 and the address of its registered office is 171, Old Bakery Street, Valletta, VLT 1455, Malta.

INEOS Holdings Norge AS is a private limited liability company organized under the laws of Norway registered on April 28, 2007. It is registered with the Norwegian Register of Business Enterprises (*Foretaksregisteret*) with Company Number 991192328 and the address of its registered office is Asdalstrand 291, 3960 Stathelle, Norway.

INEOS Singapore Pte. Ltd. is a private limited liability company organized under the laws of Singapore incorporated on 20th January 2005. It is incorporated with the Accounting and Corporate Regulatory Authority in Singapore with Registration Number 200501012G and the address of its registered office is 435 Orchard Road, #17-06 Wisma Atria, Singapore 238877.

INEOS LLC is a limited liability company formed under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

INEOS Polypropylene LLC is a limited liability company formed under the laws of Delaware. Its registered office is at Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

14. As of the date of this offering memorandum, the Guarantors represent 90.2% of the Issuer's consolidated EBITDA for the year ended December 31, 2012, and hold 88.0% of the Issuer's consolidated total assets as of December 31, 2012.

15. So long as the notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market, all notices concerning the Issuer and intended for the bondholders will be published in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the Luxembourg Stock Exchange's website, [www.bourse.lu](http://www.bourse.lu).

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
<b>INEOS GROUP HOLDINGS S.A. (audited)</b>	
Auditors' Report for the year ended 31 December 2012 .....	F-2
Consolidated Income Statement for the year ended 31 December 2012 .....	F-3
Consolidated Statement of Comprehensive Income for the year ended 31 December 2012 .....	F-4
Consolidated Balance Sheet as at 31 December 2012 .....	F-5
Consolidated Statement of Changes in Equity for the year ended 31 December 2012.....	F-6
Consolidated Statement of Cash Flows for the year ended 31 December 2012 .....	F-8
Notes to the Consolidated Financial Statements for the year ended 31 December 2012.....	F-9
<b>INEOS GROUP HOLDINGS S.A. (audited)</b>	
Auditors' Report for the year ended 31 December 2011 .....	F-76
Consolidated Income Statement for the year ended 31 December 2011 .....	F-78
Consolidated Statement of Comprehensive Income for the year ended 31 December 2011 .....	F-79
Consolidated Balance Sheet as at 31 December 2011 .....	F-80
Consolidated Statement of Changes in Equity for the year ended 31 December 2011.....	F-81
Consolidated Statement of Cash Flows for the year ended 31 December 2011 .....	F-83
Notes to the Consolidated Financial Statements for the year ended 31 December 2011.....	F-84
<b>INEOS GROUP HOLDINGS PLC (audited)</b>	
Auditors' Report for the year ended 31 December 2010 .....	F-151
Consolidated Income Statement for the year ended 31 December 2010 .....	F-153
Consolidated Statement of Comprehensive Income for the year ended 31 December 2010 .....	F-154
Consolidated Balance Sheet as at 31 December 2010 .....	F-155
Consolidated Statement of Changes in Equity for the year ended 31 December 2010.....	F-156
Consolidated Statement of Cash Flows for the year ended 31 December 2010 .....	F-158
Notes to the Consolidated Financial Statements for the year ended 31 December 2010.....	F-159
<b>INEOS GROUP HOLDINGS S.A. (unaudited)</b>	
Income Statement for the three months ended March 31, 2013.....	F-227
Statement of Comprehensive Income for the three months ended March 31, 2013.....	F-228
Consolidated Balance Sheet as at March 31, 2013.....	F-229
Consolidated Statement of Changes in Equity for the three months ended March 31, 2013.....	F-230
Statement of Cash Flows for the three months ended March 31, 2013.....	F-231
Notes to the Consolidated Financial Statements for the three months ended March 31, 2013.....	F-232

## AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of  
**INEOS Group Holdings S.A.**

### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of INEOS Group Holdings S.A. and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### *Board of Directors', responsibility for the financial statements*

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Responsibility of the "Réviseur d'entreprises agréé"*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, these consolidated financial statements give a true and fair view of the consolidated financial position of INEOS Group Holdings S.A. and its subsidiaries as of December 31, 2012, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### **Report on other legal and regulatory requirements**

The management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

PricewaterhouseCoopers, Société coopérative  
Luxembourg, 28 March 2013

Represented by

Philippe Piérard

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012	2011	2010
		€m		
<b>Revenue</b> .....	2	<b>18,188.2</b>	<b>17,586.4</b>	<b>16,007.8</b>
Cost of sales before exceptional items.....		(16,714.7)	(15,844.5)	(14,354.9)
Exceptional impairment charge .....	4	(518.4)	—	—
Total cost of sales .....		<u>(17,233.1)</u>	<u>(15,844.5)</u>	<u>(14,354.9)</u>
<b>Gross profit</b> .....		<b>955.1</b>	<b>1,741.9</b>	<b>1,652.9</b>
Distribution costs .....		(228.4)	(240.6)	(257.4)
Administrative expenses before exceptional items.....		(219.8)	(241.3)	(235.4)
Exceptional administrative expenses .....	4	(14.6)	(35.8)	(11.2)
Total administrative expenses.....		<u>(234.4)</u>	<u>(277.1)</u>	<u>(246.6)</u>
Total expenses .....		<u>(462.8)</u>	<u>(517.7)</u>	<u>(504.0)</u>
<b>Operating profit</b> .....	5	<b>492.3</b>	<b>1,224.2</b>	<b>1,148.9</b>
Share of (loss)/profit of associates and jointly controlled entities using the equity accounting method .....		(14.7)	(67.8)	10.0
Profit on disposal of fixed assets .....		—	3.5	—
Loss on disposal of businesses.....	3	—	(2.1)	(74.7)
<b>Profit before net finance costs</b> .....		<b>477.6</b>	<b>1,157.8</b>	<b>1,084.2</b>
Total finance income .....	8	151.6	83.5	79.2
Total finance costs .....	8	(746.2)	(771.2)	(898.1)
Net finance costs.....	8	<u>(594.6)</u>	<u>(687.7)</u>	<u>(818.9)</u>
<b>(Loss)/profit before tax from continuing operations</b> .....		<b>(117.0)</b>	<b>470.1</b>	<b>265.3</b>
Tax charge .....	9	(158.5)	(234.4)	(243.6)
<b>(Loss)/profit for the year from continuing operations</b> .....		<b>(275.5)</b>	<b>235.7</b>	<b>21.7</b>
(Loss)/profit from discontinued operations, net of tax.....	3	(11.0)	140.7	(78.2)
<b>(Loss)/profit for the year</b> .....		<b><u>(286.5)</u></b>	<b><u>376.4</u></b>	<b><u>(56.5)</u></b>

The notes on pages F-10 to F-96 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

	<b>Note</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
		<b>€m</b>		
<b>(Loss)/profit for the year</b> .....		(286.5)	376.4	(56.5)
<b>Other comprehensive (loss)/income:</b>				
Foreign exchange translation differences net of tax .....		(21.1)	(59.3)	281.5
Foreign exchange differences recycled on disposal of subsidiaries net of tax.....	3	—	—	45.5
Net gain/(loss) on hedge of net investment in foreign operations net of tax.....	25.e	27.4	(18.4)	(73.8)
Actuarial losses on defined benefit pension schemes net of tax .....	21	(130.3)	(14.5)	(63.1)
<b>Other comprehensive (loss)/income for the year net of tax</b> .....		<b>(124.0)</b>	<b>(92.2)</b>	<b>190.1</b>
<b>Total comprehensive (loss)/income for the year</b> .....		<b>(410.5)</b>	<b>284.2</b>	<b>133.6</b>

The notes on pages F-10 to F-96 are an integral part of these consolidated financial statements.

**CONSOLIDATED BALANCE SHEET**

**AS AT 31 DECEMBER 2012**

	<u>Note</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
		€m		
<b>Non-current assets</b>				
Property, plant and equipment .....	10	3,093.8	3,566.3	4,402.3
Intangible assets .....	11	673.2	695.6	993.8
Investments in equity-accounted investees .....	12.a	423.2	432.3	105.6
Other investments .....	13	175.9	166.7	152.2
Other financial assets .....	14	51.0	47.5	90.1
Other receivables .....	18	164.8	19.5	29.3
Deferred tax assets .....	16	507.4	391.5	522.3
		<u>5,089.3</u>	<u>5,319.4</u>	<u>6,295.6</u>
<b>Current assets</b>				
Inventories .....	17	1,392.2	1,329.6	2,254.9
Trade and other receivables .....	18	1,908.7	2,056.5	2,244.4
Other financial assets .....	14	0.5	—	8.2
Cash and cash equivalents .....	28	1,235.4	582.4	599.2
		<u>4,536.8</u>	<u>3,968.5</u>	<u>5,106.7</u>
<b>Total assets</b> .....		<b><u>9,626.1</u></b>	<b><u>9,287.9</u></b>	<b><u>11,402.3</u></b>
<b>Equity attributable to owners of the parent</b>				
Share capital .....	23	0.9	0.9	0.9
Share premium .....		779.4	779.4	779.4
Other reserves .....		(1,427.2)	(1,303.2)	(1,211.0)
Retained earnings .....		(111.1)	200.4	(162.2)
<b>Total shareholders' deficit</b> .....		<b><u>(758.0)</u></b>	<b><u>(322.5)</u></b>	<b><u>(592.9)</u></b>
Non-controlling interest .....		—	—	—
<b>Total equity</b> .....		<b><u>(758.0)</u></b>	<b><u>(322.5)</u></b>	<b><u>(592.9)</u></b>
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings .....	19	7,272.2	6,284.1	6,954.9
Trade and other payables .....	20	120.3	85.2	91.2
Employee benefits .....	21	702.5	581.3	687.2
Provisions .....	22	19.4	25.9	46.5
Deferred tax liabilities .....	16	170.8	207.2	239.5
		<u>8,285.2</u>	<u>7,183.7</u>	<u>8,019.3</u>
<b>Current liabilities</b>				
Interest-bearing loans and borrowings .....	19	16.7	309.2	387.9
Trade and other payables .....	20	1,909.0	1,953.9	3,466.3
Tax payable .....		157.4	136.8	86.3
Other financial liabilities .....	15	0.3	12.7	6.7
Provisions .....	22	15.5	14.1	28.7
		<u>2,098.9</u>	<u>2,426.7</u>	<u>3,975.9</u>
<b>Total liabilities</b> .....		<b><u>10,384.1</u></b>	<b><u>9,610.4</u></b>	<b><u>11,995.2</u></b>
<b>Total equity and liabilities</b> .....		<b><u>9,626.1</u></b>	<b><u>9,287.9</u></b>	<b><u>11,402.3</u></b>

These financial statements were approved by the board of directors on 28 March 2013 and were signed on its behalf by:

Peter Huyck      Florence Bardot  
*Director*                  *Director*

The notes on pages F-10 to F-96 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Share capital	Share premium	Other reserves	Retained earnings	Shareholders' deficit	Non- controlling interest	Total equity
	€m						
<b>Balance at 1 January 2010 as restated</b> .....	0.9	779.4	(1,400.9)	(82.7)	(703.3)	12.9	(690.4)
Loss for the year .....	—	—	—	(56.5)	(56.5)	—	(56.5)
<b>Other comprehensive income:</b>							
Foreign exchange translation differences.....	—	—	281.3	—	281.3	0.2	281.5
Foreign exchange differences recycled on disposal of subsidiaries	—	—	45.5	—	45.5	—	45.5
Net loss on hedge of net investment in foreign operations.....	—	—	(73.8)	—	(73.8)	—	(73.8)
Actuarial losses on defined benefit plan schemes net of tax	—	—	(63.1)	—	(63.1)	—	(63.1)
<b>Transactions with owners, recorded directly in equity:</b>							
Dividend.....	—	—	—	(23.0)	(23.0)	—	(23.0)
Disposals (see Note 3)....	—	—	—	—	—	(13.1)	(13.1)
<b>Balance at 31 December 2010 as restated</b> .....	<b>0.9</b>	<b>779.4</b>	<b>(1,211.0)</b>	<b>(162.2)</b>	<b>(592.9)</b>	<b>—</b>	<b>(592.9)</b>
Profit for the year.....	—	—	—	376.4	376.4	—	376.4
<b>Other comprehensive income:</b>							
Foreign exchange translation differences.....	—	—	(59.3)	—	(59.3)	—	(59.3)
Net loss on hedge of net investment in foreign operations.....	—	—	(18.4)	—	(18.4)	—	(18.4)
Actuarial losses on defined benefit plan schemes net of tax	—	—	(14.5)	—	(14.5)	—	(14.5)
<b>Transactions with owners, recorded directly in equity:</b>							
Dividend.....	—	—	—	(13.8)	(13.8)	—	(13.8)
<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>	<b>—</b>	<b>(322.5)</b>
<b>Balance at 31 December 2011</b>	0.9	779.4	(1,303.2)	200.4	(322.5)	—	(322.5)
Loss for the year .....	—	—	—	(286.5)	(286.5)	—	(286.5)
<b>Other comprehensive income:</b>							
Foreign exchange translation differences.....	—	—	(21.1)	—	(21.1)	—	(21.1)
Net gain on hedge of net investment in foreign operations.....	—	—	27.4	—	27.4	—	27.4
Actuarial losses on defined benefit plan schemes net of tax	—	—	(130.3)	—	(130.3)	—	(130.3)
<b>Transactions with owners, recorded directly in equity:</b>							
Dividend.....	—	—	—	(25.0)	(25.0)	—	(25.0)
<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>	<b>—</b>	<b>(758.0)</b>

The notes on pages F-10 to F-96 are an integral part of these consolidated financial statements.



## Analysis of other reserves

	Translation reserve	Fair value reserve	Actuarial gains/losses	Merger reserve	Total other reserves
<b>Balance at 1 January 2010 as restated .....</b>	<b>(388.9)</b>	<b>22.9</b>	<b>(234.2)</b>	<b>(800.7)</b>	<b>(1,400.9)</b>
Foreign exchange translation differences .....	281.3	—	—	—	281.3
Foreign exchange differences recycled on disposal of subsidiaries .....	45.5	—	—	—	45.5
Net loss on hedge of net investment in foreign operations.....	(73.8)	—	—	—	(73.8)
Actuarial losses on defined benefit plan schemes net of tax .....	—	—	(63.1)	—	(63.1)
<b>Balance at 31 December 2010 as restated .....</b>	<b>(135.9)</b>	<b>22.9</b>	<b>(297.3)</b>	<b>(800.7)</b>	<b>(1,211.0)</b>
Foreign exchange translation differences .....	(59.3)	—	—	—	(59.3)
Net loss on hedge of net investment in foreign operations.....	(18.4)	—	—	—	(18.4)
Actuarial losses on defined benefit plan schemes net of tax .....	—	—	(14.5)	—	(14.5)
<b>Balance at 31 December 2011 .....</b>	<b>(213.6)</b>	<b>22.9</b>	<b>(311.8)</b>	<b>(800.7)</b>	<b>(1,303.2)</b>
Foreign exchange translation differences .....	(21.1)	—	—	—	(21.1)
Net gain on hedge of net investment in foreign operations.....	27.4	—	—	—	27.4
Actuarial losses on defined benefit plan schemes net of tax .....	—	—	(130.3)	—	(130.3)
<b>Balance at 31 December 2012 .....</b>	<b>(207.3)</b>	<b>22.9</b>	<b>(442.1)</b>	<b>(800.7)</b>	<b>(1,427.2)</b>

The notes on pages F-10 to F-96 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012	2011	2010
		€m		
<b>Cash flows from operating activities</b>				
(Loss)/profit for the year.....		(286.5)	376.4	(56.5)
Adjustments for:				
Depreciation and impairment.....	10	997.8	492.1	567.7
Amortisation.....	11	12.1	11.8	12.6
Net finance costs.....	8	594.6	687.7	820.4
Share of losses/(profits) of equity-accounted investees.....		14.7	67.8	(12.9)
Loss/(profit) on sale of property, plant and equipment.....	5	0.7	(3.5)	5.7
Loss/(profit) on disposal of businesses.....	3	11.0	(74.2)	74.7
Tax charge.....	9	158.5	259.4	213.1
Decrease/(increase) in trade and other receivables.....		61.9	(353.8)	(538.9)
Decrease/(increase) in inventories.....		(85.4)	55.6	(724.8)
(Decrease)/increase in trade and other payables.....		(8.1)	(208.1)	835.1
(Decrease)/increase in provisions and employee benefits.....		(112.1)	(12.0)	(49.6)
Tax paid.....		(229.3)	(134.9)	(91.5)
<b>Net cash from operating activities.....</b>		<b>1,129.9</b>	<b>1,164.3</b>	<b>1,055.1</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment.....		—	3.8	—
Proceeds from sales of investments.....		—	11.2	—
Interest and other finance income received.....		3.8	5.8	3.2
Dividends received.....		5.4	5.4	9.1
Disposal of businesses, net of cash disposed of.....	3	(0.2)	664.1	415.2
Acquisition of subsidiaries, net of cash acquired.....		—	—	—
Acquisition of intangible assets.....		(0.2)	—	—
Acquisition of property, plant and equipment.....		(461.1)	(396.2)	(344.3)
Acquisition of other investments.....		(0.2)	—	—
<b>Net cash generated in investing activities.....</b>		<b>(452.5)</b>	<b>294.1</b>	<b>83.2</b>
<b>Cash flows from financing activities</b>				
Securitisation Facility.....		(194.5)	(68.4)	119.7
Revolving Credit Facility.....		(293.0)	(43.7)	(239.8)
Proceeds from new Senior Secured Notes.....		1,847.0	—	730.4
Proceeds from new Senior Secured Term Loans.....		2,291.1	—	—
Redemption of Senior Facilities Agreement.....		(2,863.5)	—	—
Issue costs paid.....		(91.7)	(10.7)	(79.3)
Interest paid.....		(672.7)	(654.8)	(763.4)
Repayment of loans.....		(17.9)	(686.0)	(952.8)
Dividends paid.....	24	(25.0)	(13.8)	(23.0)
Capital element of finance lease payment.....		(1.8)	(1.0)	(0.2)
<b>Net cash used in financing activities.....</b>		<b>(22.0)</b>	<b>(1,478.4)</b>	<b>(1,208.4)</b>
Net increase/(decrease) in cash and cash equivalents.....	28	655.4	(20.0)	(70.1)
Cash and cash equivalents at 1 January.....	28	582.4	599.2	662.1
Effect of exchange rate fluctuations on cash held.....		(2.4)	3.2	7.2
<b>Cash and cash equivalents at 31 December.....</b>	28	<b>1,235.4</b>	<b>582.4</b>	<b>599.2</b>

The notes on pages F-10 to F-96 are an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

(forming part of the financial statements)

#### 1. ACCOUNTING POLICIES

##### *Overview*

Ineos Group Holdings S.A. (the “Company”) is a company incorporated and domiciled in the form of a société anonyme under the laws of the Grand-Duchy of Luxembourg, having its registered office at 58, rue Charles Martel, L-2134 Luxembourg, Grand-Duchy of Luxembourg. The nature of the operations and principal activities of the Company and its subsidiaries are the manufacture and sale of a range of chemicals and refined products used in a variety of applications.

##### *Basis of accounting*

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 years. An adjustment has been made to restate equity in 2010 to that of the new parent, resulting in a reduction in share capital of €16.8 million, an increase in the share premium account of €728.3 million and an increase in the merger reserve of €711.5 million, compared to those presented in the consolidated financial statements of Ineos Group Holdings plc.

In addition, the ultimate parent company of Ineos Group Holdings plc, Ineos Limited and two of its subsidiaries are now subsidiaries of Ineos Group Holdings S.A. as a result of the group reorganisation. In accordance with the accounting principles for entities under common control, the comparative financial information has been restated such that it has been presented as if they were always part of the consolidated group. In the year ended 31 December 2010, dividends paid of €23.0 million have been reflected in the statement of changes of equity.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the “Group”) and equity account the Group’s interest in associates and jointly controlled entities.

On July 1, 2011 the Group disposed of its Refining business to a new joint venture between PetroChina and INEOS Investments (Jersey) Limited, a related party. As a result of the disposal the Refining business has been treated as a discontinued operation and the comparatives have been restated accordingly (see note 3).

The Group financial statements have 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) and IFRIC interpretations on a going concern basis effective as of 31 December 2012 and have been approved on 28 March 2013.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

##### *Measurement convention*

The financial statements are prepared on the historical cost basis except that derivative financial instruments and financial instruments classified as fair value through the profit or loss are stated at their fair value and non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

##### *Functional and presentation currency*

These Group financial statements are presented in euro, which is the functional currency of the majority of operations. The Group’s primary products are sold in an international commodities market which is priced and invoiced primarily in euros.

All financial information presented in euro has been rounded to the nearest €0.1 million.

### ***Changes in accounting policies***

The Group has applied the following accounting standards for the first time in 2012 with effect from 1 January 2012 (with prior period comparative information restated, to the extent required and as explained below):

- Amendments to IFRS 7 ‘Disclosures—Transfers of Financial Assets’ (mandatory for year commencing on or after 1 July 2011).

The amendment requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendment will allow users of financial statements to improve their understanding of transfer transactions of financial assets including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The Group does not have had a disproportionate amount of transfers around reporting period ends so the application of the amendment has had no effect on the financial statements.

- Amendments to IAS 12 ‘Deferred Tax: Recovery of Underlying Assets’ (mandatory for year commencing on or after 1 January 2012). IAS 12 has been updated to include:
  - A rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale;

and

- A requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis

The Group does not hold any investment property so the application of the amendment has had no effect on the financial statements.

### ***Basis of consolidation***

#### ***Subsidiaries***

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the Group financial statements from the date that control commences until the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated.

#### ***Special purpose entities (“SPE”)***

An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE’s risks and rewards, the Group concludes that it controls the SPE.

The Group has established an SPE, Ineos Finance Ireland Limited, for a debt securitisation programme. The Group does not have any direct or indirect shareholdings in this SPE. Ineos Finance Ireland Limited is controlled by the Group as it was established under terms that impose strict limitations on the decision-making powers of the SPE’s management that result in the Group receiving the majority of the benefits related to the SPE’s operations and net assets, being exposed to the majority of risks arising from the SPE’s activities, and retaining the majority of the residual or ownership risks related to the SPE and its assets. Ineos Finance Ireland Limited is therefore regarded as an SPE and has been consolidated in these financial statements.

### *Associates and jointly controlled entities (equity accounted investees)*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring the venturers' unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost.

The Group's investment in associates and jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment losses.

The Group financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

### ***Foreign exchange***

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign exchange are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, euros, at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at exchange rates prevailing at the dates of the transactions. The Group applies an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are taken directly to the translation reserve. They are recycled into the consolidated income statement upon disposal.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve. Foreign exchange differences arising on the retranslation of a borrowing designated as a hedge of a net investment in a foreign operation are recognised directly in equity, in the translation reserve, to the extent that the hedge is effective. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

### ***Classification of financial instruments issued by the Group***

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity

instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

##### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Trade and other payables*

Trade and other payables are recognised initially at fair value less transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### *Investments in debt and equity securities*

Investments in loans and receivables are stated at amortised cost less impairment.

Other investments in debt and equity securities held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised in other comprehensive income (in a fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. Where no reliable measurement of fair value is available, available-for-sale investments are stated at historic acquisition cost (see Note 14).

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

##### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

##### *Debt restructuring*

The Group derecognises financial liabilities in accordance with the provisions in IAS 39. When debt is modified, the Group analyses the modifications from both a quantitative and qualitative perspective to determine if the modifications are substantial and meet the IFRS requirements for derecognition, in which case the debt is treated as extinguished. All fees paid in connection with a debt extinguishment are expensed immediately. When a modification is accounted for as a non-substantial modification, associated fees incurred are deferred as an adjustment to the carrying value of the liability and amortised using the effective interest method.

## ***Derivative financial instruments and hedging***

### ***Derivative financial instruments***

Derivative financial instruments are initially recognised at fair value. The gain or loss on subsequent remeasurement to fair value is recognised immediately in the consolidated income statement as finance income or expense. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

### ***Cash flow hedges***

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the consolidated income statement as finance income or expense.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, e.g. when interest income or expense is recognised.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and included in the consolidated income statement as an adjustment to turnover and cost of sales in the same period or periods during which the hedged forecast transaction affects turnover and cost of sales in the consolidated income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the consolidated income statement immediately.

### ***Hedge of net investment in foreign operation***

The Group applies hedge accounting to foreign exchange differences arising on the retranslation of a foreign currency loan where the loan is designated as a hedge of a net investment in a foreign operation in accordance with IAS 21 and IAS 39.

Exchange differences arising on retranslation of foreign currency loans designated as a net investment hedge are taken directly to equity via the consolidated statement of comprehensive income. Gains and losses accumulated in the translation reserve will be recycled to the statement of comprehensive income when the foreign operation is sold.

## ***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Cost may include the cost of materials, labour and other costs directly attributable to bringing the assets to a working condition for their intended use. Cost may also include the cost of dismantling and removing items and restoring the site on which they are located.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. The assets are depreciated over the shorter of their useful life or asset lease term. Lease payments are accounted for as described below.

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation commences from the date an asset is brought into service. Land and assets in the course of construction are not depreciated. The estimated useful lives are as follows:

- Buildings 10 - 40 years
- Plant and equipment and fixtures and fittings 3 - 40 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, the Group makes an estimate of the recoverable amount, which is the higher of the asset's fair value less cost to sell and value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated income statement in the period in which the item is derecognised.

#### ***Business combinations, goodwill and intangible assets***

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities. In respect of business acquisitions that have occurred since 1 January 2007, goodwill represents the difference between the cost of the acquisition and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. For any acquisitions occurring on or after 1 January 2009, all transaction costs are expensed as incurred.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to groups of cash-generating units and is not amortised but is tested annually for impairment. At Ineos, cash generating units are predominately business units. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Negative goodwill arising on an acquisition is recognised immediately in the consolidated income statement.

#### ***Intangible assets***

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. These intangible assets principally comprise intellectual property rights, customer relationships, non-compete agreements and license fees.

Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of other consideration given to acquire the assets. An intangible asset acquired as part of a business combination is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

#### ***Amortisation***

Amortisation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are



systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Customer relationships 3 years
- Intellectual property rights 10 - 15 years
- Non-compete agreements life of the agreement
- Licenses up to 15 years

These intangible assets are tested for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying value may not be recoverable. Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**  
**(FORMING PART OF THE FINANCIAL STATEMENTS)**

**1. ACCOUNTING POLICIES**

*Research and development*

Expenditure on research activities is recognised in the consolidated income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Where regulatory and other uncertainties are such that the criteria are not met, the expenditure is recognised in the income statement. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

*Impairment excluding inventories and deferred tax assets*

The carrying amounts of the Group's assets are assessed at the end of the reporting period to determine whether there is any indication of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and other intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at the end of the reporting period.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

*Calculation of recoverable amount*

The recoverable amount of the Group's receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables are not discounted where their duration is less than one year or where the effect of discounting is not material.

The recoverable amount of other assets is the greater of their fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

### *Reversals of impairment*

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### *Inventories*

Inventories are stated at the lower of average cost and net realisable value. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Provision is made for obsolete, slow-moving or defective items where appropriate.

Items owned by the Group that are held on consignment at another entity's premises are included as part of the Group's inventory.

### *Commodities*

Contracts that are entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with the company's expected purchase, sale or usage requirements (own-use contracts) are not accounted for as derivative financial instruments, but rather as executory contracts.

### *Employee benefits*

The Group operates a number of defined contribution plans and funded and unfunded defined benefit pension schemes. The Group also provides unfunded early retirement benefits, long service awards and an incentive plan for certain employees.

The Group provides health care insurance to eligible retired employees and their dependants, primarily in the United States.

#### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated income statement as incurred.

#### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans and other post employment benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The liability discount rate is the yield at the reporting date on AA credit rated bonds denominated in the currency

of, and that have maturity dates approximating to the terms of, the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the consolidated income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the consolidated income statement.

All actuarial gains and losses as at 1 January 2007, the date of transition to IFRSs, were recognised. In respect of actuarial gains and losses that arise subsequent to 1 January 2007, the Group recognises them in the period they occur directly in equity through the statement of comprehensive income.

Where the calculation results in a benefit to the Group, the asset recognised is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between:

- cost of sales,
- net finance costs and,
- in net expense recognised directly in equity, the actuarial gains and losses.

#### *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### *Incentive plan*

Certain employees of the Group are eligible to participate in an incentive plan (the Plan) operated by Ineos Holdings Luxembourg S.A, the parent of Ineos Group Holdings S.A in Luxembourg. Ineos Holdings Luxembourg S.A issues "Business Tracker Shares" in relation to each of the businesses operated by Ineos Holdings Luxembourg S.A and its subsidiaries, including those businesses within the Ineos Group Holdings S.A group. These Business Tracker Shares entitle the holder of the share to appreciation in market value (rather than the totality of the market value) of the relevant business compared with the market value at the date of acquisition of the relevant share. Determination of market values, and any discretionary adjustments, is made by a committee (the Special Committee) of Ineos Limited.

The Plan is considered to be in the nature of a Share-based Payment arrangement within the scope of IFRS 2. The Ineos Group Holdings S.A. group neither receives nor makes any payments and incurs no liabilities in respect of its employees' participation in the Plan. Under IFRS 2 (as amended in June 2009 for "Group Cash-settled Share-based Payment Transactions" which the Directors have elected to adopt early) the Group recognises any deemed cost of the arrangement in accordance with the requirements applicable to equity-settled share-based payment transactions, with a corresponding increase in equity as a contribution from the parent. Participating employees purchase Business Tracker Shares from the Trust which administers the Plan at a price which is related to the approximate market value of the relevant Business Unit. Accordingly the Directors believe that the net fair value of the benefit at the date of grant after taking account of the payment for the shares is not significant and no cost has been recognised in these financial statements.

#### *Provisions*

A provision is recognised in the consolidated balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

### ***Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### ***Revenue***

Revenue represents the invoiced value of products sold or services provided to third parties net of sales discounts, value added taxes and duties. Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer and it can be reliably measured.

The pricing for products sold is determined by market prices (market contracts and arrangements) or is linked by a formula to published raw material prices plus an agreed additional amount (formula contracts). Revenue arising from the sale of goods is recognised when the goods are either dispatched or delivered depending on the relevant delivery terms and the point at which risks and rewards have been transferred to the buyer when the prices are determinable and when collectability is considered probable.

Services provided to third parties include administrative and operational services provided to other chemical companies with units on our sites and services under tolling arrangements. Under tolling arrangements, customers pay for or provide raw materials to be converted into a certain specified product, for which the Group charges a toll fee. The Group only recognises the toll fee as revenue earned under such arrangements upon shipment of the converted product to the customer as this is the point at which risks and rewards have been transferred to the buyer. For all other services, revenue is recognised upon completion of the service provided.

### ***Government grants***

Government grants are shown in the consolidated balance sheet as deferred income. This income is amortised on a straight line basis over the same period as the tangible fixed asset to which it relates or the life of the related project.

### ***Expenses***

#### ***Operating lease payments***

Payments made under operating leases are recognised in the consolidated income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated income statement as an integral part of the total lease expense.

#### ***Finance lease payments***

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### ***Finance income and expenses***

Interest income and interest payable is recognised in the consolidated income statement as it accrues, using the effective interest method. Dividend income is recognised in the consolidated income statement on the date the entity's right to receive payments is established. Foreign exchange gains and losses are reported on a net basis.

Finance costs comprise interest payable, finance charges on finance leases, unwinding of the discount on provisions, net fair value losses derivatives and net foreign exchange losses that are recognised in the consolidated income statement (see foreign exchange accounting policy). Finance income comprise interest receivable on funds invested, expected return on defined benefit pension plan assets, net fair value gain on derivatives and net foreign exchange gains.

## ***Taxation***

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

## ***Segmental analysis***

The Group determines its operating segments in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments. The chief operating decision-makers are the members of the Executive Committee of the ultimate parent undertaking, Ineos AG. The members of this committee are the previous company board members and the information presented is unchanged from prior year and therefore there is no change to the segment information presented.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the chief operating decision-makers to make decisions about resources to be allocated to the segment and assess its performance.

The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure and the aggregation criteria set out in IFRS 8.

Segment results that are reported to the chief operating decision-makers include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than as acquired through business combinations.

## ***Emission trading scheme***

The Group participates in the EU Emissions Trading Scheme. The Scheme encourages companies to reduce carbon emissions by offering financial incentives if they achieve their annual reduction targets. If a company reduces emissions beyond their target then the surplus may be traded in the form of emissions permits.

The incentive money due from the EU Emissions Trading Scheme is recognised in the consolidated income statement once the reduction targets have been met. The emissions permits allocated under the Scheme are at nil cost. The Group recognises the revenue from such permits upon their sale to third parties.

The Kyoto Protocol sets legally binding targets for cutting emissions and provides for three international "flexible mechanisms" to be used by developed countries in cost effectively meeting their greenhouse gas emissions targets, one of which is the Clean Development Mechanism ("CDM"). This permits industrialised countries to meet part of their commitments through projects in developing countries. The CDM programme provides incentives for the project participants in the form of Certified Emissions Reductions ("CERs"). It is the trading of these CERs that provides the market incentive to reduce emissions. The Group is involved in a number of CDM projects. CERs produced from these projects are recorded at

nil cost. CERs purchased from third parties are recognised within stock on the basis of purchased cost. The Group recognises the revenue from sale of CERs upon their sale to third parties.

The Group recognises a provision for emissions produced. The provision is measured at the carrying amount of the emission rights held (nil if granted, otherwise at cost) or, in the case of a shortfall, at the current fair value of the emission rights needed.

### ***Exceptional items***

The presentation of the Group's results separately identifies the effect of profits and losses on the disposal of businesses, the impairment of non-current assets, the cost of restructuring acquired businesses and the impact of one off events such as legal settlements as exceptional items. Results excluding disposals, impairments, restructuring costs and one off items are used by management and are presented in order to provide readers with a clear and consistent presentation of the underlying operating performance of the Group's ongoing business.

### ***Accounting standards not applied***

The following IFRSs relevant to the Group have been endorsed by the EU and were available for early application but have not been applied by the Group in these financial statements. The impact of their adoption is currently being assessed and is not expected to have a material effect on the financial statements unless otherwise indicated:

- IAS 1 Financial Statement Presentation—Presentation of Items of Other Comprehensive Income (OCI) Assets' (mandatory for year commencing on or after 1 July 2012). The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items that will never be reclassified.
- Amendments to IAS 19 'Defined Benefit Plans' (mandatory for year commencing on or after 1 January 2013). The amendments require the recognition of changes in the net defined benefit liability/ (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements (eliminating the 'corridor approach' permitted by the existing IAS 19). The Group is yet to assess IAS 19's amendments full impact, but the amendments have the potential to have a material impact on the accounting for the Group's defined benefit pension schemes.
- Amendments to IFRS 7 'Disclosures—Offsetting Financial Assets and Financial Liabilities' (mandatory for year commencing on or after 1 January 2013). The amendments to IFRS 7 require disclosures that will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of off-set associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.
- IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (mandatory for year commencing on or after 1 January 2014). IFRS 10 replaces the portion of IAS 27 "Consolidated and Separate Financial Statements" that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation—Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent. As a consequence of the new IFRS 10 "Consolidated Financial Statements" and IFRS 12 "Disclosure of Interests in Other Entities", what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group is yet to assess IFRS 10's full impact, but the new standard has the potential to have a material impact on the accounting for the Group's investments.
- IFRS 11 Joint Arrangements and Amendments to IAS 28 (2008) Investments in Associates and Joint Ventures (mandatory for year commencing on or after 1 January 2014). IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly controlled Entities—Non-monetary Contributions by Venturers". IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

- Amendments to IAS 32 ‘Offsetting Financial Assets and Financial Liabilities’ (mandatory for year commencing on or after 1 January 2014). The amendments to IAS 32 clarify certain aspects because of diversity in application of the requirements on offsetting including the meaning of ‘currently has a legally enforceable right of off-set’, the application of simultaneous realization and settlement, the offsetting of collateral amounts and the unit of account for applying the offsetting requirements.
- IFRS 12 Disclosure of Interests in Other Entities (mandatory for year commencing on or after 1 January 2014). IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.
- IFRS 13 Fair Value Measurement (mandatory for year commencing on or after 1 January 2014). IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

## 2. OPERATING SEGMENTS

The determination of the Group’s operating segments is based on the business units for which information is reported to the Group’s Chief Operating Decision Maker. The Group has three reportable segments, as described below.

- The Group’s Olefins and Polymers business units produce olefins and related products and a broad range of polymers. The Group’s olefins businesses are focused on ethylene and propylene, which are the two largest volume olefins globally and are key building blocks for polymers. These olefins are primarily used as feedstock for the Group’s polymers business. In addition, the Group sells olefins to third party customers for a variety of industrial and consumer applications, including plastics, rubber and fibre.

O&P North America segment—In North America, the group’s Olefins and Polymers business comprises five sites including major facilities in Chocolate Bayou, Texas, and Battleground, Texas.

O&P Europe segment—In Europe, the Group owns and operates three major cracker complexes, two that are integrated with joint venture refineries in Grangemouth, United Kingdom and Lavéra, France and one in Cologne, Germany. Each of these sites includes polymers and derivatives units. The O&P Europe business is managed as three regional businesses which are consolidated for reporting.

- Chemical Intermediates—This reportable segment is the aggregation, in compliance with IFRS 8, of a number of different business units with similar economic and other characteristics. Chemical Intermediates are high-value added chemical products used as key components in a variety of consumer and industrial products. The Group’s chemical intermediates businesses are exposed to similar key commodities, namely oil and gas. They produce a range of products including phenol, alpha olefins, solvents, industrial chemicals and nitriles. The Chemical Intermediates processes are similar in that they are all capital intensive and based upon processing and mixing chemical raw materials to produce chemical products for the next stage along the value chain. The Chemical Intermediates products are distributed on a business-to-business basis across the world. This is performed using similar conventional methods of pipeline, truck, rail or ship container depending on the customer location and size of the order. The Chemical Intermediates customer base is similar in that the customers are generally manufacturers of consumer and industrial products in developed markets and mature industrial economies. The accounting policies of all of the reportable segments are as described in Note 1.

Information regarding the operations of each reportable segment is included in the following tables. Performance is measured based on earnings before interest, tax, depreciation and amortisation and exceptional items other than exceptional cost of sales items, measured under UK GAAP (“Segment EBITDA”). Segment EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm’s length basis. Information regarding segments reviewed by management includes management accounts comprising the profit or loss, cash flows and other financial and non financial information used to manage the business.

Adjustments in the following tables comprise the following items:



- Elimination of inter-segmental transactions and balances; and
- Differences arising from conversion of UK GAAP to IFRS. These include treatment of negative goodwill, amortisation of goodwill, accounting for derivatives, treatment of deferred tax on pensions, accounting for joint ventures and exchange differences recycled on disposal of businesses.
- The groups share of profit/(loss) in respect of the Refining joint venture.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**(FORMING PART OF THE FINANCIAL STATEMENTS)**

**2. OPERATING SEGMENTS**

**Segment information—2012**

	Reportable segments			Total of reportable segments	Adjustments	Amounts in financial statements
	O&P North America	O&P Europe	Chemical Intermediates			
				€m		
Reportable segment revenue.....	3,443.1	7,889.0	9,367.0	20,699.1	(2,510.9)	18,188.2
Reportable segment EBITDA.....	706.0	122.2	688.6	1,516.8	—	1,516.8
Depreciation of property, plant and equipment and intangible assets.....	(82.2)	(176.1)	(215.8)	(474.1)	(17.4)	(491.5)
Impairment of property, plant and equipment and intangible assets.....	—	(518.4)	—	(518.4)	—	(518.4)
Exceptional items (excluding items relating to impairment and financing).	—	(12.0)	(2.6)	(14.6)	—	(14.6)
Share of profit/(loss) of associates and jointly controlled entities.....	—	1.8	0.9	2.7	(17.4)	(14.7)
Net finance costs						(594.6)
Profit before tax from continuing operations						(117.0)
Payments for capital expenditure.....	141.7	122.4	197.0	461.1	—	461.1

Major items in the adjustments column include:

- Reportable segment revenues: the elimination of inter-segmental revenues: 2012: €2,510.9 million (2011: €3,303.5 million, 2010: €2,707.0 million).
- Share of profit/(loss) of associates and jointly control entities: Refining joint venture: 2012: €(17.4) million (2011: €(70.7) million).

Payments for capital expenditure in respect of Refining were €nil million (2011: €54.8 million, 2010: €130.2 million).

**Segment information—2011**

	Reportable segments			Total of reportable segments	Adjustments	Amounts in financial statements
	O&P North America	O&P Europe	Chemical Intermediates			
				€m		
Reportable segment revenue.....	3,591.2	7,523.3	9,775.4	20,889.9	(3,303.5)	17,586.4
Reportable segment EBITDA.....	477.6	358.3	877.6	1,713.5	—	1,713.5
Depreciation and impairment of property, plant and equipment and intangible assets.....	(72.7)	(163.6)	(211.2)	(447.5)	(6.0)	(453.5)
Exceptional items (excluding items relating to impairment and financing).	—	(7.4)	(21.8)	(29.2)	(6.6)	(35.8)
Share of profit/(loss) of associates and jointly controlled entities.....	—	3.2	1.5	4.7	(72.5)	(67.8)
Profit on disposal of fixed assets.....	—	—	3.5	3.5	—	3.5
Profit/(loss) on disposal of businesses.....	—	—	(2.1)	(2.1)	—	(2.1)
Net finance costs						(687.7)
Profit before tax from continuing operations						470.1
Payments for capital expenditure.....	52.8	113.0	175.6	341.4	—	341.4

On July 1, 2011 the Group disposed of its Refining business to a new joint venture between Petro China and INEOS Investments (Jersey) Limited, a related party and as such the Refining segment has been treated as a discontinued operation and not included in the analysis of segmental results from continuing operations (see Note 3b).

For the year ended 31 December 2011 the Group changed its definition of EBITDA before exceptionals to exclude share of profit/(loss) of associates and jointly controlled entities. The results of 2010 have not been restated for this change in definition since there is no material impact on the results presented.

### Segment information—2010

	Reportable segments			Total of reportable segments	Adjustments	Amounts in financial statements
	O&P North America	O&P Europe	Chemical Intermediates			
				€m		
Reportable segment revenue.....	3,253.8	6,543.7	8,917.3	18,714.8	(2,707.0)	16,007.8
Reportable segment EBITDA.....	330.8	326.5	997.5	1,654.8	—	1,654.8
Depreciation and impairment of property, plant and equipment and intangible assets .....	(84.6)	(164.4)	(246.3)	(495.3)	10.6	(484.7)
Exceptional items (excluding items relating to impairment and financing).....	—	(1.7)	(9.5)	(11.2)	—	(11.2)
Loss on disposal of businesses .....	—	—	154.3	154.3	(229.0)	(74.7)
Net finance costs .....						(818.9)
Profit before tax from continuing operations .....						265.3
Share of profit/(loss) of associates and jointly controlled entities .....	1.8	11.7	0.2	13.7	(3.7)	10.0
Payments for capital expenditure .....	44.6	63.0	106.5	214.1	—	214.1

### Geographic segments

	Revenues		
	2012	2011	2010
	€m		
<b>Geographical information by location of customers:</b>			
Europe.....	11,634.6	10,911.8	9,879.5
Americas .....	4,789.5	5,360.2	4,943.5
Rest of World.....	1,764.1	1,314.4	1,184.8
<b>Total.....</b>	<b>18,188.2</b>	<b>17,586.4</b>	<b>16,007.8</b>
<b>Geographical information by location from which the Group derives revenue:</b>			
Europe.....	12,826.8	11,575.3	10,440.3
Americas .....	5,128.4	5,779.0	5,345.9
Rest of World.....	233.0	232.1	221.6
<b>Total.....</b>	<b>18,188.2</b>	<b>17,586.4</b>	<b>16,007.8</b>

In presenting information on the basis of geographic analysis of segments, segment revenue is based on the geographical location of customers and geographical locations from which the Group derives revenues.

Revenues from external customers for each product and service or each group of similar products and services and a geographic analysis of segment assets are not presented as the necessary information is not available and the Directors are of the opinion that the cost to develop it would be excessive.

### 3. DISPOSALS

#### 2012 disposals

During 2012 a further adjustment was made to the Refining business disposal following a working capital settlement adjustment which resulted in an additional loss on disposal from discontinued operations of €11.0 million (see Note 3(b)).

## 2011 disposals

### Refining business

On July 1, 2011 the group disposed of the Refining business to a new joint venture between PetroChina and INEOS Investments (Jersey) Limited ('IIJL'), a related party. IIJL is held under common control by our controlling shareholders. The consideration received by the Group for the disposal consisted of cash consideration of \$1.015 billion received from PetroChina for a 50% interest in the business and an investment in non-voting ordinary shares in IIJL for the other 50% interest in the business. The Group effectively retains an economic interest in the Refining business by virtue of its investment in IIJL. The results of the Refining business are now reported against the share of (loss)/profit of associates and jointly controlled entities using the equity accounting method by virtue of this interest.

For so long as any of the Senior Secured Notes or Senior Notes remain outstanding, the non-voting ordinary shares in IIJL will have the right to receive an amount equal to all amounts received by IIJL (net of its administrative expenses) in respect of its investments, including its equity interest, in the disposed Refining business. In addition IIJL shall be obliged to distribute to the Group, subject to applicable legal requirements, in the form of dividends or as a return of capital, all amounts received by it in respect of such investments, less such administrative expenses. For so long as any of the Senior Secured Notes and Senior Notes are outstanding, the non-voting ordinary shares will be entitled to receive all returns of capital, including upon a merger, sale or similar transaction involving, or a winding up or liquidation of, IIJL. Once the Senior Secured Notes or Senior Notes have been redeemed or repaid, on a return of capital or on a winding up of IIJL the holders of the ordinary shares shall be entitled to, in priority to any payment to holders of any other class of shares, \$1.015 billion of the total capital returned to the voting shareholders.

#### (a) Effect of the aggregated disposals on individual assets and liabilities

	<b>2011</b>
	<b>€m</b>
Goodwill .....	278.3
Property, plant and equipment .....	756.2
Inventories .....	899.1
Other financial assets .....	55.4
Trade and other receivables .....	762.1
Employee benefits .....	(107.4)
Deferred tax asset on employee benefits .....	31.3
Trade and other payables .....	(1,642.1)
Deferred tax liability .....	(5.1)
Provisions .....	(22.5)
Net assets disposed of .....	<u>1,005.3</u>
Costs of disposal .....	27.9
Deferred consideration .....	3.6
Cash proceeds .....	685.9
Non-voting ordinary shares in IIJL .....	<u>420.0</u>
<b>Profit on disposal of business .....</b>	<b><u>76.3</u></b>

The non-voting ordinary shares in IIJL were fair valued at €420 million. This reflects the net present value of the future cash flows expected to be realised by the group for the ownership of these non-voting shares and takes into account the loss in control of the Refining trade and assets.

#### (b) Results of discontinued operations

An analysis of the results of the Refining business operations is set out below.

	<b>Year Ended December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>(€ in millions)</b>		
Revenue .....	—	6,261.8	8,782.5
Expenses .....	—	(6,172.4)	(8,891.1)
<b>Profit/(loss) before tax of discontinued operations .....</b>	<b>—</b>	<b>89.4</b>	<b>(108.6)</b>

Profit/(loss) on disposal of business .....	(11.0)	76.3	—
Tax (charge)/credit.....	—	(25.0)	30.4
<b>Profit/(loss) for the year from discontinued operations.....</b>	<b>(11.0)</b>	<b>140.7</b>	<b>(78.2)</b>

(c) *Cash flows from discontinued operations*

	Year Ended December 31,		
	2012	2011	2010
	(€ in millions)		
Operating cash flows .....	—	13.7	(115.1)
Investing cash flows .....	—	(54.8)	(130.2)
Financing cash flows .....	—	—	—
<b>Total cash flows.....</b>	<b>—</b>	<b>(41.1)</b>	<b>(245.3)</b>

**Other disposals**

During 2011 the Group disposed of its Glebe Mines business and a further adjustment was made to the Films business disposals which resulted in a net loss on disposal of €2.1 million.

**2010 disposals**

*ChlorVinyls*

On 28 January 2010 the Group completed the sale of the ChlorVinyls and Compounds Switzerland businesses to Kerling plc, a new holding company formed to combine together Ineos Enterprises, Ineos ChlorVinyls and the Ineos Norwegian Polymers business. The Group received €65million cash consideration (plus true ups for cash and inter-company debt) together with the assignment of pension liabilities and the Ineos Vinyls Senior Notes. The total enterprise value of the transaction was €429.2 million. The Group recorded a pre-tax loss of €161.1 million on the disposal.

**Effect of the aggregated disposals on individual assets and liabilities**

	2010
	€m
Goodwill .....	7.6
Property, plant and equipment .....	543.8
Inventories .....	61.9
Cash .....	2.8
Trade and other receivables .....	136.9
Employee benefits .....	(197.7)
Deferred tax asset on employee benefits .....	31.5
Trade and other payables .....	(137.3)
Other creditors .....	(76.6)
Ineos Vinyls Senior Notes .....	(161.2)
Provisions .....	(0.1)
Net assets disposed of .....	211.6
Proceeds.....	70.3
Deficit of net assets over proceeds received .....	141.3
Exchange differences recycled on disposal .....	19.8
<b>Loss on disposal of business .....</b>	<b>161.1</b>

*Fluorochemicals*

On 31 March 2010 the Group completed the sale of its fluorochemicals business to Mexichem Fluor S.A. de C.V., a subsidiary of Mexichem S.A.B. de C.V. a leading Latin American producer of PVC pipes and resin, chloralkali, hydrofluoric acid and fluorspar. The sale comprised of the international business and assets related to the Group's fluorochemical operations located in North America, Europe, and Asia. Activities relating to the Clean Development Mechanism (CDM) and

fluorspar (Glebe Mines) remained with Ineos. The Group received total consideration of €265.3 million from the disposal of the fluorochemical business and recorded a pre-tax profit of €176.5 million.

#### Effect of the aggregated disposals on individual assets and liabilities

	<u>2010</u>
	€m
Goodwill .....	1.2
Intangible assets .....	0.1
Property, plant and equipment .....	40.3
Inventories .....	33.7
Cash .....	3.0
Trade and other receivables .....	38.4
Trade and other payables .....	(26.7)
Net assets disposed of .....	90.0
Costs of disposal .....	8.2
Cash proceeds .....	257.7
Deferred proceeds .....	7.6
Total proceeds .....	265.3
Excess of sale proceeds over net assets .....	167.1
Exchange differences recycled on disposal .....	9.4
<b>Profit on disposal of business .....</b>	<b><u>176.5</u></b>

#### Films

On 1 September 2010 the Group completed the sale of its global films business to the Bilcare group, a leading international pharmaceutical packaging and research company. The Group received €96 million cash consideration from the disposal of the Films business and recorded a pre-tax loss of €90.1 million.

#### Effect of the aggregated disposals on individual assets and liabilities

	<u>2010</u>
	€m
Property, plant and equipment .....	122.4
Intangibles .....	1.5
Investments .....	0.1
Inventories .....	29.8
Cash .....	3.0
Trade and other receivables .....	47.8
Trade and other payables .....	(35.2)
Other creditors .....	(10.1)
Provisions .....	(0.3)
Minority interests .....	(13.1)
Net assets disposed of .....	145.9
Costs of disposal .....	5.1
Proceeds .....	96.0
Deficit of net assets over proceeds received .....	55.0
Exchange differences recycled on disposal .....	35.1
<b>Loss on disposal of business .....</b>	<b><u>90.1</u></b>

#### 4. EXCEPTIONAL ITEMS

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	€m		
Exceptional cost of sales:			
Property, plant and equipment impairment charge .....	(518.4)	—	—
Exceptional administrative expenses:			

Restructuring of corporate headquarters .....	(0.8)	(32.6)	(7.7)
Restructuring of Innovene operations .....	—	(1.2)	(3.5)
Restructuring of O&P Europe operations .....	(12.0)	—	—
Plant closure costs.....	(1.8)	(2.0)	—
Total exceptional administrative expenses .....	<u>(14.6)</u>	<u>(35.8)</u>	<u>(11.2)</u>

### ***Exceptional cost of sales***

The Group has recognised an exceptional impairment charge of €518.4 million for the year ended December 31, 2012 in relation to property, plant and equipment of the O&P Europe business located at the Grangemouth, Scotland site. The recent trading performance of the O&P Europe business has been relatively poor in the midst of a weak macro economic environment in Europe. Industry sentiment has remained cautious in Europe with continued economic and political uncertainties. As a consequence operating rates have remained constrained and the overall market sentiment has been weak. A strategic review of the business was implemented to assess the performance of the portfolio of assets and production sites across the business. The review highlighted the relatively weak performance expected for the assets located at the Grangemouth site over the next few years and the need to recognise an impairment loss as a result. The impairment loss was based on a value in use calculation. The business valuation was negatively impacted by lower than expected cash flows within the current business plan, reflecting the challenging economic and competitive conditions expected in the near term for the site.

### ***Exceptional administrative expenses***

The Group relocated its corporate headquarters to Switzerland which has resulted in exceptional costs of €0.8 million (2011: €32.6 million, 2010: €7.7 million) being incurred in relation to employee relocation costs and legal and professional fees.

The Innovene business was acquired in 2005 and the Group has subsequently undertaken a restructuring programme which is focused on the operations at the main sites in the business at Grangemouth, Lavéra, Cologne and Chocolate Bayou. The restructuring costs of €nil million (2011: €1.2million, 2010: €3.5 million) largely relate to severance and early retirement costs.

In recognition of the significant number of strategic projects to be implemented in the O&P Europe business in the next few years, the business has now been reorganised in to three separate regional businesses, each with their own management team, to provide clear management focus at a regional level. The three regional businesses are O&P North (includes the sites in Germany, Norway and Belgium), O&P South (includes the sites in France and Italy) and O&P UK (includes the Grangemouth site). The reorganisation has resulted in some restructuring costs of €12.0million in 2012. The costs largely relate to severance and relocation costs, together with the write off of some critical spares inventories.

During 2012 the Group closed its polyisobutylene plant in Whiting, Indiana. The costs incurred represents severance and general closure costs of the plant. In 2011 the Group closed the previously mothballed cumene plant in Port Arthur, Texas. The costs incurred primarily relate to demolition expenses.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**(FORMING PART OF THE FINANCIAL STATEMENTS)**

**5. OPERATING PROFIT**

Included in operating profit are the following:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
		<b>€m</b>	
Exceptional restructuring costs—included in administrative expenses .....	14.6	35.8	11.2
Research and development expensed as incurred .....	12.6	44.7	29.6
Amortisation of other intangible assets.....	12.1	11.8	12.6
Loss on disposal of property, plant and equipment.....	0.7	—	5.7
Amortisation of government grants .....	(6.5)	(6.8)	(8.0)
<b>Depreciation and impairment of property, plant and equipment:</b>			
Owned assets .....	989.2	435.5	465.8
Finance leased assets .....	8.6	6.2	6.3
<b>Operating lease rental charges:</b>			
Plant, machinery and equipment.....	46.2	48.7	123.1
Other .....	10.9	5.7	7.9

Depreciation charged on owned assets in respect of the discontinued Refining business for the year ended 31 December 2012 was €nil million (2011: €50.4 million, 2010: €95.6 million).

**Auditors' remuneration:**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
		<b>€m</b>	
Audit of these financial statements.....	0.7	0.7	0.7
<b>Amounts receivable by auditors and their associates in respect of:</b>			
Audit of financial statements of subsidiaries pursuant to legislation.....	2.4	2.2	2.2
Other services relating to taxation .....	2.1	4.8	3.5
Services relating to corporate finance transactions.....	0.2	1.3	3.9
All other services .....	0.6	1.1	2.5
	<u>6.0</u>	<u>10.1</u>	<u>12.8</u>

**6. STAFF NUMBERS AND COSTS**

The monthly average number of persons employed by the Group (including the Refining business up to the date of disposal) during the year, analysed by category, was as follows:

	<u>Number of employees</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operations.....	5,290	5,780	5,960
Administration .....	1,382	1,857	2,058
Research and development .....	353	305	440
	<u>7,025</u>	<u>7,942</u>	<u>8,458</u>

The aggregate payroll costs of these persons were as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
		<b>€m</b>	
Wages and salaries.....	517.0	537.5	645.6
Social security costs.....	90.6	93.2	106.6



Expenses related to defined contribution pension plans .....	14.7	34.4	8.7
Expenses related to defined benefit pension plans.....	38.0	42.0	53.2
	<b>660.3</b>	<b>707.1</b>	<b>814.1</b>

## 7. DIRECTORS' REMUNERATION

	2012	2011	2010
	€m		
Salaries and other short term benefits .....	0.7	0.6	1.1
Company contribution to money purchase scheme .....	—	—	0.1
	<b>0.7</b>	<b>0.6</b>	<b>1.2</b>

## 8. FINANCE INCOME AND COSTS

### Recognised in profit or loss

	2012	2011	2010
	€m		
<b>Finance income</b>			
Interest income on bank balances .....	2.2	1.6	1.2
Other interest receivable .....	16.3	16.2	13.7
Total interest income on financial assets not at fair value through profit or loss.....	18.5	17.8	14.9
Exchange movements .....	85.6	12.6	5.2
Net fair value gain on derivatives .....	0.2	—	3.8
Expected return on defined benefit pension plan assets.....	41.9	47.7	46.2
Dividend income.....	5.4	5.4	9.1
<b>Total finance income.....</b>	<b>151.6</b>	<b>83.5</b>	<b>79.2</b>
<b>Finance costs</b>			
Interest payable on senior notes.....	353.6	225.5	208.4
Interest payable on bank loans and overdrafts.....	174.2	319.4	458.2
Interest payable on securitisation.....	22.3	40.8	38.1
Amortisation of issue costs .....	54.5	33.5	22.2
Interest payable on finance leases.....	0.8	—	0.2
Bank consent fees .....	—	35.7	10.4
Other finance charges .....	11.9	29.8	29.1
Exchange movements .....	79.5	—	58.3
Net fair value loss on derivatives.....	(12.7)	16.3	—
Interest on employee benefit liabilities .....	62.1	70.2	73.2
<b>Total finance costs.....</b>	<b>746.2</b>	<b>771.2</b>	<b>898.1</b>
<b>Net finance costs.....</b>	<b>594.6</b>	<b>687.7</b>	<b>818.9</b>

Net gains and losses on financial instruments are included in Note 25.b.

## 9. TAXATION

### Taxation recognised in the consolidated income statement

	2012	2011	2010
	€m		
<b>Current tax expense</b>			
Current year .....	257.9	205.6	110.7
Adjustments in respect of prior years .....	(8.1)	(25.0)	18.2
Current tax expense .....	249.8	180.6	128.9
<b>Deferred tax expense</b>			
Origination and reversal of temporary differences .....	(138.5)	40.7	112.5
Adjustments in respect of prior years .....	47.2	13.1	2.2

Deferred tax (credit)/charge .....	(91.3)	53.8	114.7
<b>Total tax charge</b> .....	<b>158.5</b>	<b>234.4</b>	<b>243.6</b>

### Reconciliation of effective tax rate

	2012	2011	2010
	€m		
(Loss)/profit before taxation .....	(117.0)	470.1	265.3
Tax on above using the Luxembourg corporation tax rate of 28.8% (2011: 28.8%, 2010: 28.6%).....	(33.7)	135.4	75.9
Non-deductible expenses/tax exempt revenues .....	13.6	17.0	24.7
Disposal of businesses .....	—	0.2	105.7
Double taxation relief .....	(1.8)	—	—
Effect of tax rates in foreign jurisdictions.....	145.3	108.9	33.4
Deferred tax not recognised.....	—	—	6.4
Utilisation of tax losses brought forward.....	(4.0)	(15.2)	(22.9)
Adjustments for prior years .....	39.1	(11.9)	20.4
<b>Total tax charge</b> .....	<b>158.5</b>	<b>234.4</b>	<b>243.6</b>

### Taxation recognised in other comprehensive income

	2012			2011			2010		
	Gross	Tax	Net	Gross	Tax	Net	Gross	Tax	Net
	€m								
Foreign exchange translation differences .....	(21.1)	—	(21.1)	(59.3)	—	(59.3)	281.5	—	281.5
Foreign exchange differences recycled on disposal of subsidiaries .....	—	—	—	—	—	—	45.5	—	45.5
Net gain/(loss) on hedge of net investment in foreign operations.....	27.4	—	27.4	(18.4)	—	(18.4)	(73.8)	—	(73.8)
Actuarial gains and losses on defined benefit pension schemes .....	(191.3)	61.0	(130.3)	(20.9)	6.4	(14.5)	(94.8)	31.7	(63.1)
Total.....	<b>(185.0)</b>	<b>61.0</b>	<b>(124.0)</b>	<b>(98.6)</b>	<b>6.4</b>	<b>(92.2)</b>	<b>158.4</b>	<b>31.7</b>	<b>190.1</b>

## 10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant & equipment Fixtures and fittings	Under construction	Total
	€m			
<b>Cost</b>				
Balance at 1 January 2010 .....	432.4	7,702.0	339.9	8,474.3
Disposal of business .....	(65.5)	(1,188.2)	(27.6)	(1,281.3)
Additions .....	0.6	178.0	219.2	397.8
Disposals.....	(5.2)	(32.3)	(0.5)	(38.0)
Transfers .....	1.7	239.8	(231.0)	10.5
Effect of movements in foreign exchange .....	13.1	299.3	14.5	326.9
Balance at 31 December 2010 .....	377.1	7,198.6	314.5	7,890.2
Disposal of businesses .....	(11.7)	(1,077.2)	(149.1)	(1,238.0)
Additions .....	13.9	151.2	274.3	439.4
Disposals.....	(2.2)	(29.1)	—	(31.3)
Transfers .....	1.4	148.0	(148.1)	1.3
Reclassifications .....	—	(12.2)	—	(12.2)
Effect of movements in foreign exchange .....	2.4	(12.2)	1.4	(8.4)
Balance at 31 December 2011 .....	380.9	6,367.1	293.0	7,041.0
Additions .....	3.1	229.7	288.1	520.9
Disposals.....	(0.2)	(73.8)	—	(74.0)
Transfers .....	8.4	134.8	(135.0)	8.2
Effect of movements in foreign exchange .....	(1.5)	(15.1)	(2.2)	(18.8)

<b>Balance at 31 December 2012</b> .....	<b>390.7</b>	<b>6,642.7</b>	<b>443.9</b>	<b>7,477.3</b>
<b>Accumulated depreciation and impairment</b>				
Balance at 1 January 2010 .....	141.9	3,239.2	—	3,381.1
Disposal of businesses .....	(19.7)	(555.1)	—	(574.8)
Depreciation charge for the year .....	18.9	548.8	—	567.7
Transfers .....	(0.7)	11.2	—	10.5
Disposals .....	(2.2)	(30.1)	—	(32.3)
Effect of movements in foreign exchange .....	4.1	131.6	—	135.7
Balance at 31 December 2010 .....	142.3	3,345.6	—	3,487.9
Disposal of businesses .....	(1.8)	(480.0)	—	(481.8)
Depreciation charge for the year .....	18.6	454.5	—	473.1
Exceptional depreciation charge for the year .....	—	19.0	—	19.0
Transfers .....	0.2	1.1	—	1.3
Reclassifications .....	—	(3.7)	—	(3.7)
Disposals .....	(1.3)	(29.7)	—	(31.0)
Effect of movements in foreign exchange .....	1.3	8.6	—	9.9
Balance at 31 December 2011 .....	159.3	3,315.4	—	3,474.7
Depreciation charge for the year .....	15.8	463.6	—	479.4
Exceptional impairment charge for the year .....	—	404.0	114.4	518.4
Transfers .....	3.4	4.4	—	7.8
Disposals .....	—	(73.3)	—	(73.3)
Effect of movements in foreign exchange .....	(1.0)	(22.5)	—	(23.5)
<b>Balance at 31 December 2012</b> .....	<b>177.5</b>	<b>4,091.6</b>	<b>114.4</b>	<b>4,383.5</b>
<b>Net book value</b>				
At 31 December 2010 .....	234.8	3,853.0	314.5	4,402.3
At 31 December 2011 .....	221.6	3,051.7	293.0	3,566.3
<b>At 31 December 2012</b> .....	<b>213.2</b>	<b>2,551.1</b>	<b>329.5</b>	<b>3,093.8</b>

The exceptional impairment charge of €518.4 million for the year ended December 31, 2012 reflects the impairment of the property, plant and equipment assets at the Grangemouth, Scotland site (see note 4).

The exceptional depreciation charge of €19.0 million for the year ended December 31, 2011 reflects the closure of the previously mothballed cumene plant in Port Arthur, Texas.

#### ***Leased plant and machinery***

Included in the above are assets held under hire purchase and finance leases with a net book value of €25.5 million (2011: €33.2 million, 2010: €35.4 million). The leased equipment secured lease obligations (see Note 19).

#### ***Property, plant and equipment under construction***

During 2012, the maintenance turnaround at our olefins unit in Chocolate Bayou, USA and our new EOA reactor and upgrade of the EO reactor at our Lavera site in France were all completed and transferred to other classes of property, plant and equipment.

Additions to assets under constructions during 2012 included further expenditure on the construction of an ethylene tank terminal in Antwerp, Belgium as well as scheduled turnarounds at our plant in Koln, Germany and an expansion of an olefins furnace at our Chocolate Bayou site in the USA.

During 2011, construction work at Grangemouth on the overhaul of the G4, Butadiene, GTU Benzene and Hydrofiner units was completed and the assets were transferred to other classes of property, plant and equipment.

Additions to assets under constructions during 2011 included further expenditure on the construction of an ethylene tank terminal in Antwerp, Belgium as well as an expansion of a furnace, boiler safety work and expenditure on a cooling tower in Chocolate Bayou, USA and scheduled turnarounds at our Nitriles plant in Seal Sands, England, at our C3 unit in Chocolate Bayou, USA and on a cracker and PE units in Koln, Germany.

During 2010, construction work on the Waste Water Treatment plant in Lavéra, France and on the expansion of the Poly Alpha-Olefins production facility in Feluy, Belgium were completed and the assets were transferred to other classes of property, plant and equipment.

Additions to assets under constructions during 2010 included the first phase of expenditure on the construction of an ethylene tank terminal in Antwerp, Belgium and scheduled turnarounds at the KG cracker and Hydrocracker units in Grangemouth, Scotland.

## 11. INTANGIBLE ASSETS

	Intellectual property rights	Customer relationships	Other	Goodwill	Total
	€m				
<b>Cost</b>					
Balance at 1 January 2010 .....	138.7	2.9	9.8	860.3	1,011.7
Disposal of businesses .....	(2.9)	—	(0.4)	(8.8)	(12.1)
Acquisitions through business combinations .....	—	—	—	0.1	0.1
Reclassifications .....	(1.0)	—	—	—	(1.0)
Disposals .....	(0.3)	—	(0.2)	—	(0.5)
Effect of movements in foreign exchange .....	5.9	—	0.4	62.2	68.5
Balance at 31 December 2010 .....	140.4	2.9	9.6	913.8	1,066.7
Disposal of businesses .....	—	—	—	(278.3)	(278.3)
Additions .....	6.9	1.4	0.5	—	8.8
Reclassifications .....	(1.7)	—	(0.3)	—	(2.0)
Effect of movements in foreign exchange .....	2.7	—	—	(12.4)	(9.7)
Balance at 31 December 2011 .....	148.3	4.3	9.8	623.1	785.5
Transfers .....	(9.5)	(0.5)	9.7	—	(0.3)
Additions .....	—	—	1.1	—	1.1
Effect of movements in foreign exchange .....	(1.4)	—	(0.3)	(11.0)	(12.7)
<b>Balance at 31 December 2012 .....</b>	<b>137.4</b>	<b>3.8</b>	<b>20.3</b>	<b>612.1</b>	<b>773.6</b>
<b>Accumulated amortisation and impairment</b>					
Balance at 1 January 2010 .....	44.4	2.4	6.8	8.5	62.1
Disposal of businesses .....	(1.4)	—	(0.3)	—	(1.7)
Amortisation for the year .....	11.9	0.1	0.6	—	12.6
Reclassifications .....	(1.3)	—	—	—	(1.3)
Effect of movements in foreign exchange .....	0.8	—	—	0.4	1.2
Balance at 31 December 2010 .....	54.4	2.5	7.1	8.9	72.9
Amortisation for the year .....	11.3	0.2	0.3	—	11.8
Effect of movements in foreign exchange .....	1.4	—	0.5	3.3	5.2
Balance at 31 December 2011 .....	67.1	2.7	7.9	12.2	89.9
Transfers .....	(1.9)	—	1.9	—	—
Amortisation for the year .....	11.7	0.2	0.2	—	12.1
Effect of movements in foreign exchange .....	(0.8)	—	(0.2)	(0.6)	(1.6)
<b>Balance at 31 December 2012 .....</b>	<b>76.1</b>	<b>2.9</b>	<b>9.8</b>	<b>11.6</b>	<b>100.4</b>
<b>Net book value</b>					
At 31 December 2010 .....	86.0	0.4	2.5	904.9	993.8
At 31 December 2011 .....	81.2	1.6	1.9	610.9	695.6
<b>At 31 December 2012 .....</b>	<b>61.3</b>	<b>0.9</b>	<b>10.5</b>	<b>600.5</b>	<b>673.2</b>

Other intangible assets include non-compete agreements, licence fees and environmental certificates.

### *Amortisation charge*

The amortisation charge is recognised in administrative expenses in the consolidated income statement.

## Impairment

Goodwill has been allocated to cash generating units (CGU) or groups of cash generating units as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
		<b>€m</b>	
O&P Europe .....	265.9	265.9	265.9
O&P North America .....	254.1	264.5	252.9
Refining .....	—	—	305.6
Chemical Intermediates .....	80.5	80.5	80.5
<b>Total</b> .....	<b><u>600.5</u></b>	<b><u>610.9</u></b>	<b><u>904.9</u></b>

On July 1, 2011 the group disposed of the Refining segment to a new joint venture between PetroChina and INEOS Investments (Jersey) Limited ('IIJL'), a related party. IIJL is held under common control by our controlling shareholders. The consideration received by the Group for the disposal consisted of cash consideration of \$1.015 billion received from PetroChina for a 50% interest in the business and an investment in non-voting ordinary shares in IIJL for the other 50% interest in the business. The goodwill relating to the Refining segment was disposed of as part of the sale (see Note 3).

For the other segments the recoverable amount is based on the value in use of each operating segment before aggregation based on the latest board approved five year plan. The forecasts are based on current performance and management's assumptions regarding the future development of individual parameters including raw material prices and profit margins, utilising available market pricing forecasts. Future assumptions regarding market demand are based on external macroeconomic sources and specific data relevant to the petrochemical industry and management's knowledge of the local markets in which it operates.

The cash flows after the plan period are based on an average of each of the years in the five year plan to take account of the cyclical nature of the industry extrapolated using long term growth rates as set out in the table below.

No impairment charge has been recorded in these accounts as a result of the annual impairment test.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**(FORMING PART OF THE FINANCIAL STATEMENTS)**

**11. INTANGIBLE ASSETS**

The key assumptions underlying the value in use calculation are shown below:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Period on which management approved forecasts are based .....	5 years	5 years	5 years
Discount rate .....	11.5%	11.0%	11.0%
Growth rate .....	3.0%	3.0%	3.0%

A terminal value is calculated based on the average cash flows over the five year forecasting period assuming compound growth of 3% and is discounted over the expected lives of the assets.

The discount rate is based upon the pre-tax weighted average cost of capital of the group as at each respective period end.

The growth rate used includes inflationary growth across our various markets.

***Sensitivity of recoverable amounts***

The following table presents, for each CGU the change in the discount rate for the tests as of 31 December 2012 that would be required in order for the recoverable amount to equal carrying value.

	<u>Applied rate</u>	<u>Change in discount rate in order for the recoverable amount to be equal to carrying value</u>	<u>Required rate</u>
		%	
O&P Europe .....	11.5	0.9	12.4
O&P North America .....	11.5	36.4	47.9
Chemical Intermediates:			
Nitriles .....	11.5	23.6	35.1
Oxide .....	11.5	5.5	17.0
Phenol .....	11.5	15.7	27.2
Oligomers .....	11.5	21.1	32.6
Enterprises .....	11.5	16.8	28.3
Technologies .....	11.5	35.5	47.0

The following table presents, for each CGU the change in the growth rate for the tests as of 31 December 2012 that would be required in order for the recoverable amount to equal carrying value. For all operating segments except O&P North America, Nitriles, Oligomers and Technologies there would need to be negative growth in order for an impairment to be recognised. For the O&P North America, Nitriles, Oligomers and Technologies segment growth sensitivity is not relevant as a €nil terminal value would not result in impairment.

	<u>Applied rate</u>	<u>Change in growth rate in order for the recoverable amount to be equal to carrying value</u>	<u>Required rate</u>
		%	
O&P Europe .....	3.0	(2.0)	1.0
O&P North America .....	3.0	n/a	n/a
Chemical Intermediates:			
Nitriles .....	3.0	n/a	n/a
Oxide .....	3.0	(12.4)	(9.4)
Phenol .....	3.0	(86.3)	(83.3)
Oligomers .....	3.0	n/a	n/a

Enterprises .....	3.0	(99.3)	(96.3)
Technologies.....	3.0	n/a	n/a

## 12. INVESTMENTS

### 12.a Investments In Equity—Accounted Investees

	Joint ventures	Associated undertakings	Total
	€m		
At 1 January 2010.....	109.5	0.1	109.6
Share of profits retained.....	4.0	—	4.0
Additions .....	0.6	—	0.6
Loan repayment .....	(6.8)	—	(6.8)
Reclassifications .....	(3.8)	—	(3.8)
Dividends received .....	(0.6)	—	(0.6)
Disposals.....	—	(0.1)	(0.1)
Exchange adjustments .....	2.7	—	2.7
At 31 December 2010.....	105.6	—	105.6
Share of losses retained.....	(71.2)	—	(71.2)
Additions .....	420.0	—	420.0
Loan repayment .....	(12.8)	—	(12.8)
Dividends received .....	(0.7)	—	(0.7)
Disposals.....	(8.5)	—	(8.5)
Exchange adjustments .....	(0.1)	—	(0.1)
At 31 December 2011 .....	432.3	—	432.3
Share of losses retained.....	(14.7)	—	(14.7)
Reclassifications .....	(0.8)	—	(0.8)
Exchange adjustments .....	6.4	—	6.4
<b>At 31 December 2012.....</b>	<b>423.2</b>	<b>—</b>	<b>423.2</b>

#### Joint ventures

On July 1, 2011 the group disposed of the Refining business to a new joint venture between PetroChina and INEOS Investments (Jersey) Limited ('IIJL'), a related party. IIJL is held under common control by our controlling shareholders. The consideration received by the Group for the disposal consisted of cash consideration of \$1.015 billion received from PetroChina for a 50% interest in the business and an investment in non-voting ordinary shares in IIJL for the other 50% interest in the business. The non-voting ordinary shares in IIJL were fair valued at €420 million. This reflects the net present value of the future cash flows expected to be realised by the group for the ownership of these non-voting shares and takes into account the loss in control of the refining trade and assets.

The Group effectively retains an economic interest in the Refining business by virtue of its investment in IIJL. The results of the Refining business are now reported against the share of (loss)/profit of associates and jointly controlled entities using the equity accounting method by virtue of this interest thus it is treated as a joint venture.

The Group has a loan investment with Noretyl AS. At 31 December 2012 the balance was €22.5 million (2011: €17.7 million, 2010: €18.4 million).

Details of investments in joint ventures are set out below:

Company	Class of shares held	Place of business and country of incorporation	Percentage held	Principal activities
PetroIneos Refining Limited.....	Ordinary	Lavéra, France Grangemouth, Scotland	50.1%	Refining

PetroIneos Trading Limited .....		Lavéra, France Grangemouth, Scotland	49.9%	Refining
Ineos Infrastructure (Grangemouth) Limited .....	Ordinary	Grangemouth, Scotland	75%	Refining
Appryl SNC .....	Ordinary	Lavéra, France	50%	Chemicals
Naphthachimie SNC .....	Ordinary	Lavéra, France	50%	Chemicals
Oxochimie SA .....	Ordinary	Lavéra, France	50%	Chemicals
Noretyl AS .....	Ordinary	Rafnes, Norway	50%	Chemicals

Summary aggregated financial information for equity accounted joint ventures—50 per cent of the balances:

	2012	2011	2010
	€m		
Current assets .....	1,493.1	995.4	70.1
Long-term assets .....	1,125.3	1,015.0	153.6
Current liabilities .....	(1,704.7)	(1,118.5)	(57.7)
Long-term liabilities .....	(135.0)	(114.0)	(29.1)
Revenue .....	7,969.6	3,365.3	171.8
Expenses .....	(7,982.1)	(3,435.4)	(170.0)

### Associated undertakings

The Group retains interests in associated undertakings in the Bio and Healthcare businesses. All of the associated undertakings have December year ends.

Details of the associated undertakings are set out below:

Company	Class of shares held	Place of business and country of incorporation	Percentage held	Principal activities
Ineos Bio Limited .....	Ordinary	UK	20%	Chemicals
Ineos Bio US LLC .....	Ordinary	USA	20%	Chemicals
Ineos Healthcare Limited.....	Ordinary	UK	20%	Healthcare

The Group has not recognised its share of profits or losses relating to the Ineos Bio or Healthcare businesses of €0.1 million profit (2011: €5.9 million loss, 2010:€2.9 million loss) and €0.2 million loss (2011: €0 million loss, 2010: €3.7 million loss) respectively since the Group has no obligation in respect of these profits or losses. The net cumulative loss not recorded is €16.0 million. The Group has recognised these investments at their fair value on the date of reorganisation of these businesses, estimated by the Group to be €nil

Summary aggregated financial information for equity accounted associated undertakings—share of the balances:

	2012	2011	2010
	€m		
Total assets .....	5.6	19.3	9.8
Total liabilities .....	(16.8)	(3.6)	(12.7)
Income .....	—	—	1.3
Expenses .....	(0.1)	(6.1)	(7.8)

### 12.b Investments in Subsidiary Undertakings

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length.

The directors believe the carrying value of the investments is supported by the underlying net assets of the subsidiaries.



The following information relates to the principal subsidiary undertakings of the Company.

<u>Company</u>	<u>Country of incorporation and operation</u>	<u>Percentage holding</u>	<u>Principal activity</u>
Ineos Luxembourg I S.A.*	Luxembourg	100%	Holding company
Ineos Luxembourg II S.A.	Luxembourg	100%	Holding Company
Ineos Group AG	Switzerland	100%	Holding Company
Ineos Holdings Limited	England	100%	Holding Company
Ineos European Holdings Limited	England	100%	Holding Company
Ineos US Finance LLC	US	100%	Finance
Ineos Finance Plc	England	100%	Finance
Ineos Treasury (UK) Limited	England	100%	Finance
Ineos Europe AG	Switzerland	100%	Chemicals
Ineos Oxide Limited	England	100%	Chemicals
Ineos NV	Belgium	100%	Chemicals
Ineos Belgium NV	Belgium	100%	Chemicals
Ineos Phenol Belgium NV	Belgium	100%	Chemicals
Ineos Italia Srl	Italy	100%	Chemicals
Ineos Phenol GmbH	Germany	100%	Chemicals
Ineos Fluor Limited	England	100%	Chemicals
IFJ Korea Limited	Korea	100%	Chemicals
Ineos Fluor Americas LLC	US	100%	Chemicals
Ineos Silicas Limited	England	100%	Chemicals
Ineos Americas LLC	US	100%	Chemicals
Ineos Manufacturing Deutschland GmbH	Germany	100%	Chemicals
Ineos Koln GmbH	Germany	100%	Chemicals
Ineos France SAS	France	100%	Chemicals
Ineos Commercial Services Limited	England	100%	Chemicals
Ineos Manufacturing Belgium NV	Belgium	100%	Chemicals
Ineos Feluy SPRL	Belgium	100%	Chemicals
Ineos Chemicals Grangemouth Limited	England	100%	Chemicals
Ineos Sales Belgium NV	Belgium	100%	Chemicals
Ineos Sales Italia s.r.l.	Italy	100%	Chemicals
Ineos Chemicals Lavera SAS	France	100%	Chemicals
Ineos Polymers Sarralbe SAS	France	100%	Chemicals
Ineos Manufacturing Italia s.p.a.	Italy	100%	Chemicals
Ineos USA LLC	US	100%	Chemicals
Ineos Polymers Inc	US	100%	Chemicals
Ineos Canada Company	Canada	100%	Chemicals
Ineos Canada Partnership	Canada	100%	Chemicals
Ineos Compounds UK Limited	England	100%	Chemicals
Ineos Bamble AS	Norway	100%	Chemicals
Ineos Nitriles (UK) Limited	England	100%	Chemicals
Ineos Manufacturing (Hull) Limited	England	100%	Chemicals
Ineos Technologies (Vinyls) Limited	England	100%	Chemicals

\* Held directly by the Company

### 13. OTHER INVESTMENTS

	<u>2012</u>	<u>2011</u>	<u>2010</u>
At 1 January	166.7	152.2	129.7
Interest receivable	12.7	12.0	11.0
Exchange adjustments	(3.5)	2.5	11.5
At 31 December	<b>175.9</b>	<b>166.7</b>	<b>152.2</b>

The Group has a non-voting preferred partnership interest in Ineos Investments Partnership, an entity held under common control by the Group's ultimate shareholders, which owns 40% of the share capital of the PQ Corporation, a silicas business incorporated in the USA. The interest was transferred from Ineos Investments LLP to Ineos Investments Partnership during 2012.

#### 14. OTHER FINANCIAL ASSETS

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	€m		
<b>Non-current</b>			
Interest rate cap financial instrument .....	3.5	—	—
Available for sale financial assets (see below and Note 25.a) .....	<u>47.5</u>	<u>47.5</u>	<u>90.1</u>
	<u>51.0</u>	<u>47.5</u>	<u>90.1</u>
<b>Current</b>			
Derivative commodity contracts designated as fair value through profit or loss (see Note 25.a) .....	<u>0.5</u>	<u>—</u>	<u>8.2</u>

##### *Interest rate cap financial instrument*

During 2012 the Group entered into two interest rate caps 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.

##### *Available for sale financial assets*

Available for sale financial assets relate to a 13.9% investment in Geosud, a company registered in France whose principal activity is the provision of underground storage facilities for liquid hydrocarbons in Southern France and a 16.7% investment in Aethylen Rohrleitungs Gesellschaft ('ARG') mbH and Co. KG, a company registered in Germany whose principal activity is the transportation of ethylene via pipelines in Northern Europe

During 2011 we disposed of our 19.9% investment in Geosel Manosque, our 10% investment in Seminole Pipeline Company and our 4.08% investment in Exeltium SAS.

The investment in Geosel Manosque was valued at its aggregate acquisition cost of €23.0 million in 2008. As a result of a partial demerger of the business into Geosel Manosque and Geosud in 2009 further information became available that allowed the valuation of these investments in 2009 to be revised to an estimated fair value for Geosel Manosque (€26.0 million) and Geosud (€19.8 million). The fair value of the Geosud investment remains at €19.8 million in 2012.

The investment in ARG mbH and Co. KG has been classified as available for sale financial assets and recorded at its acquisition cost. This investment comprises shares in a private limited company. The carrying amount of these financial instruments was €27.7 million at 31 December 2012. These shares are not listed and there is no active market. A reliable determination of fair value would only be practicable if there were equity sales transactions on which fair values could be based. A disposal of these investments is not currently anticipated.

#### 15. OTHER FINANCIAL LIABILITIES

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	€m		
<b>Current</b>			
Derivative commodity contracts designated as fair value through profit or loss (see Note 25.a) .....	<u>0.3</u>	<u>12.7</u>	<u>6.7</u>

#### 16. DEFERRED TAX ASSETS AND LIABILITIES

##### *Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

	<b>2012</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Total</b>
	<b>€m</b>		
Property, plant and equipment .....	—	172.5	172.5
Employee benefits .....	(209.4)	—	(209.4)
Tax value of loss carry-forwards .....	(207.9)	—	(207.9)
Other .....	(91.8)	—	(91.8)
Tax (assets)/liabilities .....	(509.1)	172.5	(336.6)
Set off of tax .....	1.7	(1.7)	—
Net tax (assets)/liabilities.....	<u>(507.4)</u>	<u>170.8</u>	<u>(336.6)</u>

	<b>2011</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Total</b>
	<b>€m</b>		
Property, plant and equipment .....	—	282.5	282.5
Employee benefits .....	(173.4)	—	(173.4)
Tax value of loss carry-forwards .....	(223.8)	—	(223.8)
Other .....	(69.6)	—	(69.6)
Tax (assets)/liabilities .....	(466.8)	282.5	(184.3)
Set off of tax .....	75.3	(75.3)	—
Net tax (assets)/liabilities.....	<u>(391.5)</u>	<u>207.2</u>	<u>(184.3)</u>

	<b>2010</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Total</b>
	<b>€m</b>		
Property, plant and equipment .....	—	221.6	221.6
Employee benefits .....	(207.8)	—	(207.8)
Tax value of loss carry-forwards .....	(251.4)	—	(251.4)
Other .....	(63.1)	17.9	(45.2)
Tax (assets)/liabilities .....	(522.3)	239.5	(282.8)
Set off of tax .....	—	—	—
Net tax (assets)/liabilities.....	<u>(522.3)</u>	<u>239.5</u>	<u>(282.8)</u>

#### Movement in deferred tax

	<b>Property, plant and equipment</b>	<b>Employee benefits</b>	<b>Tax value of loss carry-forward utilised</b>	<b>Other</b>	<b>Total</b>
	<b>€m</b>				
At 1 January 2010.....	189.7	(239.3)	(216.4)	(31.8)	(297.8)
Recognised in profit or loss .....	100.9	31.7	(35.0)	(13.4)	84.2
Recognised in other comprehensive income.....	—	(31.7)	—	—	(31.7)
Included in businesses disposed of .....	(69.0)	31.5	—	—	(37.5)
At 31 December 2010.....	<u>221.6</u>	<u>(207.8)</u>	<u>(251.4)</u>	<u>(45.2)</u>	<u>(282.8)</u>
Recognised in profit or loss .....	70.9	9.5	27.6	(29.3)	78.7
Recognised in other comprehensive income.....	—	(6.4)	—	—	(6.4)
Included in businesses disposed of .....	(10.0)	31.3	—	4.9	26.2
At 31 December 2011 .....	<u>282.5</u>	<u>(173.4)</u>	<u>(223.8)</u>	<u>(69.6)</u>	<u>(184.3)</u>
Recognised in profit or loss .....	(110.0)	25.0	15.9	(22.2)	(91.3)
Recognised in other comprehensive income.....	—	(61.0)	—	—	(61.0)
At 31 December 2012.....	<u>172.5</u>	<u>(209.4)</u>	<u>(207.9)</u>	<u>(91.8)</u>	<u>(336.6)</u>

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable based on an assessment of expected future profits modelled against the gross tax losses available over a period of 5 years. The Group did not recognise gross deductible temporary differences of €129.0 million (2011: €190.0 million, 2010: €308.9 million).

The Group has not provided deferred tax in relation to temporary differences on its overseas subsidiaries or joint ventures as the Group can control the timing and realisation of these temporary differences, and it is probable that no material unprovided tax liability would arise.

Deferred tax recognised in profit or loss in respect of the discontinued Refining business for the year ended 31 December 2012 was €nil (2011: €24.9 million, 2010: €30.5 million).

## 17. INVENTORIES

	2012	2011	2010
		€m	
Raw materials and consumables .....	497.4	461.2	488.0
Work in progress.....	28.4	32.0	26.7
Finished goods.....	866.4	836.4	1,740.2
	<u>1,392.2</u>	<u>1,329.6</u>	<u>2,254.9</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to €5,923.4 million (2011: €8,060.4 million, 2010: €7,457.4 million). The net write-down of inventories to net realisable value amounted to €0.1 million (2011: €0 million, 2010: €7.1 million) after the reversal of previous write downs of €0.1 million (2011: €5.1 million, 2010: €2.1 million).

## 18. TRADE AND OTHER RECEIVABLES

	2012	2011	2010
		€m	
<b>Current</b>			
Trade receivables .....	1,402.2	1,524.3	1,894.0
Amounts due from related parties.....	167.8	245.9	95.3
Other receivables .....	298.9	232.0	176.1
Prepayments.....	39.8	54.3	79.0
	<u>1,908.7</u>	<u>2,056.5</u>	<u>2,244.4</u>
<b>Non-current</b>			
Amounts due from related parties.....	142.0	—	—
Other receivables .....	5.5	9.3	19.4
Prepayments.....	17.3	10.2	9.9
	<u>164.8</u>	<u>19.5</u>	<u>29.3</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**  
**(FORMING PART OF THE FINANCIAL STATEMENTS)**

**18. TRADE AND OTHER RECEIVABLES**

*Credit quality of financial assets and impairment losses*

The ageing of trade and other receivables at the end of the reporting period was:

	Trade receivables		Amounts due from related parties		Other receivables	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
	2012	2012	2012	2012	2012	2012
	€m					
Not past due .....	1,354.6	(17.0)	309.8	—	306.8	(3.0)
Past due 0-30 days .....	46.2	—	—	—	0.3	—
Past due 31-90 days .....	6.9	(0.3)	—	—	—	—
More than 90 days .....	19.9	(8.1)	—	—	0.3	—
	<u>1,427.6</u>	<u>(25.4)</u>	<u>309.8</u>	<u>—</u>	<u>307.4</u>	<u>(3.0)</u>

	Trade receivables		Amounts due from related parties		Other receivables	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
	2011	2011	2011	2011	2011	2011
	€m					
Not past due .....	1,443.1	(14.3)	245.9	—	240.4	—
Past due 0-30 days .....	47.4	—	—	—	0.1	—
Past due 31-90 days .....	—	—	—	—	0.5	—
More than 90 days .....	61.4	(13.3)	—	—	0.3	—
	<u>1,551.9</u>	<u>(27.6)</u>	<u>245.9</u>	<u>—</u>	<u>241.3</u>	<u>—</u>

	Trade receivables		Amounts due from related parties		Other receivables	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
	2010	2010	2010	2010	2010	2010
	€m					
Not past due .....	1,916.5	(23.2)	95.3	—	190.3	—
Past due 0-30 days .....	—	—	—	—	1.7	—
Past due 31-90 days .....	2.2	(1.5)	—	—	—	—
More than 90 days .....	9.3	(9.3)	—	—	3.5	—
	<u>1,928.0</u>	<u>(34.0)</u>	<u>95.3</u>	<u>—</u>	<u>195.5</u>	<u>—</u>

The accounts receivable not yet due after impairment losses as of the end of the reporting period are deemed to be collectible on the basis of established credit management processes such as regular analyses of the credit worthiness of our customers and external credit checks where appropriate for new customers (see Note 25.c). At 31 December 2010, 2011 and 2012 there were no significant trade, related party or other receivable balances not past due that were subsequently impaired.

Due to the global activities and diversified customer structure of the Group, there is no significant concentration of credit risk. (2011: nil, 2010: BP Plc represented 7% of trade receivables).

During 2010, 2011 and 2012 there were no significant trade, related party or other receivable balances that were subject to renegotiation of terms. Credit enhancements are held in respect of trade and other receivables in the form of €392.0 million (2011: €256.1 million, 2010: € 233.4 million) of assets pledged as security against amounts owed to the Group of which €2.6 million (2011: €nil million, 2010: € 2.6 million) is in respect of amounts falling overdue.

Trade receivable balances totalling €1,156.1 million (2011: €1,284.1 million, 2010: €1,063.6 million) have been pledged as security against amounts drawn down under the Receivables Securitisation Facility, described in Note 19, totalling €492.0 million (2011: €689.2 million, 2010: €753.0 million). In accordance with IAS 39 'Financial Instruments: Recognition and Measurement' the trade receivable balances pledged as security do not qualify for derecognition and are included within the trade receivable balances above.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
		<b>€m</b>	
Balance at 1 January .....	27.6	34.0	49.3
Impairment loss (released)/recognised .....	<u>(2.2)</u>	<u>(6.4)</u>	<u>(15.3)</u>
Balance at 31 December .....	<u><b>25.4</b></u>	<u><b>27.6</b></u>	<u><b>34.0</b></u>

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

During the year the Group has not experienced a significant deterioration in the quality of receivable balances due to the current economic conditions.

There were allowances of €3.0 million made against amounts due from other receivables during the year (2011: €nil, 2010: €nil).

There were no allowances made against amounts due from related parties during the years ended 31 December 2012, 2011 and 2010.

## 19. INTEREST-BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 25.f.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
		<b>€m</b>	
<b>Non-current liabilities</b>			
Senior Facilities Agreement.....	—	2,832.5	3,468.2
Senior Secured Term Loans.....	2,225.1	—	—
Senior Secured Notes due 2015 .....	721.3	725.3	715.2
Senior Secured Notes due 2019 .....	1,225.3	—	—
Senior Secured Notes due 2020 .....	575.6	—	—
Senior Notes .....	2,026.2	2,031.1	2,017.7
Securitisation Facility .....	490.0	685.1	746.1
Finance lease liabilities .....	7.6	9.0	6.7
Other loans.....	1.1	1.1	1.0
	<u><b>7,272.2</b></u>	<u><b>6,284.1</b></u>	<u><b>6,954.9</b></u>
		<b>€m</b>	
<b>Current liabilities</b>			
Current portion of borrowings under Senior Secured Term Loans.....	14.7	—	—
Current portion of borrowings under Senior Facilities Agreement.....	—	307.4	386.8
Current portion of finance lease liabilities .....	2.0	1.8	1.1
	<u><b>16.7</b></u>	<u><b>309.2</b></u>	<u><b>387.9</b></u>

## Gross debt and issue costs

	Gross loans and borrowings	Issue costs	Net loans and borrowings
	2012	2012	2012
		€m	
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.....	2,044.5	(18.3)	2,026.2
Securitisation Facility.....	492.0	(2.0)	490.0
Other.....	10.7	—	10.7
<b>Total.....</b>	<b>7,399.5</b>	<b>(110.6)</b>	<b>7,288.9</b>

	Gross loans and borrowings	Issue costs	Net loans and borrowings
	2011	2011	2011
		€m	
Senior Facilities Agreement.....	3,170.0	(30.1)	3,139.9
Senior Secured Notes due 2015.....	740.3	(15.0)	725.3
Senior Notes.....	2,055.4	(24.3)	2,031.1
Securitisation Facility.....	689.2	(4.1)	685.1
Other.....	11.9	—	11.9
<b>Total.....</b>	<b>6,666.8</b>	<b>(73.5)</b>	<b>6,593.3</b>

	Gross loans and borrowings	Issue costs	Net loans and borrowings
	2010	2010	2010
		€m	
Senior Facilities Agreement.....	3,907.0	(52.0)	3,855.0
Senior Secured Notes due 2015.....	733.9	(18.7)	715.2
Senior Notes.....	2,047.9	(30.2)	2,017.7
Securitisation Facility.....	753.0	(6.9)	746.1
Other.....	8.8	—	8.8
<b>Total.....</b>	<b>7,450.6</b>	<b>(107.8)</b>	<b>7,342.8</b>

## Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity
Senior Secured Term Loans.....	\$/€	LIBOR / EURIBOR plus 4.25%-5.5%	2015-2018
Senior Secured Notes.....	\$/€	7.5%-9.25%	2015-2020
Floating Rate Senior Secured Notes	€	EURIBOR plus 6%	2019
Senior Notes.....	\$/€	7.875%-8.5%	2016
Securitisation Facility.....	\$/€/£	Variable	2014
Other.....	€/¥	7.0-9.0%	2012-2016

### Senior Secured Term Loans

The Company has borrowings under a new senior facilities agreement (the “Senior Secured Term Loans”) which consists 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”). The Senior Secured Term Loans outstanding at December 31, 2012 before issue costs were €2,278.9 million, of which €23.0 million is due within one year. The total amounts outstanding on the Short-Dated Dollar Term Loans were €281.5 million, Euro Term Loans were €496.2 million and Dollar Term Loans were €1,501.2 million.

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 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 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 1.25% 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 1.25% per annum) plus the Applicable Margin.

The Applicable Margin for the Euro Term Loans is 5.50%, the Short-Dated Dollar Term Loans is 4.25% and the Dollar Term Loans is 5.25%.

The Senior Secured Term Loans rank *pari passu* with the Senior Secured Notes due 2015, the Senior Secured Notes due 2019, the Senior Secured Notes due 2020 and are structurally senior to the Senior Notes. 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 term loans are stated net of debt issue costs of €39.1 million (2011 and 2010: €nil 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 \$1,000m Senior Secured Notes due 2019 and €500m 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.

The Term Loans outstanding at December 31, 2011 were €2,875.5 million (2010: €3,568.8 million). The total amounts outstanding on Term Loan A were €nil million (2010: €68.1 million), Term Loan B were €1,062.9 million (2010: €1,366.9 million), Term Loan C were €1,162.6 million (2010: €1,483.8 million) and Term Loan D were €650 million (€650.0 million). The Revolving Credit Facility outstanding at December 31, 2011 before issue costs was €294.5 million (2010: €338.2 million).

Following the redemption of the Senior Facilities Agreement debt issue costs of €18.1 million were charged to the profit and loss account during the year ended December 31, 2012.

### ***Senior Secured Notes due 2015***

The Senior Secured Notes due 2015 are listed on the Luxembourg Stock Exchange and comprise €300.0 million (2011 and 2010: €300.0 million) Senior Secured Notes due 2015 (the "Secured Euro Notes") and \$570.0 million (2011 and 2010: \$570.0 million) Senior Secured Notes due 2015 (the "Secured Dollar Notes"). The Senior Secured Notes due 2015 bear 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. Unless previously redeemed as noted below, the Senior Secured Notes due 2015 will be redeemed by the Group at their principal amount on May 15, 2015.



The Senior Secured Notes due 2015 will be subject to redemption at any time on or after May 15, 2013, 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 May 15, of the years indicated below:

<b>Year</b>	<b>Secured Euro Notes Redemption Price</b>	<b>Secured Dollar Notes Redemption Price</b>
2013 .....	104.625%	104.500%
2014 and thereafter .....	100.000%	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 2015 rank pari passu with the Senior Secured Term Loans and the Senior Secured Notes due 2019 and are structurally senior to the Senior Notes. 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 2015 are stated net of debt issue costs of €9.8 million (2011: €15.0 million, 2010: €18.7 million). These costs are allocated to the profit and loss account over the term of the Senior Secured Notes.

#### **Senior Secured Notes due 2019**

The Senior Secured Notes due 2019 are listed on the Luxembourg Stock Exchange and comprise €500.0 million (2011 and 2010: €nil million) Floating Rate Senior Secured Notes due 2019 (the "2019 Euro Floating Rate Notes") and \$1,000.0 million (2011 and 2010: €nil 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 .....	<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 2019 rank pari passu with the Senior Secured Term Loans and the Senior Secured Notes due 2015 and are structurally senior to the Senior Notes. 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 €30.9 million (2011 and 2010: €nil 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 (2011 and 2010: €nil 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, the Senior Secured Notes due 2015 and the Senior Secured Notes due 2019 and are structurally senior to the Senior Notes. 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 2020 are stated net of debt issue costs of €10.5 million (2011 and 2010: €nil million). These costs are allocated to the profit and loss account over the term of the Senior Secured Notes due 2020.

### **Senior Notes**

The Senior Notes are listed on the Luxembourg Stock Exchange and comprise €1,532.1 million (2011 and 2010: €1,532.1 million) Senior Notes due 2016 (the "EuroNotes") and \$677.5 million (2011 and 2010: \$677.5 million) Senior

Notes due 2016 (the “Dollar Notes”). The Senior Notes bear interest at 7.875% per annum for the Euro Notes and 8.5% 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 will be redeemed by the Group at their principal amount on 15 February 2016.

The Senior Notes 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:

Year	Euro Notes redemption price	Dollar Notes redemption price
2012 .....	102.625%	102.833%
2013 .....	101.313%	101.417%
2014 and thereafter .....	100.0%	100.0%

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 are secured by junior pledges of all of the shares of Ineos Group Holdings S.A.. The Senior Notes are guaranteed by Ineos Group Holdings S.A. 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 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 are stated net of debt issue costs of €18.3 million (2011: €24.3 million, 2010: €30.2 million). These costs are allocated to the profit and loss account over the term of the Senior Notes in accordance with IAS 39—Financial Instruments: Recognition and Measurement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

(forming part of the financial statements)

**19. INTEREST-BEARING LOANS AND BORROWINGS**

*Ineos Vinyls Senior Notes*

The Ineos Vinyls Senior Notes bear interest at 9.125% per annum, payable semi-annually in arrears on September 1 and December 1 of each year. As part of the disposal of ChlorVinyls, the Group transferred the Ineos Vinyls Senior Notes to Kerling plc in January 2010. The Notes were subsequently redeemed on March 1, 2010.

*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 31 December 2012 was €492.0 million (2011: €689.2 million, 2010: €753.0 million).

The Receivables Securitisation Facility is stated net of debt issue costs of €2.0 million (2011: €4.1 million, 2010: €6.9 million).

*Finance lease liabilities*

Finance lease liabilities are payable as follows:

	<b>Minimum lease payments</b>	<b>Interest</b>	<b>Principal</b>
	<b>2012</b>		
	<b>€m</b>		
Less than one year .....	2.8	(0.2)	2.6
Between one and five years .....	6.1	(5.9)	0.2
More than five years .....	11.2	(4.4)	6.8
	<b>20.1</b>	<b>(10.5)</b>	<b>9.6</b>
	<hr/>		
	<b>Minimum lease payments</b>	<b>Interest</b>	<b>Principal</b>
	<b>2011</b>		
	<b>€m</b>		
Less than one year .....	2.6	(0.2)	2.4
Between one and five years .....	7.6	(6.8)	0.8
More than five years .....	12.5	(4.9)	7.6
	<b>22.7</b>	<b>(11.9)</b>	<b>10.8</b>
	<hr/>		
	<b>Minimum lease payments</b>	<b>Interest</b>	<b>Principal</b>
	<b>2010</b>		
	<b>€m</b>		
Less than one year .....	1.7	(0.2)	1.5
Between one and five years .....	6.5	(6.1)	0.4
More than five years .....	8.3	(2.4)	5.9
	<b>16.5</b>	<b>(8.7)</b>	<b>7.8</b>

## 20. TRADE AND OTHER PAYABLES

	2012	2011	2010
	€m		
<b>Current</b>			
Trade payables .....	719.6	659.2	1,054.9
Amounts due to related parties .....	168.0	211.9	106.0
Other payables .....	328.2	393.3	591.4
Deferred consideration.....	32.5	33.2	32.7
Accruals and deferred income .....	660.7	656.3	1,681.3
	<u>1,909.0</u>	<u>1,953.9</u>	<u>3,466.3</u>
<b>Non-current</b>			
Amounts due to related parties .....	—	4.2	4.2
Other payables .....	117.7	66.4	64.1
Accruals and deferred income .....	2.6	14.6	22.9
	<u>120.3</u>	<u>85.2</u>	<u>91.2</u>

## 21. EMPLOYEE BENEFITS

### *Pension plans*

The Group operates a number of pension plans throughout the world, devised in accordance with local conditions and practices. The plans are generally of the defined benefit type and are funded by payments to separately administered funds or insurance companies. The principal funded plans are in the United Kingdom, North America, Belgium and Norway.

The Group also operates a number of unfunded defined benefit pension schemes in Germany and France.

The most recent full valuations of the significant defined benefit plans were carried out as follows:

Plan	Country	Valuation date
Innovene .....	United Kingdom	1 July 2011
All Plans .....	North America	1 January 2012
All Plans .....	Belgium	31 December 2012
Borealis .....	Norway	31 December 2012
All plans.....	France	31 December 2012
All Plans .....	Germany	31 December 2012

These valuations have been updated where appropriate to 31 December 2012 by independent qualified actuaries.

The Group's pension schemes have been disclosed on a geographical basis as those schemes in the United Kingdom, North America and Other European. Other European principally includes the Group's pension plans in Germany, Belgium, Norway and France.

### *Pension plan assumptions*

The principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	United Kingdom			North America			Other European		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
	%								
<b>Major assumptions</b>									
Rate of general increase in salaries .....	3.0	4.1	4.6	3.5	3.5	3.5	2.7-5.0	2.7-5.0	2.7-5.0
Rate of increase to pension in payment .....	2.8-5.0	2.9	3.5	0.0	0.0	0.0	0.0-2.0	0.7-2.0	0.8-2.0
Discount rate for scheme liabilities .....	4.7	5.0	5.5	4.0	4.5	5.5	3.0-4.0	2.5-5.8	4.0-5.0

Inflation .....	3.0	3.1	3.6	2.5	2.5	2.5	1.8-2.0	2.0-2.3	2.0-2.3
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The assumptions relating to longevity underlying the pension liabilities at the reporting date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

	United Kingdom			North America			Other European		
	2012 years	2011 years	2010 years	2012 years	2011 years	2010 years	2012 years	2011 years	2010 years
Longevity at age 65 for current pensioners .....	20.0-23.7	19.9-23.1	20.3-21.2	18.1-19.5	18.1-19.5	18.1-19.5	18.1-24.0	18.0-23.5	18.0-23.4

Expected long-term rate of return is as follows:

	United Kingdom			North America			Other European		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
	%								
Equities .....	7.2	8.1	8.1	9.0	8.6	8.8	7.5	7.0	7.0-7.8
Bonds .....	3.8	4.8	5.1	3.1	4.2	4.4	4.5	4.3	4.0-4.5
Property .....	6.7	7.5	8.1	7.2	7.0	7.2	7.0	7.0	6.5-7.0
Other .....	2.8-7.2	4.2-8.1	4.3	N/A	N/A	N/A	2.5-4.3	3.0-4.5	3.0-5.6

#### Post-retirement health care plans

The Group also operates a number of post retirement healthcare plans in the United States, which provide employees with other post-employment benefits in respect of health care. The plans are unfunded and the liability in respect of these benefits is included in provisions. The liability is assessed by qualified independent actuaries under the projected unit method, assuming the following rates:

Rates	2012	2011	2010
Liability discount rate .....	4.0	4.5	5.5
Long-term healthcare trend rate .....	5.0	5.0	5.0

#### History of plans

The history of the plans for the current and prior periods is as follows:

#### Consolidated balance sheet

	2012	2011	2010
	€m		
Present value of the defined benefit obligation in respect of pension plans .....	(1,523.1)	(1,249.8)	(1,453.2)
Present value of obligations in respect of post retirement health care plan .....	(16.1)	(20.6)	(57.8)
Unrecognised past service (credit) / cost .....	(18.1)	(24.3)	6.2
Fair value of plan assets .....	854.8	713.4	817.6
<b>Deficit</b> .....	<b>(702.5)</b>	<b>(581.3)</b>	<b>(687.2)</b>

The Group's net liability in respect of defined benefit obligations is as follows:

	2012	2011	2010
	€m		
Obligations in respect of pension plans			
United Kingdom .....	122.7	133.2	202.8
North America .....	18.5	44.0	41.3
Other European .....	527.1	359.2	391.5
	668.3	536.4	635.6

Obligations in respect of post-retirement health care plans .....	16.1	20.6	57.8
Unrecognised past service cost .....	18.1	24.3	(6.2)
<b>Recognised liability for defined benefit obligations .....</b>	<b>702.5</b>	<b>581.3</b>	<b>687.2</b>

### Experience adjustments

	2012	2011	2010
		€m/%	
Experience adjustments (loss)/gain on plan liabilities .....	(10.6)	5.5	(9.9)
Experience adjustments as a percentage of plan liabilities .....	(0.7)%	0.4%	(0.7)%
Experience adjustments gain/(loss) on plan assets.....	29.8	(35.0)	20.6
Experience adjustments as a percentage of plan assets.....	3.5%	(4.9)%	3.2%

The Group expects to contribute approximately €52.5million to its funded defined benefit plans in the next financial year. This excludes direct company benefit payments and payments in relation to unfunded defined benefit plan schemes.

### Expense recognised in the consolidated income statement

	Pension Plan									
	United Kingdom			North America			Other European			
	2012	2011	2010	2012	2011	2010	2012	2011	2010	
				€m						
Current service cost .....	16.9	23.5	29.2	9.3	8.2	8.2	18.8	21.4	19.6	
Past service cost.....	(1.1)	—	0.9	—	0.2	—	0.4	1.2	—	
Losses/(gains) on curtailments and settlements .....	(0.8)	—	(6.0)	(1.6)	—	(0.2)	—	—	0.5	
Interest on obligation .....	29.9	36.0	39.0	8.8	8.6	8.7	22.7	23.1	23.0	
Expected return on plan assets										
Losses/(gains) on curtailments and settlements.....	(27.0)	(34.2)	(35.0)	(9.6)	(8.2)	(6.5)	(5.3)	(5.3)	(4.7)	
	<b>17.9</b>	<b>25.3</b>	<b>28.1</b>	<b>6.9</b>	<b>8.8</b>	<b>10.2</b>	<b>36.6</b>	<b>40.4</b>	<b>38.4</b>	

	Post retirement health care plans							
	2012			2011				
	2012	2011	2010	2012	2011	2010		
				€m				
Current service cost .....			0.6	2.1	2.2	45.6	55.2	59.2
Past service cost.....			(2.0)	(14.6)	—	(2.7)	(13.2)	0.9
Losses/(gains) on curtailments and settlements .....			—	—	(1.2)	(2.4)	—	(6.9)
Interest on obligation .....			0.7	2.5	2.5	62.1	70.2	73.2
Expected return on plan assets.....			—	—	—	(41.9)	(47.7)	(46.2)
			<b>(0.7)</b>	<b>(10.0)</b>	<b>3.5</b>	<b>60.7</b>	<b>64.5</b>	<b>80.2</b>

The expense is recognised in the following line items in the consolidated income statement:

	2012	2011	2010
		€m	
Cost of sales .....	40.5	42.0	53.2
Finance income .....	(41.9)	(47.7)	(46.2)
Finance cost .....	62.1	70.2	73.2
	<b>60.7</b>	<b>64.5</b>	<b>80.2</b>

Actuarial gains and losses, before tax, recognised directly in equity in the statement of comprehensive income since 1 January 2007, the transition date to IFRSs:

2012	2011	2010
	€m	

Cumulative amount at 1 January.....	(405.5)	(384.6)	(289.8)
Loss recognised in the year.....	(191.3)	(20.9)	(94.8)
<b>Cumulative amount at 31 December.....</b>	<b>(596.8)</b>	<b>(405.5)</b>	<b>(384.6)</b>

### Pension plans

	United Kingdom			North America		
	2012	2011	2010	2012	2011	2010
	€m					
Present value of funded obligations.....	631.5	583.7	787.9	242.2	203.5	170.6
Present value of unfunded obligations.....	—	—	—	—	—	—
	631.5	583.7	787.9	242.2	203.5	170.6
Fair value of plan assets.....	(508.8)	(450.5)	(585.1)	(223.7)	(159.5)	(129.3)
<b>Deficit.....</b>	<b>122.7</b>	<b>133.2</b>	<b>202.8</b>	<b>18.5</b>	<b>44.0</b>	<b>41.3</b>

	Other European			Total		
	2012	2011	2010	2012	2011	2010
	€m					
Present value of funded obligations.....	181.4	144.9	130.0	1,055.1	932.1	1,088.5
Present value of unfunded obligations.....	468.0	317.7	364.7	468.0	317.7	364.7
	649.4	462.6	494.7	1,523.1	1,249.8	1,453.2
Fair value of plan assets.....	(122.3)	(103.4)	(103.2)	(854.8)	(713.4)	(817.6)
<b>Deficit.....</b>	<b>527.1</b>	<b>359.2</b>	<b>391.5</b>	<b>668.3</b>	<b>536.4</b>	<b>635.6</b>

Included within the Other European deficits are amounts relating to unfunded German plans of €309.1 million (2011: €185.7 million, 2010: €179.0 million).

Movements in present value of defined benefit obligation:

	United Kingdom			North America		
	2012	2011	2010	2012	2011	2010
	€m					
At 1 January.....	583.7	787.9	1,152.1	203.5	170.6	140.8
Interest cost.....	29.9	36.0	39.0	8.8	8.6	8.7
Current service cost.....	16.9	23.5	29.2	9.3	8.2	8.2
Special termination cost and past service cost.....	(1.1)	—	3.2	—	0.2	—
Member contributions.....	1.3	1.8	2.1	—	—	—
Curtailments.....	(0.8)	—	(8.2)	(0.6)	—	(0.2)
Settlements.....	—	—	—	(3.5)	—	—
Benefits paid.....	(22.0)	(9.8)	(18.8)	(6.5)	(6.3)	(4.7)
Reclassifications.....	—	—	—	—	—	—
Disposals.....	—	(232.3)	(489.7)	—	—	(0.6)
Actuarial (gain)/loss.....	11.9	(28.8)	46.6	36.6	17.5	5.9
Exchange.....	11.7	5.4	32.4	(5.4)	4.7	12.5
<b>At 31 December.....</b>	<b>631.5</b>	<b>583.7</b>	<b>787.9</b>	<b>242.2</b>	<b>203.5</b>	<b>170.6</b>

	Other European			Total		
	2012	2011	2010	2012	2011	2010
	€m					
At 1 January.....	462.6	494.7	440.5	1,249.8	1,453.2	1,733.4
Interest cost.....	22.7	23.1	23.0	61.4	67.7	70.7
Current service cost.....	18.8	21.4	19.6	45.0	53.1	57.0
Special termination cost and past service cost.....	0.4	1.2	0.4	(0.7)	1.4	3.6
Member contributions.....	—	—	—	1.3	1.8	2.1
Curtailments.....	—	—	—	(1.4)	—	(8.4)
Settlements.....	—	—	—	(3.5)	—	—
Benefits paid.....	(18.0)	(20.5)	(28.4)	(46.5)	(36.6)	(51.9)



Reclassifications .....	(12.5)	—	—	(12.5)	—	—
Disposals.....	—	(51.1)	(11.2)	—	(283.4)	(501.5)
Actuarial (gain)/loss.....	173.5	(6.4)	48.9	222.0	(17.7)	101.4
Exchange .....	1.9	0.2	1.9	8.2	10.3	46.8
<b>At 31 December .....</b>	<b>649.4</b>	<b>462.6</b>	<b>494.7</b>	<b>1,523.1</b>	<b>1,249.8</b>	<b>1,453.2</b>

Movements in fair value of plan assets:

	United Kingdom			North America		
	2012	2011	2010	2012	2011	2010
	€m					
At 1 January.....	450.5	585.1	763.9	159.5	129.3	74.1
Benefit payments .....	(22.0)	(9.8)	(18.8)	(6.5)	(6.3)	(4.7)
Group contributions .....	37.4	40.0	56.2	53.1	21.1	43.3
Member contributions.....	1.3	1.8	2.1	—	—	—
Expected return on plan assets.....	27.0	34.2	35.0	9.6	8.2	6.5
Actuarial (loss)/gain.....	5.7	(29.6)	26.8	15.4	3.3	3.9
Disposals.....	—	(176.0)	(302.8)	—	—	(0.5)
Settlements.....	—	—	—	(2.5)	—	—
Reclassifications .....	—	—	—	—	—	—
Exchange movements .....	8.9	4.8	22.7	(4.9)	3.9	6.7
<b>At 31 December .....</b>	<b>508.8</b>	<b>450.5</b>	<b>585.1</b>	<b>223.7</b>	<b>159.5</b>	<b>129.3</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**  
**(FORMING PART OF THE FINANCIAL STATEMENTS)**

**21. EMPLOYEE BENEFITS**

	Other European			Total		
	2012	2011	2010	2012	2011	2010
	€m					
At 1 January.....	103.4	103.2	103.4	713.4	817.6	941.4
Benefit payments.....	(18.0)	(20.6)	(28.4)	(46.5)	(36.7)	(51.9)
Group contributions.....	21.5	24.2	27.4	112.0	85.3	126.9
Member contributions.....	—	—	—	1.3	1.8	2.1
Expected return on plan assets.....	5.3	5.3	4.7	41.9	47.7	46.2
Actuarial (loss)/gain.....	8.7	(8.7)	(10.1)	29.8	(35.0)	20.6
Disposals.....	—	—	(0.6)	—	(176.0)	(303.9)
Settlements.....	—	—	—	(2.5)	—	—
Reclassifications.....	—	—	5.1	—	—	5.1
Exchange movements.....	1.4	—	1.7	5.4	8.7	31.1
<b>At 31 December.....</b>	<b>122.3</b>	<b>103.4</b>	<b>103.2</b>	<b>854.8</b>	<b>713.4</b>	<b>817.6</b>

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The fair value of the plan assets and the return on those assets were as follows:

	United Kingdom			North America		
	2012	2011	2010	2012	2011	2010
	€m					
Equities.....	328.3	292.1	414.3	23.0	57.7	58.4
Corporate bonds.....	100.8	124.3	133.5	200.7	94.4	62.1
Property.....	31.7	7.1	6.6	—	7.4	8.8
Other.....	48.0	27.0	30.7	—	—	—
<b>Total plan assets.....</b>	<b>508.8</b>	<b>450.5</b>	<b>585.1</b>	<b>223.7</b>	<b>159.5</b>	<b>129.3</b>
<b>Actual return on plan assets.....</b>	<b>32.7</b>	<b>4.6</b>	<b>61.9</b>	<b>25.1</b>	<b>11.5</b>	<b>10.4</b>

	Other European			Total		
	2012	2011	2010	2012	2011	2010
	€m					
Equities.....	49.4	42.8	51.0	400.7	392.6	523.7
Corporate bonds.....	26.1	22.9	17.7	327.6	241.6	213.3
Property.....	7.7	2.4	2.5	39.4	16.9	17.9
Other.....	39.1	35.3	32.0	87.1	62.3	62.7
<b>Total plan assets.....</b>	<b>122.3</b>	<b>103.4</b>	<b>103.2</b>	<b>854.8</b>	<b>713.4</b>	<b>817.6</b>
<b>Actual return on plan assets.....</b>	<b>13.8</b>	<b>(3.4)</b>	<b>3.5</b>	<b>71.6</b>	<b>12.7</b>	<b>75.8</b>

***Post-retirement health care plans***

Reconciliation of present value of scheme liabilities:

	2012	2011	2010
	€m		
At 1 January.....	20.6	57.8	37.8
Current service cost.....	0.6	2.1	2.2

Past service (credit)/cost .....	0.1	(43.0)	(0.2)
Curtailement/settlement .....	—	—	(1.2)
Contributions .....	(0.2)	(0.5)	(0.5)
Interest cost .....	0.7	2.5	2.5
Actuarial loss/(gain).....	(0.9)	3.6	14.0
(Disposals)/acquisitions .....	—	—	(0.1)
Reclassifications .....	(4.5)	—	—
Exchange adjustments .....	(0.3)	(1.9)	3.3
<b>At 31 December .....</b>	<b>16.1</b>	<b>20.6</b>	<b>57.8</b>

The post-retirement healthcare plans do not hold any assets.

The sensitivity of the present value of scheme liabilities and aggregate of service and interest cost to changes in the medical trend rate is set out below:

	2012		2011		2010	
	Sensitivity to a change in medical trend rate		Sensitivity to a change in medical trend rate		Sensitivity to a change in medical trend rate	
	Decrease of 1%	Increase of 1%	Decrease of 1%	Increase of 1%	Decrease of 1%	Increase of 1%
	€m					
Impact on scheme liabilities .....	(0.1)	0.1	(0.3)	0.3	(7.2)	8.9
Impact on aggregate of service and interest cost .....	0.0	0.0	(0.7)	0.8	(0.5)	0.6

## 22. PROVISIONS

	Severance and restructuring costs	Remediation	Other	Total
	€m			
At 1 January 2012.....	17.7	10.5	11.8	40.0
Reclassifications .....	1.3	—	(3.2)	(1.9)
Transfers .....	—	(0.4)	0.4	—
Charged to the consolidated income statement.....	4.9	—	(0.8)	4.1
Discount unwinding.....	—	0.1	—	0.1
Utilised in the year.....	(0.7)	(0.6)	(2.6)	(3.9)
Exchange adjustments .....	(3.6)	(0.1)	0.2	(3.5)
At 31 December 2012.....	<b>19.6</b>	<b>9.5</b>	<b>5.8</b>	<b>34.9</b>
Non-current.....	20.1	12.6	13.8	46.5
Current.....	3.5	13.3	11.9	28.7
Balance at 31 December 2010 .....	<b>23.6</b>	<b>25.9</b>	<b>25.7</b>	<b>75.2</b>
Non-current.....	13.3	8.0	4.6	25.9
Current.....	4.4	2.5	7.2	14.1
Balance at 31 December 2011 .....	<b>17.7</b>	<b>10.5</b>	<b>11.8</b>	<b>40.0</b>
Non-current.....	13.9	3.2	2.3	19.4
Current.....	5.7	6.3	3.5	15.5
<b>Balance at 31 December 2012 .....</b>	<b>19.6</b>	<b>9.5</b>	<b>5.8</b>	<b>34.9</b>

### *Severance and restructuring costs*

As described in Note 4, the Group has implemented a restructuring programme of the Innovene and other acquired businesses. The restructuring costs largely relate to severance and early retirement costs and the programme is expected to continue for another 2 years. In addition the Group has implemented a reorganisation of the O&P Europe business in to three separate regional businesses during 2012. The restructuring costs largely relate to severance and relocation costs.

### **Remediation costs**

The Group has provided for the cost of remediation works where there is a legal or constructive obligation for such work to be carried out. The provision was established to meet the clean up costs of contaminated soil and groundwater, the removal of potentially hazardous substances and rectification work required to ensure compliance with license to operate obligations. These costs relate mainly to the Group's production facilities at the Runcorn, Warrington, Cologne, Grangemouth, Lavéra, Chocolate Bayou, Green Lake, Lima and Texas City sites. The provision only covers items of specific work for which a reasonable estimate can be determined. The required work is expected to be completed within the next three year period. The interest rate used to determine the obligation in the balance sheet at 31 December 2012 was 7.0% (2011: 8.0%, 2010: 8.0%). By their nature the amounts and timing of any outflows in respect of remediation costs are difficult to predict.

### **Other provisions**

Other provisions include a number of provisions for other loss making contracts and commercial disputes.

## **23. SHARE CAPITAL**

	<u>2012</u>	<u>2011</u>	<u>2010</u> <u>As restated</u>
		€m	
<b>Fully paid</b>			
924,803 (2011: 924,803, 2010: 924,803) Ordinary shares of €1 each.....	<u>0.9</u>	<u>0.9</u>	<u>0.9</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. As explained in Note 1 in 2011 Ineos Group Holdings S.A. became the parent company for the Group. Therefore the Group used accounting principles for entities under common control for this restructuring and accordingly the share capital has been presented as if Ineos Group Holdings S.A. had always been the parent company of the Group for the current and prior years.

## **24. DIVIDENDS**

The following dividends were recognised during the year:

	<u>2012</u>	<u>2011</u>	<u>2010</u> <u>As restated</u>
		€m	
Dividend paid.....	<u>25.0</u>	<u>13.8</u>	<u>23.0</u>

The dividend paid in 2010 includes €14.0 million paid to employees in relation to the shares tracking the Ineos Fluor business which was divested in 2010.

## **25. FINANCIAL INSTRUMENTS**

### **25.a Fair value of financial instruments**

#### ***Investments in debt and equity securities***

The fair value of other investments shown as loans and receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Available for sale financial assets are accounted for at fair value based on the present value of future cash flows where such information is readily available based on the present value of future cash flows estimated from financial information made available during the year as a result of a recent transaction in the investment. However, as explained in Note 14, the Group's available for sale financial assets include certain equity interests which are not quoted and for which there is no active market. In these circumstances, in the absence of reliable information, the Group considers that a reliable determination of fair value is not practicable and such investments are recorded at their acquisition cost. The fair value has therefore been presented as the equivalent to the carrying value at the reporting date.

### *Trade and other receivables*

The carrying amount of trade and other receivables generally approximates to fair value due to their short maturities. Where settlement is not due in the short term and where the effect is material, fair value is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

### *Trade and other payables*

The carrying amount of trade and other payables generally approximates to fair value due to their short maturities. Where settlement is not due in the short term and where the effect is material, fair value is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

### *Cash and cash equivalents*

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

### *Interest-bearing borrowings*

The fair value of the Senior Notes and Senior Secured Notes, which after initial recognition is determined for disclosure purposes only, are based on the prices of recent transactions on the Luxembourg Stock Exchange. The fair value of the Senior Secured Term Loans is based on the market yields derived from quotes obtained at year end from a leading financial institution. During the year the Group repaid the Senior Facilities Agreement in full. In previous years, the fair value of Senior Facilities Agreement, which after initial recognition was determined for disclosure purposes only, was calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Market discount rates applied ranged from 5% to 10% for both 2011 and 2010. The fair value of finance leases is determined by reference to market rates for similar lease agreements.

### *Derivative financial instruments*

The fair value of interest rate swaps and commodity contracts are based on market or broker quotes.

### *Fair values*

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the consolidated balance sheet are as follows:

	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
	<u>2012</u>		<u>2011</u>		<u>2010</u>	
	€m					
<b>Financial assets held for trading at fair value through profit or loss:</b>						
Derivative commodity contracts.....	0.5	0.5	—	—	8.2	8.2
Interest rate swaps.....	3.5	3.5	—	—	—	—
	<u>4.0</u>	<u>4.0</u>	<u>—</u>	<u>—</u>	<u>8.2</u>	<u>8.2</u>
<b>Available for sale equity investments:</b>						
Carried at fair value .....	19.8	19.8	19.8	19.8	45.8	45.8
Carried at cost.....	27.7	27.7	27.7	27.7	44.3	44.3
<b>Total available for sale equity investments.....</b>	<u>47.5</u>	<u>47.5</u>	<u>47.5</u>	<u>47.5</u>	<u>90.1</u>	<u>90.1</u>
<b>Loans and receivables carried at amortised cost:</b>						
Trade receivables.....	1,402.2	1,402.2	1,524.3	1,524.3	1,894.0	1,894.0
Amounts due from related parties.....	309.8	309.8	245.9	245.9	95.3	95.3
Other receivables .....	304.4	304.4	241.3	241.3	195.5	195.5
Other investments.....	175.9	175.9	166.7	166.0	152.2	135.8
Loans and receivables.....	<u>2,192.3</u>	<u>2,192.3</u>	<u>2,178.2</u>	<u>2,177.5</u>	<u>2,337.0</u>	<u>2,320.6</u>

Cash and cash equivalents .....	1,235.4	1,235.4	582.4	582.4	599.2	599.2
	<u>3,427.7</u>	<u>3,427.7</u>	<u>2,760.6</u>	<u>2,759.9</u>	<u>2,936.2</u>	<u>2,919.8</u>
<b>Total financial assets.....</b>	<b><u>3,479.2</u></b>	<b><u>3,479.2</u></b>	<b><u>2,808.1</u></b>	<b><u>2,807.4</u></b>	<b><u>3,026.3</u></b>	<b><u>3,009.9</u></b>

	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	2012		2011		2010	
	€m					
<b>Financial liabilities held for trading at fair value through profit and loss:</b>						
Derivative commodity contracts.....	0.3	0.3	12.7	12.7	6.7	6.7
<b>Financial liabilities carried at amortised cost:</b>						
Senior Secured Term Loans.....	2,239.8	2,881.4	—	—	—	—
Senior Facilities Agreement.....	—	—	3,139.9	3,139.9	3,855.0	4,342.5
Senior Secured Notes.....	2,522.2	3,339.2	725.3	725.3	715.2	780.0
Senior Notes .....	2,026.2	2,192.8	2,031.1	1,549.8	2,017.7	1,902.8
Securitisation Facility .....	490.0	490.0	685.1	685.1	746.1	746.1
Other bank loans .....	1.1	1.1	1.1	1.1	1.0	1.0
Finance lease liabilities .....	9.6	9.6	10.8	10.8	7.8	7.8
Trade payables .....	719.6	719.6	659.2	659.2	1,054.9	1,054.9
Amounts due to related parties .....	168.0	168.0	216.1	216.1	110.2	110.2
Other payables .....	445.9	445.9	459.7	459.7	655.5	655.5
	<u>8,622.4</u>	<u>10,247.6</u>	<u>7,928.3</u>	<u>7,447.0</u>	<u>9,163.4</u>	<u>9,600.8</u>
<b>Total financial liabilities.....</b>	<b><u>8,622.7</u></b>	<b><u>10,247.9</u></b>	<b><u>7,941.0</u></b>	<b><u>7,459.7</u></b>	<b><u>9,170.1</u></b>	<b><u>9,607.5</u></b>

The table below analyses financial instruments carried at fair value, by valuation method. The different levels, determined in accordance with IFRS 7 “Financial Instruments: Disclosure”, have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

(forming part of the financial statements)

**25. FINANCIAL INSTRUMENTS**

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair Value	Level			Fair Value	Level			Fair Value	Level		
		1	2	3		1	2	3		1	2	3
		2012				2011				2010		
<b>Financial assets held for trading at fair value through profit or loss:</b>												
Derivative commodity contracts.....	0.5	—	0.5	—	—	—	—	—	8.2	—	8.2	—
Interest rate swaps.....	3.5	—	3.5	—	—	—	—	—	—	—	—	—
<b>Available for sale equity investments carried at fair value</b>	<b>19.8</b>	<b>—</b>	<b>—</b>	<b>19.8</b>	<b>19.8</b>	<b>—</b>	<b>—</b>	<b>19.8</b>	<b>45.8</b>	<b>—</b>	<b>—</b>	<b>45.8</b>
<b>Financial liabilities held for trading at fair value through profit and loss:</b>												
Derivative commodity contracts.....	(0.3)	—	(0.3)	—	(12.7)	—	(12.7)	—	(6.7)	—	(6.7)	—
<b>Total financial assets and liabilities held at fair value.....</b>	<b>23.5</b>	<b>—</b>	<b>3.7</b>	<b>19.8</b>	<b>7.1</b>	<b>—</b>	<b>(12.7)</b>	<b>19.8</b>	<b>47.3</b>	<b>—</b>	<b>1.5</b>	<b>45.8</b>

There have been no transfers from Level 2 to Level 1 in 2012 (2011 and 2010: no transfers from Level 2 to Level 1).

**25.b Net gains and losses from financial instruments**

Net gains and losses from financial instruments comprise the results of valuations, the amortisation of discounts, the recognition and derecognition of impairment losses, results from the translation of foreign currencies, interest, dividends and all effects on profit or loss of financial instruments.

Net gains from receivables and loans relate primarily to recognition and derecognition of impairment losses, results from the translation of foreign currencies and interest income.

Net losses from financial liabilities measured at amortised cost relate primarily to amortisation of discounts, results from the translation of foreign currencies, interest expense and other financing related expenses.

The item 'financial instruments at fair value through profit or loss' comprise valuation gains and losses, and only includes gains and losses from instruments which are not designated as hedging instruments as defined by IAS 39.

No gains or losses on items measured at fair value have been recognised in the income statement in respect of fair values determined based on a level 3 valuation technique using non-observable inputs. Gains totalling €nil million (2011: €nil million, 2010: €nil million) on available for sale equity investments have been recognised in the Statement of Comprehensive Income for the year ended 31 December 2012 based on a level 3 valuation technique using non-observable inputs. There have been no other movements in financial assets and liabilities held at fair value based on a level 3 valuation technique so a reconciliation table has not been presented.

	Loans and receivables			Available for sale financial assets		
	2012	2011	2010	2012	2011	2010
	€m					
Interest income.....	18.5	17.8	14.9	—	—	—
Dividend income.....	—	—	—	5.4	5.4	9.1
Foreign exchange gains/(losses).....	59.9	18.8	(0.1)	—	—	—
<b>Net result</b> .....	<b>78.4</b>	<b>36.6</b>	<b>14.8</b>	<b>5.4</b>	<b>5.4</b>	<b>9.1</b>
<b>Carrying value at 31 December</b> .....	<b>3,427.7</b>	<b>2,760.6</b>	<b>2,936.2</b>	<b>47.5</b>	<b>47.5</b>	<b>90.1</b>

	Liabilities measured at amortised cost			Financial instruments at fair value through profit or loss		
	2012	2011	2010	2012	2011	2010
	€m					
Interest cost.....	(605.4)	(619.5)	(742.9)	—	—	—
Other finance cost.....	(11.9)	(65.5)	(23.5)	—	—	—
Net fair value gains/(losses) on derivatives .....	—	—	—	12.9	(16.3)	5.5
Foreign exchange gains/(losses).....	(53.8)	(6.2)	(53.0)	—	—	—
<b>Net result</b> .....	<b>(671.1)</b>	<b>(691.2)</b>	<b>(819.4)</b>	<b>12.9</b>	<b>(16.3)</b>	<b>5.5</b>
<b>Carrying value at 31 December</b> .....	<b>(8,622.4)</b>	<b>(7,928.3)</b>	<b>(9,163.4)</b>	<b>3.7</b>	<b>(12.7)</b>	<b>1.5</b>

## 25.c Credit risk

### Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, deposits with financial institutions and derivatives.

Group Treasury policy and objectives in relation to credit risk is to minimise the likelihood that the Group will experience financial loss due to counterparty failure and to ensure that in the event of a single loss, the failure of any single counterparty would not materially impact the financial wellbeing of the Group.

### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. Management considers that there is no geographical concentration of credit risk. The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered or are adjusted accordingly. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

### Investments, cash and cash equivalent

Surplus cash investments are only made with banks with which the Group has a relationship. Occasionally deposits are made with banking counterparties that provide financing arrangements, reducing the credit exposure of the Group.

### Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At 31 December 2012 no guarantees were outstanding (2011: none, 2010: none).



## Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the reporting date was the carrying amount of financial assets. Further details on the Group's exposure to credit risk are given in Note 18.

## 25.d Liquidity risk

### Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group. The Group's exposure to liquidity risk is limited by the fact that it operates with significant cash resources, and it maintains the most appropriate mix of short, medium and long-term borrowings from the Group's lenders.

The Group is reliant on committed funding from a variety of sources at Group and subsidiary company level to meet the anticipated needs of the Group for the period covered by the Group's budget.

The Group forecasts on a regular basis the expected cash flows that will occur on a weekly and monthly basis. This information is used in conjunction with the weekly reporting of actual cash balances at bank in order to calculate the level of funding that will be required in the short and medium term. On a monthly basis the level of headroom on existing facilities is reported and forecast forward until the end of the financial period. In addition, the Group maintains the following lines of credit:

- Senior Facilities Agreement—During 2012, the Senior Facilities Agreement has been repaid in full and replaced with a Senior Secured Term Loan (see below). In 2011, the Senior Facilities Agreement was € 2,411.2 million (2010: €2,943.4 million) and \$982.5 million (2010:\$1.265.8 million) that was secured. Interest was payable at rates of EURIBOR and \$LIBOR plus 4%-6% in 2011 (2010: EURIBOR and \$LIBOR plus 6-8%).
- Senior Secured Term Loan—facility size of €500 million for Euro term loan and \$2,375 million for US Dollar term loan. Interest is payable at rates of EURIBOR and \$LIBOR plus 4.25%- 5.5%.
- Receivables Securitisation Facility—€1,200 million (2011: €1,200 million, 2010: €1,200 million) that can be drawn down to meet short-term financing needs. The facility renews automatically at the option of the Group and expires in December 2014. Interest is payable at a variable rate and the margin is linked to the credit rating of the receivables included in the securitization.

The maturity profile of the Group's undrawn committed facilities at 31 December 2012, 2011, and 2010 was as follows:

	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>Undrawn</b>	<b>Undrawn</b>	<b>Undrawn</b>
	<b>facilities</b>	<b>facilities</b>	<b>facilities</b>
	€m		
In one year .....	—	—	—
In more than one year, but not more than two years .....	—	297.8	—
In more than two years, but not more than five years .....	—	—	262.6
In more than five years .....	—	—	—
	<u>—</u>	<u>297.8</u>	<u>262.6</u>

The undrawn committed facilities are in respect of unused committed Revolving Credit Facilities under the Senior Facilities Agreement. Subsequent to the repayment of Senior Facilities Agreement in 2012 the unused committed amount at 31 December 2012 is €nil million (2011: €297.8 million, 2010: €262.6 million).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

2012						
Carrying amount	Contractual cash flows	1 year or less	1 to<2 years	2 to<5 years	5 years and over	
€m						
<b>Non-derivative financial liabilities</b>						
Senior Secured Term Loans.....	2,239.8	(3,007.0)	(176.7)	(163.8)	(726.9)	(1,939.6)
Senior Secured Notes.....	2,522.2	(5,723.6)	(213.0)	(213.0)	(3,237.5)	(2,060.1)
Senior Notes .....	2,026.2	(2,565.0)	(166.5)	(166.5)	(2,232.0)	—
Securitisation Facility .....	490.0	(509.8)	(17.8)	(492.0)	—	—
Other loans.....	1.1	(1.1)	—	—	(1.1)	—
Finance lease liabilities.....	9.6	(22.7)	(2.6)	(2.6)	(5.0)	(12.5)
Trade payables.....	719.6	(719.6)	(719.6)	—	—	—
Amounts due to related parties .....	168.0	(168.0)	(168.0)	—	—	—
Other payables .....	445.9	(445.9)	(445.9)	—	—	—
<b>Derivative financial liabilities</b>						
Commodity contracts.....	0.3	(0.3)	(0.3)	—	—	—
<b>8,622.7</b>	<b>(13,163.0)</b>	<b>(1,910.4)</b>	<b>(1,037.9)</b>	<b>(6,202.5)</b>	<b>(4,012.2)</b>	

2011						
Carrying amount	Contractual cash flows	1 year or less	1 to<2 years	2 to<5 years	5 years and over	
€m						
<b>Non-derivative financial liabilities</b>						
Senior Facilities Agreement.....	3,139.9	(3,890.0)	(307.6)	(1,621.9)	(1,960.5)	—
Senior Secured Notes.....	725.3	(970.6)	(68.5)	(68.3)	(833.8)	—
Senior Notes .....	2,031.1	(2,746.3)	(167.5)	(167.4)	(2,411.4)	—
Securitisation Facility .....	685.1	(759.4)	(23.8)	(23.7)	(711.9)	—
Other loans.....	1.1	(1.1)	—	—	(1.1)	—
Finance lease liabilities.....	10.8	(22.7)	(2.6)	(2.6)	(5.0)	(12.5)
Trade payables.....	659.2	(659.2)	(659.2)	—	—	—
Amounts due to related parties .....	216.1	(216.1)	(216.1)	—	—	—
Other payables .....	459.7	(459.7)	(459.7)	—	—	—
<b>Derivative financial liabilities</b>						
Commodity contracts.....	12.7	(12.7)	(12.7)	—	—	—
<b>7,941.0</b>	<b>(9,737.8)</b>	<b>(1,917.7)</b>	<b>(1,883.9)</b>	<b>(5,923.7)</b>	<b>(12.5)</b>	

2010						
Carrying amount	Contractual cash flows	1 year or less	1 to<2 years	2 to<5 years	5 years and over	
€m						
<b>Non-derivative financial liabilities</b>						
Senior Facilities Agreement.....	3,855.0	(5,120.8)	(375.1)	(711.1)	(4,034.6)	—
Senior Secured Notes.....	715.2	(1,067.9)	(66.8)	(66.8)	(934.3)	—
Senior Notes .....	2,017.7	(2,870.3)	(164.5)	(164.5)	(493.5)	(2,047.8)
Securitisation Facility .....	746.1	(865.8)	(37.6)	(37.6)	(790.6)	—
Other loans.....	1.0	(36.5)	(16.6)	(18.9)	(1.0)	—
Finance lease liabilities.....	7.8	(16.5)	(0.4)	(4.0)	(8.6)	(3.5)
Trade payables.....	1,054.9	(1,054.9)	(1,054.9)	—	—	—
Amounts due to related parties .....	110.2	(118.0)	(107.3)	(5.5)	(3.9)	(1.3)
Other payables .....	655.5	(651.8)	(591.4)	(60.4)	—	—
<b>Derivative financial liabilities</b>						
Commodity contracts.....	6.7	(6.7)	(6.7)	—	—	—
<b>9,170.1</b>	<b>(11,809.2)</b>	<b>(2,421.3)</b>	<b>(1,068.8)</b>	<b>(6,266.5)</b>	<b>(2,052.6)</b>	

## 25.e Net investment and cash flow hedges

The Group does not have derivative commodity contracts that qualify as cash flow hedges at 31 December 2012.

The Group entered into two interest rate caps to hedge the variable interest rate exposures on the €500.0 million Floating Rate Senior Secured Notes. These derivative instruments expire in May 2015 and do not qualify as hedging instruments under IAS 39.

The Group has US\$ and Sterling financial liabilities in respect of the Senior Secured Term Loans and Securitisation Facility that are designated net investment hedges of US\$ and Sterling operations in accordance with the requirements of IAS 21 “The effects of changes in Foreign Exchange Rates”. The US\$ and Sterling net investment hedges had a carrying value and fair value as follows:

	Carrying amounts 2012	Fair value 2012	Carrying amounts 2011	Fair value 2011	Carrying amounts 2010	Fair value 2010
	€m					
US Dollars .....	(1,963.5)	(2,565.4)	(1,047.6)	(1,047.6)	(1,243.8)	(1,250.1)
Sterling.....	(13.5)	(13.5)	(19.7)	(19.7)	(64.4)	(64.4)
	<b>(1,977.0)</b>	<b>(2,578.9)</b>	<b>(1,067.3)</b>	<b>(1,067.3)</b>	<b>(1,308.2)</b>	<b>(1,314.5)</b>

For the year ended 31 December 2012 gains totalling €27.4 million were taken directly to reserves and reported in the Statement of Comprehensive Income for the year then ended (2011: losses €18.4 million, 2010: losses €73.8 million). There was no ineffectiveness recognised in the income statement for the year ended 31 December 2012 (2011: €nil, 2010: €nil).

## 25.f Market risk

### Financial risk management

Market risk reflects the possibility that changes in market prices, such as crude oil, feedstock refined products, chemicals or currency exchange rates or changes in interest rates will adversely affect the value of the Group’s assets, liabilities or expected future cash flows. The Group holds interest rate swaps, forward foreign exchange contracts, currency swaps and commodity contracts in order to manage market risk. The use of derivative instruments is confined to specialist teams that have the appropriate skills, experience, supervision, control and reporting systems.

### Market risk—Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Sterling.

Foreign exchange risk arises from net investments in foreign operations, future commercial transactions, and recognised assets and liabilities.

The Group applies hedge accounting to foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item is considered to form part of a net investment in a foreign operation and changes in the fair value are recognised directly within equity.

A substantial portion of the Group’s revenue is generated in, or linked to, the US dollar and the euro. In the refining business the prices of finished products and of the underlying raw materials are primarily denominated in US dollars, while the costs are largely denominated in euros and sterling. In the European petrochemical business, product prices, certain feedstock costs and most other costs are denominated in euro and sterling. In the US petrochemical and specialty chemicals businesses, product prices, raw materials costs and most other costs are primarily denominated in US dollars.

The Group generally does not enter into foreign currency exchange instruments to hedge foreign currency transaction exposure, although the Group has done so in the past and may do so in the future.

The Group benefits from natural hedging, to the extent that currencies in which net cash flows are generated from the Group's operations, are matched against long-term indebtedness.

The foreign currency exposure where the Group's financial assets/(liabilities) are not denominated in the functional currency of the operating unit involved is shown below. Foreign exchange differences on retranslation of these assets and liabilities are taken to the income statement of the Group.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	€m		
Euros.....	3.7	271.1	226.9
US Dollars .....	(2,557.6)	(1,239.5)	(1,331.2)
Sterling.....	5.6	(14.3)	(109.4)
Other.....	1.1	1.1	61.4
	<u>(2,547.2)</u>	<u>(981.6)</u>	<u>(1,152.3)</u>

### Sensitivity analysis

A ten percent weakening of the following currencies at 31 December would have increased/ (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for the comparative period.

	<u>Equity</u>			<u>Profit or loss</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	€m					
Euros.....	248.4	127.2	130.8	6.4	(29.0)	(15.6)
US Dollars .....	247.0	125.2	124.4	8.7	(1.3)	8.7
Sterling.....	1.4	2.0	6.4	(1.4)	(0.5)	4.5
Other.....	—	—	—	—	(0.1)	(6.1)

A ten percent strengthening of the above currencies against the euro at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

### Market risk—Interest rate risk

#### Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	€m		
<b>Carrying amount—asset / (liability)</b>			
<b>Fixed rate instruments</b>			
Financial assets .....	223.4	214.2	242.3
Financial liabilities.....	(4,059.2)	(2,768.3)	(2,741.7)
	<u>(3,835.8)</u>	<u>(2,554.1)</u>	<u>(2,499.4)</u>
<b>Variable rate instruments</b>			
Financial assets .....	1,235.4	582.4	599.2
Financial liabilities.....	(3,229.7)	(3,825.0)	(4,601.1)
	<u>(1,994.3)</u>	<u>(3,242.6)</u>	<u>(4,001.9)</u>

## Sensitivity analysis

A change of 1% in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for 2012, 2011 and 2010.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	€m		
<b>Profit or loss</b>			
Increase in interest rates by 1% .....	(19.9)	(32.8)	(40.6)
Decrease in interest rates by 1% .....	<u>19.9</u>	<u>32.8</u>	<u>40.6</u>

## Market risk—Commodity price risk

The Group is exposed to commodity price risk through fluctuations in raw material prices and sales of products. The raw material exposures result primarily from the price of crude oil and base chemicals linked to the price of crude. The sales price exposures are primarily related to petrochemicals where prices are in general linked to the market price of crude oil.

The Group enters into contracts to supply or acquire physical volumes of commodities at future dates during the normal course of business that may be considered derivative contracts. Where such contracts exist and are in respect of the normal purchase or sale of products to fulfil the Group's requirements, the own use exemption from derivative accounting is applied.

The Group manages commodity price exposures through trading crude oil, refined products and chemical feedstock and using commodity swaps, options and futures as a means of managing price and timing risks. The Group operates within procedures and policies designed to ensure that risks, including those relating to the default of counterparties, are minimised. At 31 December 2012 the Group had swap and option contracts with a nominal exposure to purchase nil million barrels of crude oil or other commodities (2011: nil, 2010: 4.88 million barrels) and no nominal exposure to sell the refined product generated from those barrels of crude oil (2011: nil, 2010: nil million barrels).

A ten percent increase/decrease in commodity prices at the reporting date would have decreased/increased the loss for the year by:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
	€m		
<b>Equity</b>			
Increase in commodity prices by 10% .....	—	—	—
Decrease in commodity prices by 10% .....	—	—	—
<b>Profit or loss</b>			
Increase in commodity prices by 10% .....	—	—	(18.2)
Decrease in commodity prices by 10% .....	<u>—</u>	<u>—</u>	<u>14.4</u>

Management considers that a change of 10 percent gives an appropriate benchmark to assess the risks that the Group might reasonably be exposed to. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 31 December 2010, 31 December 2011 and 31 December 2012.

## Market risk—Equity price risk

The Group's exposure to equity price risk arises from its investment in equity securities which are classified as available for sale financial assets and are shown on the consolidated balance sheet as other financial assets. Available for sale financial assets are accounted for at fair value based on the present value of future cash flows where such information is

readily available. However, as explained in Note 14, the Group's available for sale financial assets include certain equity interests which are not quoted and for which there is no active market. In these circumstances, in the absence of reliable information, the Group considers that a reliable determination of fair value is not practicable and such investments are recorded at their acquisition cost. The fair value has therefore been presented as the equivalent to the carrying value at the reporting date. The remainder of available for sale financial assets are valued at fair value based on the present value of future cash flows estimated from financial information made available during the year as a result of a recent transaction in the investment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2012

#### (FORMING PART OF THE FINANCIAL STATEMENTS)

#### 25. FINANCIAL INSTRUMENTS

For the available for sale investments carried at fair value a 10 percent increase and decrease in transaction prices at the reporting date would have decreased and increased the loss for the year by €4.8 million (2011: €48 million, 2010: €4.6 million). Management consider that a change of 10 percent gives an appropriate benchmark to assess the risks that the Ineos Group is expected to be exposed to. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

#### 25.g Capital management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines its capital employed of €5,295.5 million (2011: €5,688.4 million, 2010: €6,150.7 million) as shareholders' equity of €(758.0) million (2011: €(32.5) million, 2010: €(592.9) million) and net debt (net of debt issue costs) of €6,053.5 million (2011: €6,010.9 million, 2010: €6,743.6 million).

The principal sources of debt available to the Group at 31 December 2012 include the Senior Secured Term Loans, Senior Secured Notes due 2015, Senior Secured Notes due 2019, Senior Secured Notes due 2020, Senior Notes and Receivables Securitisation Facility and are described in Note 19 along with the key operating and financial covenants that apply to these facilities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt or sell assets to reduce debt. The ability of the Group to pay dividends and provide appropriate facilities to the Group is restricted by the terms of principal financing agreements to which members of the Group are party.

#### 26. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
		€m	
Less than one year .....	24.9	61.4	83.1
Between one and five years .....	69.1	140.2	353.3
More than five years .....	193.6	121.6	74.1
	<u>287.6</u>	<u>323.2</u>	<u>510.5</u>

The Group has certain operating lease arrangements in respect of manufacturing facilities and combined heat and power plants where the Group has the option to acquire at fair value or depreciated cost to the lessor in certain circumstances either during the life of the lease or at the end of the lease term.

#### 27. CAPITAL COMMITMENTS

Outstanding capital expenditure authorised by the Board and for which contracts had been placed as at 31 December 2012 by the Group amounted to approximately €166.6 million (2011: €26.9 million, 2010: €6.5 million).

## 28. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2012	2011	2010
		€m	
Increase/(decrease) in cash and cash equivalents in the year.....	655.4	(20.0)	(70.1)
Cash (inflow)/outflow from change in debt financing.....	(767.4)	799.1	342.7
Change in net debt resulting from cash flows.....	(112.0)	779.1	272.6
Ineos Vinyls Senior Notes disposed of with subsidiary.....	—	—	161.2
Finance leases acquired/disposed of with subsidiary.....	—	—	3.9
Other net non-cash transactions.....	32.3	(12.1)	(162.4)
Movement in net debt in year.....	<b>(79.7)</b>	<b>767.0</b>	<b>275.3</b>

	1 Jan 2010	Cash Flow	Disposals	Other Non Cash Changes	31 Dec 2010
			€m		
Cash at bank and in hand.....	662.1	(70.1)	—	7.2	599.2
Debt due within one year.....	(837.8)	239.8	—	196.5	(401.5)
Debt due after more than one year.....	(6,939.5)	102.7	161.2	(365.7)	(7,041.3)
Finance leases.....	(11.5)	0.2	3.9	(0.4)	(7.8)
	(7,788.8)	342.7	165.1	(169.6)	(7,450.6)
<b>Net debt.....</b>	<b>(7,126.7)</b>	<b>272.6</b>	<b>165.1</b>	<b>(162.4)</b>	<b>(6,851.4)</b>

	1 Jan 2011	Cash Flow	Disposals	Other Non Cash Changes	31 Dec 2011
			€m		
Cash at bank and in hand.....	599.2	(20.0)	—	3.2	582.4
Debt due within one year.....	(401.5)	43.7	—	39.6	(318.2)
Debt due after more than one year.....	(7,041.3)	754.4	—	(50.9)	(6,337.8)
Finance leases.....	(7.8)	1.0	—	(4.0)	(10.8)
	(7,450.6)	799.1	—	(15.3)	(6,666.8)
<b>Net debt.....</b>	<b>(6,851.4)</b>	<b>779.1</b>	<b>—</b>	<b>(12.1)</b>	<b>(6,084.4)</b>

	1 Jan 2012	Cash Flow	Disposals	Other Non Cash Changes	31 Dec 2012
			€m		
Cash at bank and in hand.....	582.4	655.4	—	(2.4)	1,235.4
Debt due within one year.....	(318.2)	293.0	—	2.2	(23.0)
Debt due after more than one year.....	(6,337.8)	(1,062.2)	—	33.1	(7,366.9)
Finance leases.....	(10.8)	1.8	—	(0.6)	(9.6)
	(6,666.8)	(767.4)	—	34.7	(7,399.5)
<b>Net debt.....</b>	<b>(6,084.4)</b>	<b>(112.0)</b>	<b>—</b>	<b>32.3</b>	<b>(6,164.1)</b>

## 29. RELATED PARTIES

### *Identity of related parties with which the Group has transacted*

*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 AG, 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 were partners in Ineos Capital Partners. Ineos Capital Partners provided operational management services to the Group through a management services agreement. The management services agreement was novated from Ineos Capital Partners to Ineos AG in April 2010. Ineos AG (previously Ineos Capital Partners) management fees of €74.2 million (2011: €0.6 million, 2010: €67.4 million) were charged to the income statement and the Group recovered costs of €nil million during the year ended 31 December 2012 (2011: €2.9 million, 2010: €nil million). As at 31 December 2012 amounts owed to Ineos AG (previously Ineos Capital Partners) were €235 million (2011: €87.0 million, 2010: €54.1 million). Amounts due from Ineos Group AG, a wholly owned subsidiary of Ineos AG, were €4.9 million (2011: €17.8 million, 2010: €6.8 million).

Ineos AG owns and controls a number of operating subsidiaries that are not included in the Ineos Group Holdings S.A. group, including Kerling plc and Ineos Industries Limited. During the year ended 31 December 2012 the Group has made sales to these subsidiaries of €416.7 million (2011: €509.2 million, 2010: €441.3 million), recovered costs of €174.2 million (2011: €19.9 million, 2010: €18.6 million) and made purchases of €83.8 million (2011: €51.2 million, 2010: €15.0 million). As at 31 December 2012, €196.2 million (2011: €93.8 million, 2010: €10.0 million) was owed by and €13.8 million (2011: €23.4 million, 2010: €68.4 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.

The Refining joint ventures are between PetroChina and INEOS Investments (Jersey) Limited, a related party. During the year ended 31 December 2012 the Group has made sales to the Refining joint ventures of €347.1 million (2011: €315.9 million), recovered costs of €6.1 million (2011: €nil million) and made purchases of €1,648.8 million (2011: €1,435.0 million). As at 31 December 2012, €34.1 million (2011: €47.0 million) was owed by the Refining joint ventures and €99.9 million (2011: €74.6 million) was owed to the Refining joint ventures.

Styrolution is a joint venture between INEOS and BASF. During the year ended 31 December 2012 the Group has made sales to the Styrolution joint venture of €334.7 million (2011: €73.8 million), recovered costs of €119.7 million (2011: €4.9 million) and made purchases of €105.3 million (2011: €nil million). As at 31 December 2012, €32.2 million (2011: €56.0 million) was owed by the Styrolution joint venture and €1.2 million (2011: €nil million) was owed to the Styrolution joint venture.

During the year ended 31 December 2012 the Group has made sales to other joint ventures of €nil million (2011: €49.1 million, 2010: €157.8 million), recovered costs of €13.5 million (2011: €27.7 million, 2010: €13 million) and made purchases of €79.7 million (2011: €84.5 million, 2010: €111.7 million). As at 31 December 2012, €45.6 million (2011: €30.5 million, 2010: €32.4 million) was owed by other joint ventures and €33.4 million (2011: €31.0 million, 2010: €33.6 million) was owed to other joint ventures.

#### ***Compensation to key management personnel (including directors)***

The Group defines key management as the directors of the Company. Details of Directors' remuneration are given in Note 7.

### **30. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent undertaking is Ineos Holdings Luxembourg S.A.. The ultimate parent undertaking at 31 December 2012 was Ineos AG, a company registered in Switzerland. The ultimate controlling party is Mr JA Ratcliffe, director and majority shareholder of the ultimate parent undertaking.

### **31. ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Group prepares its consolidated financial statements in accordance with IFRSs, which require management to make judgements, estimates and assumptions which affect the application of the accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates change and in any future periods.

The following areas are considered to involve a significant degree of judgement or estimation:

### ***Fair value measurement on business combination***

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets and liabilities acquired. The determination of the fair value of the acquired assets and liabilities is to a considerable extent based upon management's judgement, and estimates and assumptions made.

Allocation of the purchase price affects the results of the Group as intangible assets are amortised over their estimated useful lives, whereas goodwill, is not amortised. This could lead to differing amortisation charges based on the allocation to indefinite and finite lived intangible assets.

On acquisition of a business, the identifiable intangible assets may include customer contracts, customer relationships and preferential supply contracts. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset. The use of different estimates and assumptions for the expectations of future cash flows and the discount rate would change the valuation of these intangible assets.

The carrying amount of intangibles is disclosed in Note 11.

### ***Taxation***

Management is required to estimate the tax payable in each of the jurisdictions in which the Group operates. This involves estimating the actual current tax charge or credit together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which may be included on the consolidated balance sheet of the Group. Management have performed an assessment as to the extent to which future taxable profits will allow the deferred asset to be recovered. The calculation of the Group's total tax charge necessarily involves a significant degree of estimation in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority, or, as appropriate, through a formal legal process.

The Group has, from time to time, contingent tax liabilities arising from trading and corporate transactions in the countries in which it operates. After appropriate consideration, management makes provision for these liabilities based on the probable level of economic loss that may be incurred and which is reliably measurable.

The breadth of the Group's structure with operations in many geographic locations makes the use of estimates and assumptions more challenging. The resolution of issues is not always within the control of the Group and can be reliant upon the efficiency of the legal processes in the relevant jurisdictions in which the Group operates, and as a result, issues can, and often do take many years to resolve.

Details of amounts recognised with regard to taxation are disclosed in Notes 9 and 16.

### ***Post-retirement benefits***

The Group operates a number of defined benefit post employment schemes. Under IAS 19 Employee Benefits, management is required to estimate the present value of the future defined benefit obligation of each of the defined benefit schemes. The costs and year end obligations under defined benefit schemes are determined using actuarial valuations. The actuarial valuations involve making numerous assumptions, including:

- Future rate of increase in salaries;
- Inflation rate projections
- Discount rate for scheme liabilities;
- Expected rates of return on the scheme assets.

Details of post-retirement benefits are set out in Note 21.

## ***Provisions***

Provisions are recognised for the cost of remediation works where there is a legal or constructive obligation for such work to be carried out. Where the estimated obligation arises upon initial recognition of the related asset, the corresponding debit is treated as part of the cost of the related asset and depreciated over its estimated useful life.

Other provisions are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events that can be reasonably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances, which can be subject to change.

Estimates of the amounts of provisions recognised are based on current legal and constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

In relation to remediation costs, the estimated interest rate used in discounting the cash flows is reviewed at least annually. The interest rate used to determine the obligation in the balance sheet at 31 December 2012 was 7% (2011: 8%, 2010: 8%).

The nature and amount of provisions included within the financial statements are detailed in Note 22.

## ***Impairment reviews***

IFRSs require management to test for impairment of goodwill and other intangible assets with indefinite lives, on an annual basis, and of tangible and intangible assets with finite lives if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

An impairment test requires an assessment as to whether the carrying value of assets can be supported by its recoverable amount. Management calculates the recoverable amount based on the net present value of the future cash flows derived from the relevant assets, using cash flow projections which have been discounted at an appropriate discount rate.

In calculating the net present value of the future cash flows, certain assumptions and estimates are required to be made in respect of highly uncertain matters, including management's expectations of:

- Growth rates of various revenue streams;
- Long term growth rates;
- Future margins;
- The selection of an appropriately risk adjusted discount rate; and
- The determination of terminal values.

Changing the assumptions selected by management, in particular the discount rate used in the present value calculation, could significantly affect the Group's impairment evaluation and results.

The Group has property, plant and equipment with a carrying value of €3,093.8 million (2011: €3,566.3million, 2010: €4,402.3 million) as disclosed in Note 11 and intangible assets with a carrying value of €673.2million (2011: €695.6 million, 2010: €993.8 million) as disclosed in Note 11. All of these assets are assessed annually for impairment as described above.

For the purpose of impairment testing (when required), to assess whether any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. Actual outcomes could vary significantly from such estimates of discounted future cash flows. Factors such as changes in the planned use of buildings, plant or equipment, or closure of facilities, the presence or absence of competition, lower than expected asset utilisation from events such as unplanned outages, strikes and hurricanes, technical obsolescence or lower than anticipated sales of products

with capitalised intellectual property rights could result in shortened useful lives or impairment. Changes in the discount rates used could also lead to impairments.

Further details on the impairment review performed on the goodwill and intangible assets are provided in Note 11, including sensitivity analysis in relation to key assumptions.

***Segment aggregation***

IFRS 8 “Operating Segments” permits two or more operating segments to be aggregated into one for disclosure purposes when individual segments have characteristics so similar that they can be expected to have essentially the same future prospects. Management apply this judgement when aggregating the businesses within the Chemical Intermediates segment. In doing so they take into account that the businesses all have similar economic characteristics, similar products, services and types of customer and similar past cyclical financial performance.

## AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of  
**INEOS Group Holdings S.A.**

### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of INEOS Group Holdings S.A. and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### *Board of Directors', responsibility for the financial statements*

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Responsibility of the "Réviseur d'entreprises agréé"*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, these consolidated financial statements give a true and fair view of the consolidated financial position of INEOS Group Holdings S.A. and its subsidiaries as of December 31, 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Report on other legal and regulatory requirements**

The management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

PricewaterhouseCoopers S.à r.l.  
Luxembourg, 30 March 2012

Represented by

Philippe Piérard

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011	2010	2009 As restated
		€m		
<b>Revenue</b> .....	2	<b>17,586.4</b>	<b>16,007.8</b>	<b>12,111.3</b>
Cost of sales.....		(15,844.5)	(14,354.9)	(10,940.1)
<b>Gross profit</b> .....		<b>1,741.9</b>	<b>1,652.9</b>	<b>1,171.2</b>
Distribution costs.....		(240.6)	(257.4)	(415.9)
Administrative expenses before exceptional items.....		(241.3)	(235.4)	(309.5)
Exceptional administrative expenses.....	5	(35.8)	(11.2)	(42.3)
Total administrative expenses.....		(277.1)	(246.6)	(351.8)
Total expenses.....		(517.7)	(504.0)	(767.7)
<b>Operating profit</b> .....	6	<b>1,224.2</b>	<b>1,148.9</b>	<b>403.5</b>
Share of (loss)/profit of associates and jointly controlled entities using the equity accounting method.....		(67.8)	10.0	23.7
Profit on disposal of fixed assets.....		3.5	—	—
Loss on disposal of investments.....	4	—	—	(44.0)
Loss on disposal of businesses.....	3	(2.1)	(74.7)	(276.5)
<b>Profit before net finance costs</b> .....		<b>1,157.8</b>	<b>1,084.2</b>	<b>106.7</b>
Finance income before exceptional items.....	9	83.5	79.2	95.1
Exceptional finance income.....	5	—	—	89.0
Total finance income.....	9	83.5	79.2	184.1
Finance costs before exceptional item.....	9	(771.2)	(898.1)	(838.7)
Exceptional finance cost.....	5	—	—	(209.2)
Total finance costs.....	9	(771.2)	(898.1)	(1,047.9)
Net finance costs.....	9	(687.7)	(818.9)	(863.8)
<b>Profit/(loss) before tax from continuing operations</b> .....		<b>470.1</b>	<b>265.3</b>	<b>(757.1)</b>
Tax (charge)/credit.....	10	(234.4)	(243.6)	17.4
<b>Profit/(loss) for the year from continuing operations</b> .....		<b>235.7</b>	<b>21.7</b>	<b>(739.7)</b>
Profit/(loss) from discontinued operations, net of tax.....	3	140.7	(78.2)	80.6
<b>Profit/(loss) for the year</b> .....		<b>376.4</b>	<b>(56.5)</b>	<b>(659.1)</b>
<b>Attributable to:</b>				
Owners of the parent.....		376.4	(56.5)	(661.3)
Minority interest.....		—	—	2.2
<b>Profit/(loss) for the year</b> .....		<b>376.4</b>	<b>(56.5)</b>	<b>(659.1)</b>

The notes on pages F-105 to F-189 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011	2010	2009 As restated
			€m	
<b>Profit/(loss) for the year</b> .....		376.4	(56.5)	(659.1)
<b>Other comprehensive income:</b>				
Foreign exchange translation differences net of tax .....		(59.3)	281.5	56.8
Foreign exchange differences recycled on disposal of subsidiaries net of tax.....	3	—	45.5	(25.0)
Changes in the fair value of assets classified as available for sale net of tax.....		—	—	22.9
Net (loss)/gain on hedge of net investment in foreign operations net of tax.....	26.e	(18.4)	(73.8)	13.9
Cash flow hedge recycled from hedging reserve net of tax .....		—	—	(76.3)
Actuarial gains and losses on defined benefit pension schemes net of tax .....	22	(14.5)	(63.1)	(2.1)
<b>Other comprehensive income for the year net of tax</b> .....		<b>(92.2)</b>	<b>190.1</b>	<b>(9.8)</b>
<b>Total comprehensive income for the year</b> .....		<b>284.2</b>	<b>133.6</b>	<b>(668.9)</b>
<b>Total comprehensive income for the year is attributable to:</b>				
Owners of the parent.....		284.2	133.6	(668.2)
Minority interest .....		—	—	(0.7)
		<b>284.2</b>	<b>133.6</b>	<b>(668.9)</b>

The notes on pages F-105 to F-189 are an integral part of these consolidated financial statements.



**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2011**

	Note	2011	2010 As restated	2009 As restated
<b>€m</b>				
<b>Non-current assets</b>				
Property, plant and equipment .....	11	3,566.3	4,402.3	5,093.2
Intangible assets .....	12	695.6	993.8	949.6
Investments in equity-accounted investees .....	13.a	432.3	105.6	109.6
Other investments .....	14	166.7	152.2	129.7
Other financial assets .....	15	47.5	90.1	82.2
Other receivables .....	19	19.5	29.3	30.7
Deferred tax assets .....	17	391.5	522.3	458.9
		<u>5,319.4</u>	<u>6,295.6</u>	<u>6,853.9</u>
<b>Current assets</b>				
Inventories .....	18	1,329.6	2,254.9	1,544.7
Trade and other receivables .....	19	2,056.5	2,244.4	1,899.3
Other financial assets .....	15	—	8.2	2.9
Cash and cash equivalents .....	29	582.4	599.2	662.1
		<u>3,968.5</u>	<u>5,106.7</u>	<u>4,109.0</u>
<b>Total assets</b> .....		<b><u>9,287.9</u></b>	<b><u>11,402.3</u></b>	<b><u>10,962.9</u></b>
<b>Equity attributable to owners of the parent</b>				
Share capital .....	24	0.9	0.9	0.9
Share premium .....		779.4	779.4	779.4
Other reserves .....		(1,303.2)	(1,211.0)	(1,400.9)
Retained earnings .....		200.4	(162.2)	(82.7)
<b>Total shareholders' deficit</b> .....		<b>(322.5)</b>	<b>(592.9)</b>	<b>(703.3)</b>
Minority interest .....		—	—	12.9
<b>Total equity</b> .....		<b><u>(322.5)</u></b>	<b><u>(592.9)</u></b>	<b><u>(690.4)</u></b>
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings .....	20	6,284.1	6,954.9	6,910.0
Trade and other payables .....	21	85.2	91.2	78.2
Employee benefits .....	22	581.3	687.2	824.1
Provisions .....	23	25.9	46.5	55.4
Deferred tax liabilities .....	17	207.2	239.5	161.1
		<u>7,183.7</u>	<u>8,019.3</u>	<u>8,028.8</u>
<b>Current liabilities</b>				
Interest-bearing loans and borrowings .....	20	309.2	387.9	839.3
Trade and other payables .....	21	1,953.9	3,466.3	2,707.8
Tax payable .....		136.8	86.3	38.4
Other financial liabilities .....	16	12.7	6.7	6.5
Provisions .....	23	14.1	28.7	32.5
		<u>2,426.7</u>	<u>3,975.9</u>	<u>3,624.5</u>
<b>Total liabilities</b> .....		<b><u>9,610.4</u></b>	<b><u>11,995.2</u></b>	<b><u>11,653.3</u></b>
<b>Total equity and liabilities</b> .....		<b><u>9,287.9</u></b>	<b><u>11,402.3</u></b>	<b><u>10,962.9</u></b>

These financial statements were approved by the board of directors on 30 March 2012 and were signed on its behalf by:

Peter Huyck  
Director

Florence Bardot  
Director

The notes on pages F-105 to F-189 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Share capital	Share premium	Other reserves	Retained earnings	Shareholders' deficit	Minority interest	Total equity
	€m						
<b>Balance at 1 January 2009 as restated</b> .....	<b>0.9</b>	<b>779.4</b>	<b>(1,394.0)</b>	<b>578.6</b>	<b>(35.1)</b>	<b>17.7</b>	<b>(17.4)</b>
Loss for the year .....	—	—	—	(661.3)	(661.3)	2.2	(659.1)
<b>Other comprehensive income:</b>							
Foreign exchange translation differences.....	—	—	59.7	—	59.7	(2.9)	56.8
Foreign exchange differences recycled on disposal of subsidiaries.....	—	—	(25.0)	—	(25.0)	—	(25.0)
Changes in the fair value of assets classified as available for sale .....	—	—	22.9	—	22.9	—	22.9
Net gain on hedge of net investment in foreign operations.....	—	—	13.9	—	13.9	—	13.9
Cash flow hedge recycled from hedging reserve net of tax .....	—	—	(76.3)	—	(76.3)	—	(76.3)
Actuarial losses on defined benefit plan schemes net of tax .....	—	—	(2.1)	—	(2.1)	—	(2.1)
<b>Transactions with owners, recorded directly in equity:</b>							
Disposals (see Note 3).....	—	—	—	—	—	(4.1)	(4.1)
<b>Balance at 31 December 2009 as restated</b> .....	<b>0.9</b>	<b>779.4</b>	<b>(1,400.9)</b>	<b>(82.7)</b>	<b>(703.3)</b>	<b>12.9</b>	<b>(690.4)</b>
Loss for the year .....	—	—	—	(56.5)	(56.5)	—	(56.5)
<b>Other comprehensive income:</b>							
Foreign exchange translation differences.....	—	—	281.3	—	281.3	0.2	281.5
Foreign exchange differences recycled on disposal of subsidiaries.....	—	—	45.5	—	45.5	—	45.5
Net loss on hedge of net investment in foreign operations.....	—	—	(73.8)	—	(73.8)	—	(73.8)
Actuarial losses on defined benefit plan schemes net of tax .....	—	—	(63.1)	—	(63.1)	—	(63.1)
<b>Transactions with owners, recorded directly in equity:</b>							
Dividend.....	—	—	—	(23.0)	(23.0)	—	(23.0)
Disposals (see Note 3).....	—	—	—	—	—	(13.1)	(13.1)
<b>Balance at 31 December 2010 as restated</b> .....	<b>0.9</b>	<b>779.4</b>	<b>(1,211.0)</b>	<b>(162.2)</b>	<b>(592.9)</b>	<b>—</b>	<b>(592.9)</b>
<b>Balance at 31 December 2010 as restated</b> .....	<b>0.9</b>	<b>779.4</b>	<b>(1,211.0)</b>	<b>(162.2)</b>	<b>(592.9)</b>	<b>—</b>	<b>(592.9)</b>
Profit for the year.....	—	—	—	376.4	376.4	—	376.4
<b>Other comprehensive income:</b>							
Foreign exchange translation differences.....	—	—	(59.3)	—	(59.3)	—	(59.3)
Net loss on hedge of net investment in foreign operations.....	—	—	(18.4)	—	(18.4)	—	(18.4)
Actuarial losses on defined benefit plan schemes net of tax .....	—	—	(14.5)	—	(14.5)	—	(14.5)
<b>Transactions with owners, recorded directly in equity:</b>							
Dividend.....	—	—	—	(13.8)	(13.8)	—	(13.8)
<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>	<b>—</b>	<b>(322.5)</b>

The notes on pages F-105 to F-189 are an integral part of these consolidated financial statements.

## Analysis of other reserves

	Translation reserve	Fair value reserve	Hedging reserve	Actuarial gains/losses	Merger reserve	Total other reserves
	€m					
<b>Balance at 1 January 2009 as restated</b> .....	<b>(437.5)</b>	—	<b>76.3</b>	<b>(232.1)</b>	<b>(800.7)</b>	<b>(1,394.0)</b>
Foreign exchange translation differences .....	59.7	—	—	—	—	59.7
Foreign exchange differences recycled on disposal of subsidiaries .....	(25.0)	—	—	—	—	(25.0)
Changes in the fair value of assets classified as available for sale .....	—	22.9	—	—	—	22.9
Net gain on hedge of net investment in foreign operation .....	13.9	—	—	—	—	13.9
Cash flow hedge recycled from hedging reserve net of tax .....	—	—	(76.3)	—	—	(76.3)
Actuarial gains and losses on defined benefit plan schemes net of tax .....	—	—	—	(2.1)	—	(2.1)
<b>Balance at 31 December 2009 as restated</b> .....	<b>(388.9)</b>	<b>22.9</b>	<b>—</b>	<b>(234.2)</b>	<b>(800.7)</b>	<b>(1,400.9)</b>
Foreign exchange translation differences .....	281.3	—	—	—	—	281.3
Foreign exchange differences recycled on disposal of subsidiaries .....	45.5	—	—	—	—	45.5
Net loss on hedge of net investment in foreign operations .....	(73.8)	—	—	—	—	(73.8)
Actuarial losses on defined benefit plan schemes net of tax .....	—	—	—	(63.1)	—	(63.1)
<b>Balance at 31 December 2010 as restated</b> .....	<b>(135.9)</b>	<b>22.9</b>	<b>—</b>	<b>(297.3)</b>	<b>(800.7)</b>	<b>(1,211.0)</b>
Foreign exchange translation differences .....	(59.3)	—	—	—	—	(59.3)
Net loss on hedge of net investment in foreign operations .....	(18.4)	—	—	—	—	(18.4)
Actuarial losses on defined benefit plan schemes net of tax .....	—	—	—	(14.5)	—	(14.5)
<b>Balance at 31 December 2011</b> .....	<b>(213.6)</b>	<b>22.9</b>	<b>—</b>	<b>(311.8)</b>	<b>(800.7)</b>	<b>(1,303.2)</b>

The notes on pages F-105 to F-189 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011	2010	2009
		€m		
<b>Cash flows from operating activities</b>				
Profit/(loss) for the year .....		376.4	(56.5)	(659.1)
Adjustments for:				
Depreciation and impairment .....	11	492.1	567.7	595.7
Amortisation .....	12	11.8	12.6	20.4
Negative goodwill .....	5	—	—	—
Net finance costs .....	9	687.7	820.4	888.9
Share of losses/(profits) of equity-accounted investees .....		67.8	(12.9)	(23.7)
(Profit)/loss on sale of property, plant and equipment .....	6	(3.5)	5.7	10.5
Loss on disposal of investments .....	4	—	—	44.0
(Profit)/loss on disposal of businesses .....	3	(74.2)	74.7	276.5
Tax charge .....	10	259.4	213.1	13.9
Decrease/(increase) in trade and other receivables .....		(353.8)	(538.9)	(105.9)
Decrease/(increase) in inventories .....		55.6	(724.8)	(44.4)
(Decrease)/increase in trade and other payables .....		(208.1)	835.1	222.0
Increase/(decrease) in provisions and employee benefits .....		(12.0)	(49.6)	(23.4)
Tax (paid)/received .....		(134.9)	(91.5)	11.1
<b>Net cash from operating activities .....</b>		<b>1,164.3</b>	<b>1,055.1</b>	<b>1,226.5</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment .....		3.8	—	24.6
Proceeds from sales of investments .....		11.2	—	—
Interest and other finance income received .....		5.8	3.2	6.0
Dividends received .....		5.4	9.1	7.3
Disposal of businesses, net of cash disposed of .....	3	664.1	415.2	(31.5)
Acquisition of subsidiaries, net of cash acquired .....		—	—	(1.0)
Acquisition of intangible assets .....		—	—	—
Acquisition of property, plant and equipment .....		(396.2)	(344.3)	(264.0)
Acquisition of other investments .....		—	—	(3.3)
<b>Net cash generated/(used) in investing activities .....</b>		<b>294.1</b>	<b>83.2</b>	<b>(261.9)</b>
<b>Cash flows from financing activities</b>				
Securitisation Facility .....		(68.4)	119.7	(148.4)
Revolving Credit Facility .....		(43.7)	(239.8)	167.9
Proceeds from new Senior Secured Notes .....		—	730.4	—
Issue costs .....		(10.7)	(79.3)	(2.3)
Interest paid .....		(654.8)	(763.4)	(729.5)
Repayment of loans .....		(686.0)	(952.8)	(230.5)
Dividends paid .....	25	(13.8)	(23.0)	—
Capital element of finance lease payment .....		(1.0)	(0.2)	(1.6)
<b>Net cash used in financing activities .....</b>		<b>(1,478.4)</b>	<b>(1,208.4)</b>	<b>(944.4)</b>
Net (decrease)/increase in cash and cash equivalents .....	29	(20.0)	(70.1)	20.2
Cash and cash equivalents at 1 January .....	29	599.2	662.1	651.8
Effect of exchange rate fluctuations on cash held .....		3.2	7.2	(9.9)
<b>Cash and cash equivalents at 31 December .....</b>	29	<b>582.4</b>	<b>599.2</b>	<b>662.1</b>

The notes on pages F-105 to F-189 are an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2011

#### (FORMING PART OF THE FINANCIAL STATEMENTS)

## 1. ACCOUNTING POLICIES

### *Overview*

Ineos Group Holdings S.A. (the “Company”) is a company incorporated and domiciled in the form of a société anonyme under the laws of the Grand Duchy of Luxembourg, Grand Duchy of Luxembourg. The nature of the operations and principal activities of the Company and its subsidiaries are the manufacture and sale of a range of chemicals and refined products used in a variety of applications.

### *Basis of accounting*

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 years. An adjustment has been made to restate equity in 2010 and 2009 to that of the new parent, resulting in a reduction in share capital of €16.8million, an increase in the share premium account of €728.3 million and the associated creation of a merger reserve of €711.5 million, compared to those presented in the consolidated financial statements of Ineos Group Holdings plc.

In addition, the ultimate parent company of Ineos Group Holdings plc, Ineos Limited and two of its subsidiaries are now subsidiaries of Ineos Group Holdings S.A. as a result of the group reorganisation. In accordance with the accounting principles for entities under common control, the comparative financial information has been restated such that it has been presented as if they were always part of the consolidated group. At 1 January 2009, this resulted in a decrease in receivables of €155.2 million and in payables of €66.0 million together with an associated increase in the merger reserve of €89.2 million. In the year ended 31 December 2009, an investment write off of €44.0 million has been reflected in the income statement. In the year ended 31 December 2010, dividends paid of €23.0 million have been reflected in the statement of changes of equity.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the “Group”) and equity account the Group’s interest in associates and jointly controlled entities.

On July 1, 2011 the Group disposed of its Refining business to a new joint venture between PetroChina and INEOS Investments (Jersey) Limited, a related party. As a result of the disposal the Refining business has been treated as a discontinued operation and the comparatives have been restated accordingly (see note 3).

The Group financial statements have 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 31 December 2011 and have been approved on 30 March 2012.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

### *Measurement convention*

The financial statements are prepared on the historical cost basis except that derivative financial instruments and financial instruments classified as fair value through the profit or loss are stated at their fair value and non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

### ***Functional and presentation currency***

These Group financial statements are presented in euro, which is the functional currency of the majority of operations. The Group's primary products are sold in an international commodities market which is priced and invoiced primarily in euros.

All financial information presented in euro has been rounded to the nearest €0.1 million.

### ***Changes in accounting policies***

The Group has applied the following accounting standards for the first time in 2011 with effect from 1 January 2011 (with prior period comparative information restated, to the extent required and as explained below); Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- Revised IAS 24 'Related Party Disclosure' (mandatory for year commencing on or after 1 January 2011) clarifies and simplifies the definition of a related party. In addition, the group and the parent must disclose any transactions between its subsidiaries and its associates.
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (mandatory for year commencing on or after 1 July 2010) clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The interpretation requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.
- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement (mandatory for year commencing on or after 1 January 2011). The amendments correct an unintended consequence of IFRIC 14 and without the amendments entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions.
- Amendment to IAS 32 'Financial Instruments: Presentation: Classification of Rights Issues' (issued October 2009) (mandatory for year commencing on or after 1 February 2010) address the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.

### ***Basis of consolidation***

#### ***Subsidiaries***

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the Group financial statements from the date that control commences until the date that control ceases.

#### ***Special purpose entities ("SPE")***

An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

The Group has established an SPE, Ineos Finance Ireland Limited, for a debt securitisation programme. The Group does not have any direct or indirect shareholdings in this SPE. Ineos Finance Ireland Limited is controlled by the Group as it was established under terms that impose strict limitations on the decision-making powers of the SPE's management that result in the Group receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of risks arising from the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE and its assets. Ineos Finance Ireland Limited is therefore regarded as an SPE and has been consolidated in these financial statements.

### *Associates and jointly controlled entities (equity accounted investees)*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring the venturers' unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost.

The Group's investment in associates and jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment losses.

The Group financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

### ***Foreign exchange***

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign exchange are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, euros, at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at exchange rates prevailing at the dates of the transactions. The Group applies an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are taken directly to the translation reserve. They are recycled into the consolidated income statement upon disposal.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve. Foreign exchange differences arising on the retranslation of a borrowing designated as a hedge of a net investment in a foreign operation are recognised directly in equity, in the translation reserve, to the extent that the hedge is effective. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

### ***Classification of financial instruments issued by the Group***

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity

instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

##### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Trade and other payables*

Trade and other payables are recognised initially at fair value less transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### *Investments in debt and equity securities*

Investments in loans and receivables are stated at amortised cost less impairment.

Other investments in debt and equity securities held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in a fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. Where no reliable measurement of fair value is available, available-for-sale investments are stated at historic acquisition cost (see Note 15).

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

##### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

##### *Debt restructuring*

The Group derecognises financial liabilities in accordance with the provisions in IAS 39. When debt is modified, the Group analyses the modifications from both a quantitative and qualitative perspective to determine if the modifications are substantial and meet the IFRS requirements for derecognition, in which case the debt is treated as extinguished. All fees paid in connection with a debt extinguishment are expensed immediately. When a modification is accounted for as a non-substantial modification, associated fees incurred are deferred as an adjustment to the carrying value of the liability and amortised using the effective interest method.



## ***Derivative financial instruments and hedging***

### ***Derivative financial instruments***

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement as finance income or expense. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

### ***Cash flow hedges***

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the consolidated income statement as finance income or expense.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, e.g. when interest income or expense is recognised.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and included in the consolidated income statement as an adjustment to turnover and cost of sales in the same period or periods during which the hedged forecast transaction affects turnover and cost of sales in the consolidated income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the consolidated income statement immediately.

### ***Hedge of net investment in foreign operation***

The Group applies hedge accounting to foreign exchange differences arising on the retranslation of a foreign currency loan where the loan is designated as a hedge of a net investment in a foreign operation in accordance with IAS 21 and IAS 39.

Exchange differences arising on retranslation of foreign currency loans designated as a net investment hedge are taken directly to equity via the consolidated statement of comprehensive income. Gains and losses accumulated in the translation reserve will be recycled to the statement of comprehensive income when the foreign operation is sold.

## ***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Cost may include the cost of materials, labour and other costs directly attributable to bringing the assets to a working condition for their intended use. Cost may also include the cost of dismantling and removing items and restoring the site on which they are located.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered

separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation commences from the date an asset is brought into service. Land and assets in the course of construction are not depreciated. The estimated useful lives are as follows:

- Buildings 10 - 40 years
- Plant and equipment and fixtures and fittings 3 - 40 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, the Group makes an estimate of the recoverable amount, which is the higher of the asset's fair value less cost to sell and value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated income statement in the period in which the item is derecognised.

#### ***Business combinations, goodwill and intangible assets***

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities. In respect of business acquisitions that have occurred since 1 January 2007, goodwill represents the difference between the cost of the acquisition and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. For any acquisitions occurring on or after 1 January 2009, all transaction costs are expensed as incurred.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to groups of cash-generating units and is not amortised but is tested annually for impairment. At Ineos, cash generating units are predominately business units. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Negative goodwill arising on an acquisition is recognised immediately in the consolidated income statement.

#### ***Intangible assets***

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. These intangible assets principally comprise intellectual property rights, customer relationships, non-compete agreements and license fees.

Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of other consideration given to acquire the assets. An intangible asset acquired as part of a business combination is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

#### ***Amortisation***

Amortisation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Customer relationships 3 years

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Intellectual property rights</li> <li>• Non-compete agreements</li> <li>• Licenses</li> </ul> | 10 - 15 years<br>life of the agreement<br>up to 15 years |
|--|--|

These intangible assets are tested for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying value may not be recoverable. Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

#### *Research and development*

Expenditure on research activities is recognised in the consolidated income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Where regulatory and other uncertainties are such that the criteria are not met, the expenditure is recognised in the income statement. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

#### ***Impairment excluding inventories and deferred tax assets***

The carrying amounts of the Group's assets are assessed at the end of the reporting period to determine whether there is any indication of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and other intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at the end of the reporting period.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

#### *Calculation of recoverable amount*

The recoverable amount of the Group's receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables are not discounted where their duration is less than one year or where the effect of discounting is not material.

The recoverable amount of other assets is the greater of their fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

### *Reversals of impairment*

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Provision is made for obsolete, slow-moving or defective items where appropriate.

Items owned by the Group that are held on consignment at another entity's premises are included as part of the Group's inventory.

### *Commodities*

Contracts that are entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with the company's expected purchase, sale or usage requirements (own-use contracts) are not accounted for as derivative financial instruments, but rather as executory contracts.

### *Employee benefits*

The Group operates a number of defined contribution plans and funded and unfunded defined benefit pension schemes. The Group also provides unfunded early retirement benefits, long service awards and an incentive plan for certain employees.

The Group provides health care insurance to eligible retired employees and their dependants, primarily in the United States.

#### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated income statement as incurred.

#### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans and other post employment benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The liability discount rate is the yield at the reporting date on AA credit rated bonds denominated in the currency

of, and that have maturity dates approximating to the terms of, the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the consolidated income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the consolidated income statement.

All actuarial gains and losses as at 1 January 2007, the date of transition to IFRSs, were recognised. In respect of actuarial gains and losses that arise subsequent to 1 January 2007, the Group recognises them in the period they occur directly in equity through the statement of comprehensive income.

Where the calculation results in a benefit to the Group, the asset recognised is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2011

#### (FORMING PART OF THE FINANCIAL STATEMENTS)

#### 1. ACCOUNTING POLICIES

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between:

- cost of sales,
- net finance costs and,
- in net expense recognised directly in equity, the actuarial gains and losses.

##### *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### *Incentive plan*

Certain employees of the Group are eligible to participate in an incentive plan (the Plan) operated by Ineos Holdings Luxembourg S.A, the parent of Ineos Group Holdings S.A in Luxembourg. Ineos Holdings Luxembourg S.A issues "Business Tracker Shares" in relation to each of the businesses operated by Ineos Holdings Luxembourg S.A and its subsidiaries, including those businesses within the Ineos Group Holdings S.A group. These Business Tracker Shares entitle the holder of the share to appreciation in market value (rather than the totality of the market value) of the relevant business compared with the market value at the date of acquisition of the relevant share. Determination of market values, and any discretionary adjustments, is made by a committee (the Special Committee) of Ineos Limited.

The Plan is considered to be in the nature of a Share-based Payment arrangement within the scope of IFRS 2. The Ineos Group Holdings S.A. group neither receives nor makes any payments and incurs no liabilities in respect of its employees' participation in the Plan. Under IFRS 2 (as amended in June 2009 for "Group Cash-settled Share-based Payment Transactions" which the Directors have elected to adopt early) the Group recognises any deemed cost of the arrangement in accordance with the requirements applicable to equity-settled share-based payment transactions, with a corresponding increase in equity as a contribution from the parent. Participating employees purchase Business Tracker Shares from the Trust which administers the Plan at a price which is related to the approximate market value of the relevant Business Unit. Accordingly the Directors believe that the net fair value of the benefit at the date of grant after taking account of the payment for the shares is not significant and no cost has been recognised in these financial statements.

##### *Provisions*

A provision is recognised in the consolidated balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

##### *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

## ***Revenue***

Revenue represents the invoiced value of products sold or services provided to third parties net of sales discounts, value added taxes and duties. Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer and it can be reliably measured.

The pricing for products sold is determined by market prices (market contracts and arrangements) or is linked by a formula to published raw material prices plus an agreed additional amount (formula contracts). Revenue arising from the sale of goods is recognised when the goods are either dispatched or delivered depending on the relevant delivery terms and the point at which risks and rewards have been transferred to the buyer when the prices are determinable and when collectability is considered probable.

Services provided to third parties include administrative and operational services provided to other chemical companies with units on our sites and services under tolling arrangements. Under tolling arrangements, customers pay for or provide raw materials to be converted into a certain specified product, for which the Group charges a toll fee. The Group only recognises the toll fee as revenue earned under such arrangements upon shipment of the converted product to the customer as this is the point at which risks and rewards have been transferred to the buyer. For all other services, revenue is recognised upon completion of the service provided.

## ***Government grants***

Government grants are shown in the consolidated balance sheet as deferred income. This income is amortised on a straight line basis over the same period as the tangible fixed asset to which it relates or the life of the related project.

## ***Expenses***

### ***Operating lease payments***

Payments made under operating leases are recognised in the consolidated income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated income statement as an integral part of the total lease expense.

### ***Finance lease payments***

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### ***Finance income and expenses***

Interest income and interest payable is recognised in the consolidated income statement as it accrues, using the effective interest method. Dividend income is recognised in the consolidated income statement on the date the entity's right to receive payments is established. Foreign exchange gains and losses are reported on a net basis.

Finance costs comprise interest payable, finance charges on finance leases, unwinding of the discount on provisions, net fair value losses derivatives and net foreign exchange losses that are recognised in the consolidated income statement (see foreign exchange accounting policy). Finance income comprise interest receivable on funds invested, expected return on defined benefit pension plan assets, net fair value gain on derivatives and net foreign exchange gains.

## ***Taxation***

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

### ***Segmental analysis***

The Group determines its operating segments in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments. The chief operating decision-makers are the members of the Executive Committee of the ultimate parent undertaking, Ineos AG. The members of this committee are the previous company board members and the information presented is unchanged from prior year and therefore there is no change to the segment information presented.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the chief operating decision-makers to make decisions about resources to be allocated to the segment and assess its performance.

The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure and the aggregation criteria set out in IFRS 8.

Segment results that are reported to the chief operating decision-makers include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than as acquired through business combinations.

### ***Emission trading scheme***

The Group participates in the EU Emissions Trading Scheme. The Scheme encourages companies to reduce carbon emissions by offering financial incentives if they achieve their annual reduction targets. If a company reduces emissions beyond their target then the surplus may be traded in the form of emissions permits.

The incentive money due from the EU Emissions Trading Scheme is recognised in the consolidated income statement once the reduction targets have been met. The emissions permits allocated under the Scheme are at nil cost. The Group recognises the revenue from such permits upon their sale to third parties.

The Kyoto Protocol sets legally binding targets for cutting emissions and provides for three international "flexible mechanisms" to be used by developed countries in cost effectively meeting their greenhouse gas emissions targets, one of which is the Clean Development Mechanism ("CDM"). This permits industrialised countries to meet part of their commitments through projects in developing countries. The CDM programme provides incentives for the project participants in the form of Certified Emissions Reductions ("CERs"). It is the trading of these CERs that provides the market incentive to reduce emissions. The Group is involved in a number of CDM projects. CERs produced from these projects are recorded at nil cost. CERs purchased from third parties are recognised within stock on the basis of purchased cost. The Group recognises the revenue from sale of CERs upon their sale to third parties.

The Group recognises a provision for emissions produced. The provision is measured at the carrying amount of the emission rights held (nil if granted, otherwise at cost) or, in the case of a shortfall, at the current fair value of the emission rights needed.



### ***Exceptional items***

The presentation of the Group's results separately identifies the effect of profits and losses on the disposal of businesses, the impairment of non-current assets, the cost of restructuring acquired businesses and the impact of one off events such as legal settlements as exceptional items. Results excluding disposals, impairments, restructuring costs and one off items are used by management and are presented in order to provide readers with a clear and consistent presentation of the underlying operating performance of the Group's ongoing business.

### ***Accounting standards not applied***

The following IFRSs relevant to the Group were available for early application but have not been applied by the Group in these financial statements. The impact of their adoption is currently being assessed and is not expected to have a material effect on the financial statements unless otherwise indicated:

- Amendments to IFRS 7 'Disclosures—Transfers of Financial Assets' (mandatory for year commencing on or after 1 July 2011).
- Amendments to IAS 12 'Deferred Tax: Recovery of Underlying Assets' (mandatory for year commencing on or after 1 January 2012).
- Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' (mandatory for year commencing on or after 1 July 2012).
- IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (mandatory for year commencing on or after 1 January 2013). However, the standard has not yet been endorsed by the EU. The group is yet to assess IFRS 10's full impact, but the new standard has the potential to have a significant impact on the accounting for the group's investments.
- IFRS 11 Joint Arrangements and Amendments to IAS 28 (2008) Investments in Associates and Joint Ventures (mandatory for year commencing on or after 1 January 2013).
- IFRS 12 Disclosure of Interests in Other Entities (mandatory for year commencing on or after 1 January 2013).
- IFRS 13 Fair Value Measurement (mandatory for year commencing on or after 1 January 2013).
- Amendments to IAS 19 'Defined Benefit Plans' (mandatory for year commencing on or after 1 January 2013).
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (mandatory for year commencing on or after 1 January 2013).
- Amendments to IFRS 7 'Disclosures—Offsetting Financial Assets and Financial Liabilities' (mandatory for year commencing on or after 1 January 2013).
- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (mandatory for year commencing on or after 1 January 2014).
- IFRS 9 Financial Instruments (mandatory for year commencing on or after 1 January 2015). However, the standard has not yet been endorsed by the EU. The group is yet to assess IFRS 9's full impact, but the new standard has the potential to have a significant impact on the accounting for the group's financial assets and liabilities.

## **2. OPERATING SEGMENTS**

The determination of the Group's operating segments is based on the business units for which information is reported to the Group's Chief Operating Decision Maker. The Group has three reportable segments, as described below.

- The Group's Olefins and Polymers business units produce olefins and related products and a broad range of polymers. The Group's olefins businesses are focused on ethylene and propylene, which are the two largest

volume olefins globally and are key building blocks for polymers. These olefins are primarily used as feedstock for the Group's polymers business. In addition, the Group sells olefins to third party customers for a variety of industrial and consumer applications, including plastics, rubber and fibre.

**O&P North America segment**—In North America, the group's Olefins and Polymers business comprises five sites including major facilities in Chocolate Bayou, Texas, and Battleground, Texas.

**O&P Europe segment**—In Europe, the Group owns and operates three major cracker complexes, two that are integrated with our refineries in Grangemouth, United Kingdom and Lavéra, France and one in Cologne, Germany. Each of these sites includes polymers and derivatives units.

- **Chemical Intermediates**—This reportable segment is the aggregation, in compliance with IFRS 8, of a number of different business units with similar economic and other characteristics. Chemical Intermediates are high-value added chemical products used as key components in a variety of consumer and industrial products. The Group's chemical intermediates businesses are exposed to similar key commodities, namely oil and gas. They produce a range of products including phenol, alpha olefins, solvents, industrial chemicals and nitriles. The Chemical Intermediates processes are similar in that they are all capital intensive and based upon processing and mixing chemical raw materials to produce chemical products for the next stage along the value chain. The Chemical Intermediates products are distributed on a business-to-business basis across the world. This is performed using similar conventional methods of pipeline, truck, rail or ship container depending on the customer location and size of the order. The Chemical Intermediates customer base is similar in that the customers are generally manufacturers of consumer and industrial products in developed markets and mature industrial economies. The accounting policies of all of the reportable segments are as described in Note 1.

Information regarding the operations of each reportable segment is included in the following tables. Performance is measured based on earnings before interest, tax, depreciation and amortisation and exceptional items other than exceptional cost of sales items, measured under UK GAAP ("Segment EBITDA"). Segment EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis. Information regarding segments reviewed by management includes management accounts comprising the profit or loss, cash flows and other financial and non financial information used to manage the business.

Adjustments in the following tables comprise the following items:

- Elimination of inter-segmental transactions and balances; and
- Differences arising from conversion of UK GAAP to IFRS. These include treatment of negative goodwill, amortisation of goodwill, accounting for derivatives, treatment of deferred tax on pensions, accounting for joint ventures and exchange differences recycled on disposal of businesses.

## Segment information—2011

	Reportable segments				Adjustments	Amounts in financial statements
	O&P North America	O&P Europe	Chemical Intermediates	Total of reportable segments		
				€m		
Reportable segment revenue.....	3,591.2	7,523.3	9,775.4	20,889.9	(3,303.5)	17,586.4
Reportable segment EBITDA.....	477.6	358.3	877.6	1,713.5	—	1,713.5
Depreciation and impairment of property, plant and equipment and intangible assets .....	(72.7)	(163.6)	(211.2)	(447.5)	(6.0)	(453.5)
Exceptional items (excluding items relating to impairment and financing).....	—	(7.4)	(21.8)	(29.2)	(6.6)	(35.8)
Share of profit/(loss) of associates and jointly controlled entities .....	—	3.2	1.5	4.7	(72.5)	(67.8)
Profit on disposal of fixed assets .....	—	—	3.5	3.5	—	3.5
Profit/(loss) on disposal of businesses .....	—	—	(2.1)	(2.1)	—	(2.1)
Net finance costs .....						(687.7)
Profit before tax from continuing operations .....						470.1

	Reportable segments			Total of reportable segments	Adjustments	Amounts in financial statements
	O&P North America	O&P Europe	Chemical Intermediates			
				€m		
Payments for capital expenditure .....	52.8	113.0	175.6	341.4	—	341.4

Major items in the adjustments column include:

- Reportable segment revenues: the elimination of inter-segmental revenues: 2011: €3,303.5 million (2010: €2,707.0 million, 2009 €2,043.7 million).
- Share of profit/(loss) of associates and jointly control entities: Refining joint venture from 1 July 2011 €(70.7) million.

Payments for capital expenditure in respect of Refining were €54.8 million (2010: €130.2 million, 2009 €70.7 million).

On July 1, 2011 the Group disposed of its Refining business to a new joint venture between PetroChina and INEOS Investments (Jersey) Limited, a related party and as such the Refining segment has been treated as a discontinued operation and not included in the analysis of segmental results from continuing operations (see Note 3b).

For the year ended 31 December 2011 the Group changed its definition of EBITDA before exceptionals to exclude share of profit/(loss) of associates and jointly controlled entities. The results of 2010 and 2009 have not been restated for this change in definition since there is no material impact on the results presented.

#### Segment information—2010

	Reportable segments			Total of reportable segments	Adjustments	Amounts in financial statements
	O&P North America	O&P Europe	Chemical Intermediates			
				€m		
Reportable segment revenue .....	3,253.8	6,543.7	8,917.3	18,714.8	(2,707.0)	16,007.8
Reportable segment EBITDA .....	330.8	326.5	997.5	1,654.8	—	1,654.8
Depreciation and impairment of property, plant and equipment and intangible assets .....	(84.6)	(164.4)	(246.3)	(495.3)	10.6	(484.7)
Exceptional items (excluding items relating to impairment and financing).	—	(1.7)	(9.5)	(11.2)	—	(11.2)
Loss on disposal of businesses .....	—	—	154.3	154.3	(229.0)	(74.7)
Net finance costs						(818.9)
Profit before tax						265.3
Share of profit of associates and jointly controlled entities .....	1.8	11.7	0.2	13.7	(3.7)	10.0
Payments for capital expenditure .....	44.6	63.0	106.5	214.1	—	214.1

#### Segment information—2009

	Reportable segments			Total of reportable segments	Adjustments	Amounts in financial statements
	O&P North America	O&P Europe	Chemical Intermediates			
				€m		
Reportable segment revenue .....	2,166.3	4,634.3	7,354.4	14,155.0	(2,043.7)	12,111.3
Reportable segment EBITDA .....	276.5	170.8	546.2	993.5	—	993.5
Depreciation and impairment of property, plant and equipment and intangible assets .....	(103.4)	(148.6)	(266.3)	(518.3)	(5.7)	(524.0)
Exceptional items (excluding items relating to impairment and financing)	(19.0)	(7.9)	(15.0)	(41.9)	(0.4)	(42.3)
Loss on disposal of investments .....	—	—	—	—	(44.0)	(44.0)
Loss on disposal of businesses .....	—	—	(220.1)	(220.1)	(56.4)	(276.5)

	Reportable segments			Total of reportable segments	Adjustments	Amounts in financial statements
	O&P North America	O&P Europe	Chemical Intermediates			
Net finance costs						(863.8)
Loss before tax						(757.1)
Share of (loss) / profit of associates and jointly controlled entities .....	0.9	6.6	13.8	21.3	2.4	23.7
Payments for capital expenditure .....	31.4	48.0	113.9	193.3	—	193.3

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2011**

**(FORMING PART OF THE FINANCIAL STATEMENTS)**

**2. OPERATING SEGMENTS**

*Geographic segments*

	Revenues		
	2011	2010	2009
	€m		
<b>Geographical information by location of customers:</b>			
Europe.....	10,911.8	9,879.5	7,845.6
Americas.....	5,360.2	4,943.5	3,157.1
Rest of World.....	1,314.4	1,184.8	1,108.6
<b>Total.....</b>	<b>17,586.4</b>	<b>16,007.8</b>	<b>12,111.3</b>
<b>Geographical information by location from which the Group derives revenue:</b>			
Europe.....	11,575.3	10,440.3	8,263.6
Americas.....	5,779.0	5,345.9	3,420.0
Rest of World.....	232.1	221.6	427.7
<b>Total.....</b>	<b>17,586.4</b>	<b>16,007.8</b>	<b>12,111.3</b>

In presenting information on the basis of geographic analysis of segments, segment revenue is based on the geographical location of customers and geographical locations from which the Group derives revenues.

Revenues from external customers for each product and service or each group of similar products and services and a geographic analysis of segment assets are not presented as the necessary information is not available and the Directors are of the opinion that the cost to develop it would be excessive.

**3. DISPOSALS**

*2011 disposals*

*Refining business*

On July 1, 2011 the group disposed of the Refining business to a new joint venture between PetroChina and INEOS Investments (Jersey) Limited ('IIJL'), a related party. IIJL is held under common control by our controlling shareholders. The consideration received by the Group for the disposal consisted of cash consideration of \$1.015 billion received from PetroChina for a 50% interest in the business and an investment in non-voting ordinary shares in IIJL for the other 50% interest in the business. The Group effectively retains an economic interest in the Refining business by virtue of its investment in IIJL. The results of the Refining business are now reported against the share of (loss)/profit of associates and jointly controlled entities using the equity accounting method by virtue of this interest.

For so long as any of the Senior Secured Notes or Senior Notes remain outstanding, the non-voting ordinary shares in IIJL will have the right to receive an amount equal to all amounts received by IIJL (net of its administrative expenses) in respect of its investments, including its equity interest, in the disposed Refining business. In addition IIJL shall be obliged to distribute to the Group, subject to applicable legal requirements, in the form of dividends or as a return of capital, all amounts received by it in respect of such investments, less such administrative expenses. For so long as any of the Senior Secured Notes and Senior Notes are outstanding, the non-voting ordinary shares will be entitled to receive all returns of capital, including upon a merger, sale or similar transaction involving, or a winding up or liquidation of, IIJL. Once the Senior Secured Notes or Senior Notes have been redeemed or repaid, on a return of capital or on a winding up of IIJL the holders of the ordinary shares shall be entitled to, in priority to any payment to holders of any other class of shares, \$1.015 billion of the total capital returned to the voting shareholders.

**(a) Effect of the aggregated disposals on individual assets and liabilities**

	€m
Goodwill .....	278.3
Property, plant and equipment .....	756.2
Inventories .....	899.1
Other financial assets .....	55.4
Trade and other receivables .....	762.1
Employee benefits .....	(107.4)
Deferred tax asset on employee benefits .....	31.3
Trade and other payables .....	(1,642.1)
Deferred tax liability .....	(5.1)
Provisions .....	(22.5)
Net assets disposed of .....	<u>1,005.3</u>
Costs of disposal .....	27.9
Deferred consideration .....	3.6
Cash proceeds .....	685.9
Non-voting ordinary shares in IJL .....	<u>420.0</u>
<b>Profit on disposal of business .....</b>	<b><u>76.3</u></b>

The non-voting ordinary shares in IJL were fair valued at €420 million. This reflects the net present value of the future cash flows expected to be realised by the group for the ownership of these non-voting shares and takes into account the loss in control of the Refining trade and assets.

**(b) Results of discontinued operations**

An analysis of the results of the Refining business operations is set out below.

	Year Ended December 31,		
	2011	2010	2009
	(€ in millions)		
Revenue .....	6,261.8	8,782.5	6,941.7
Expenses .....	(6,172.4)	(8,891.1)	(6,829.8)
<b>Profit/(loss) before tax of discontinued operations .....</b>	<b>89.4</b>	<b>(108.6)</b>	<b>111.9</b>
Profit on disposal of business .....	76.3	—	—
Tax (charge)/credit .....	(25.0)	30.4	(31.3)
<b>Profit/(loss) for the year from discontinued operations .....</b>	<b><u>140.7</u></b>	<b><u>(78.2)</u></b>	<b><u>80.6</u></b>

**(c) Cash flows from discontinued operations**

	Year Ended December 31,		
	2011	2010	2009
	(€ in millions)		
Operating cash flows .....	13.7	(115.1)	209.4
Investing cash flows .....	(54.8)	(130.2)	(70.7)
Financing cash flows .....	—	—	—
<b>Total cash flows .....</b>	<b><u>(41.1)</u></b>	<b><u>(245.3)</u></b>	<b><u>138.7</u></b>

**Other disposals**

During 2011 the Group disposed of its Glebe Mines business and a further adjustment was made to the Films business disposals which resulted in a net loss on disposal of €2.1 million.

## 2010 disposals

### ChlorVinyls

On 28 January 2010 the Group completed the sale of the ChlorVinyls and Compounds Switzerland businesses to Kerling plc, a new holding company formed to combine together Ineos Enterprises, Ineos ChlorVinyls and the Ineos Norwegian Polymers business. The Group received €65million cash consideration (plus true ups for cash and inter-company debt) together with the assignment of pension liabilities and the Ineos Vinyls Senior Notes. The total enterprise value of the transaction was €429.2 million. The Group recorded a pre-tax loss of €161.1 million on the disposal.

#### Effect of the aggregated disposals on individual assets and liabilities

	<u>2010</u>
	<u>€m</u>
Goodwill .....	7.6
Property, plant and equipment .....	543.8
Inventories .....	61.9
Cash .....	2.8
Trade and other receivables .....	136.9
Employee benefits .....	(197.7)
Deferred tax asset on employee benefits .....	31.5
Trade and other payables .....	(137.3)
Other creditors .....	(76.6)
Ineos Vinyls Senior Notes .....	(161.2)
Provisions .....	(0.1)
Net assets disposed of .....	211.6
Proceeds .....	70.3
Deficit of net assets over proceeds received .....	141.3
Exchange differences recycled on disposal .....	19.8
<b>Loss on disposal of business .....</b>	<b><u>161.1</u></b>

### Fluorochemicals

On 31 March 2010 the Group completed the sale of its fluorochemicals business to Mexichem Fluor S.A. de C.V., a subsidiary of Mexichem S.A.B. de C.V. a leading Latin American producer of PVC pipes and resin, chloralkali, hydrofluoric acid and fluorspar. The sale comprised of the international business and assets related to the Group's fluorochemical operations located in North America, Europe, and Asia. Activities relating to the Clean Development Mechanism (CDM) and fluorspar (Glebe Mines) remained with Ineos. The Group received total consideration of €265.3 million from the disposal of the fluorochemical business and recorded a pre-tax profit of €176.5 million.

#### Effect of the aggregated disposals on individual assets and liabilities

	<u>2010</u>
	<u>€m</u>
Goodwill .....	1.2
Intangible assets .....	0.1
Property, plant and equipment .....	40.3
Inventories .....	33.7
Cash .....	3.0
Trade and other receivables .....	38.4
Trade and other payables .....	(26.7)
Net assets disposed of .....	90.0
Costs of disposal .....	8.2
Cash proceeds .....	257.7
Deferred proceeds .....	7.6
Total proceeds .....	265.3
Excess of sale proceeds over net assets .....	167.1

	<u>2010</u>
	€m
Exchange differences recycled on disposal.....	9.4
<b>Profit on disposal of business .....</b>	<b><u>176.5</u></b>

#### *Films*

On 1 September 2010 the Group completed the sale of its global films business to the Bilcare group, a leading international pharmaceutical packaging and research company. The Group received €96 million cash consideration from the disposal of the Films business and recorded a pre-tax loss of €90.1 million.

#### **Effect of the aggregated disposals on individual assets and liabilities**

	<u>2010</u>
	€m
Property, plant and equipment .....	122.4
Intangibles.....	1.5
Investments .....	0.1
Inventories .....	29.8
Cash .....	3.0
Trade and other receivables .....	47.8
Trade and other payables .....	(35.2)
Other creditors .....	(10.1)
Provisions.....	(0.3)
Minority interests.....	<u>(13.1)</u>
Net assets disposed of .....	145.9
Costs of disposal .....	5.1
Proceeds .....	<u>96.0</u>
Deficit of net assets over proceeds received .....	55.0
Exchange differences recycled on disposal.....	<u>35.1</u>
<b>Loss on disposal of business .....</b>	<b><u>90.1</u></b>

#### *2009 disposals*

##### *Summary:*

	<u>2009</u>
	€m
Disposals to Ineos Industries .....	(169.6)
Additional commitment to entities sold to Ineos Industries.....	(75.0)
Disposal of Compounds Italia.....	(43.5)
Further consideration from the disposal of the Silicas business in 2008 .....	11.6
<b>Net loss on disposal of businesses .....</b>	<b><u>(276.5)</u></b>

#### *Ineos Industries*

During 2009, the Group made a number of disposals to a related party, Ineos Industries Limited, an entity held under common control by the Group's ultimate shareholders. The Group received no consideration for the disposals which included the Group's ABS, Styrenics, Melamines and Films Italia businesses, together with 80% of the Group's Bio and Healthcare businesses. The remaining 20% of Bio and Healthcare businesses, which the Group still owns at 31 December 2011, are accounted for as associated undertakings (see Note 13.a). Of the total loss on these disposals €5.0 million is attributable to the recognition of the retained interests at their estimated fair value of €nil.

#### **Effect of the aggregated disposals on individual assets and liabilities**

<u>2009</u>
€m



Goodwill .....	45.7
Property, plant and equipment .....	76.4
Intangible assets .....	29.2
Provisions against joint ventures .....	(20.2)
Inventories .....	81.2
Cash .....	29.8
Trade and other receivables .....	252.2
Employee benefits .....	(29.4)
Trade and other payables .....	(215.6)
Provisions, including net deferred tax liability .....	(52.1)
Minority interests .....	(4.1)
Net assets disposed of .....	193.1
Costs of disposal .....	1.5
Proceeds .....	—
Deficit of net assets over proceeds received .....	194.6
Exchange differences recycled on disposal .....	(25.0)
<b>Loss on disposals of businesses .....</b>	<b><u>169.6</u></b>

As part of the disposal agreement the Group has committed to provide further support to the businesses disposed of for the purpose of working capital management of €7 million and has therefore included this amount within the loss on disposal. Management believed it was likely that this amount would be called upon by the businesses within one year and therefore provided for it on disposal as a current liability. If any amount was not called upon within five years the Group must remit the remaining balance at that point. The funds were fully paid to Ineos Industries during 2010.

#### *Compounds Italia*

On 22 January 2009, the Group completed the sale of the Compounds Italia business to a third party. The Group disposed of its entire investment for nominal consideration.

#### **Effect of the disposal on individual assets and liabilities**

	<b>2009</b>
	<b>€m</b>
Property, plant and equipment .....	26.6
Inventories .....	9.9
Cash .....	1.7
Trade and other receivables .....	24.3
Trade and other payables .....	(15.2)
Provisions .....	(4.7)
Net assets disposed .....	42.6
Costs of disposal .....	0.9
Proceeds .....	—
<b>Loss on disposal .....</b>	<b><u>43.5</u></b>

#### *Other*

During 2009, the Group received further consideration from the disposal of the Silicas business which occurred in the prior year. The additional consideration received from PQ Corporation, the entity which acquired the Silicas business during 2008, was €11.6 million and was settled by PQ Corporation waiving a liability owed to the Group. This amount has been offset against the loss on disposal of businesses presented in the income statement.

#### **4. LOSS ON DISPOSAL OF INVESTMENTS**

In June 2009, the Group agreed to the capitalisation of the two loans that the Group had made to Ineos Capital Limited, a related party. The loans were for €14.0million and €30.0 million respectively. In return the Group was allotted 37,169,315 “A” Ordinary Shares of £1.00 each in Ineos Capital Limited, which were issued at par, being the Sterling

equivalent of the face value of the Euro loans. The Group subsequently disposed of these shares for a payment of £2.00, resulting in a loss on disposal of €44.0 million.

## 5. EXCEPTIONAL ITEMS

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	€m		
Exceptional administrative expenses:			
Restructuring of corporate headquarters .....	(32.6)	(7.7)	—
Restructuring of Innovene operations .....	(1.2)	(3.5)	(30.3)
Restructuring of other acquired businesses.....	—	—	(12.0)
Plant closure costs.....	(2.0)	—	—
Settlement of legal claim .....	—	—	—
Total exceptional administrative expenses .....	<u>(35.8)</u>	<u>(11.2)</u>	<u>(42.3)</u>
Exceptional finance cost: loss on extinguishment of debt .....	—	—	(209.2)
Total exceptional expenses .....	<u>(35.8)</u>	<u>(11.2)</u>	<u>(251.5)</u>
Exceptional finance income.....	—	—	89.0
Total exceptional gains .....	<u>—</u>	<u>—</u>	<u>89.0</u>

### *Exceptional administrative expenses*

The Group relocated its corporate headquarters to Switzerland during 2010 and 2011 which has resulted in exceptional costs of €32.6 million (2010: €7.7 million) being incurred in relation to employee relocation costs and legal and professional fees.

The Innovene business was acquired in 2005 and the Group has subsequently undertaken a restructuring programme which is focused on the operations at the main sites in the business at Grangemouth, Lavéra, Cologne and Chocolate Bayou. The restructuring costs of €1.2 million (2010: €4.4million, 2009: €20.4 million) largely relate to severance and early retirement costs.

The Group has now closed the previously mothballed cumene plant in Port Arthur, Texas. The costs incurred primarily relate to demolition expenses.

Other restructuring costs of €12.0 million charged in 2009 primarily relate to restructuring and the provision of severance payments in the Compounds and ABS businesses.

### *Exceptional finance cost: loss on extinguishment of debt*

On 17 July 2009 the Group successfully reached agreement with its senior lenders on a package of amendments to the Group's Senior Facilities Agreement. The Group assessed that the package of amendments to the Senior Facilities Agreement represented a substantial modification and resulted in the extinguishment of the existing debt (see Note 20).

As a result, the existing debt was derecognised and the modified debt recognised at fair value. The Group estimated the fair value of the modified debt by reference to a valuation technique as the Senior Facilities Agreement debt was not quoted and information about transactions in the Group's debt was not available. The valuation technique used a discounted cash flow technique using an estimated yield for similar debt to determine the fair value of the modified debt. The estimated yield was determined by reference to consensus pricing in respect of the existing Senior Facilities Agreement debt as adjusted for market illiquidity and other factors distorting prices during July 2009 due to the impact of the global financial crisis.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2011**

**(FORMING PART OF THE FINANCIAL STATEMENTS)**

**5. EXCEPTIONAL ITEMS**

Accordingly the Group recognised a charge of €209.2million as an exceptional finance expense which included the write-off of the deferred issue costs on the existing Senior Facilities Agreement debt and the costs associated with the July 2009 modification.

***Exceptional finance income***

In July 2009 the Group finalised the settlement of a legal claim against a third party. The defendant agreed to acquire Senior Notes issued by the Group and to then transfer them to the Group by way of settlement. The total settlement value was \$35 million (€25.1 million) and the Group received Senior Notes with a book value of €114.1 million. The resulting gain of €89.0 million has been included as exceptional finance income (see Note 20).

**6. OPERATING PROFIT/(LOSS)**

Included in operating profit/(loss) are the following:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	€m		
Exceptional restructuring costs—included in administrative expenses .....	35.8	11.2	42.3
Research and development expensed as incurred .....	44.7	29.6	58.9
Amortisation of other intangible assets.....	11.8	12.6	20.4
Loss on disposal of property, plant and equipment.....	—	5.7	10.5
Amortisation of government grants .....	(6.8)	(8.0)	(8.1)
<b>Depreciation and impairment of tangible fixed assets:</b>			
Owned assets .....	435.5	465.8	497.0
Finance leased assets .....	6.2	6.3	6.6
<b>Operating lease rental charges:</b>			
Plant, machinery and equipment.....	48.7	123.1	62.7
Other .....	<u>5.7</u>	<u>7.9</u>	<u>9.4</u>

Depreciation charged on owned assets in respect of the discontinued Refining business for the year ended 31 December 2011 was €50.4 million (2010: €95.6 million, 2009: €92.1 million).

**Auditors' remuneration:**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	€m		
Audit of these financial statements.....	0.7	0.7	0.7
<b>Amounts receivable by auditors and their associates in respect of:</b>			
Audit of financial statements of subsidiaries pursuant to legislation.....	2.2	2.2	2.8
Other services relating to taxation .....	4.8	3.5	2.0
Services relating to corporate finance transactions.....	1.3	3.9	3.3
All other services .....	<u>1.1</u>	<u>2.5</u>	<u>0.6</u>
	<u>10.1</u>	<u>12.8</u>	<u>9.4</u>

**7. STAFF NUMBERS AND COSTS**

The monthly average number of persons employed by the Group (including the Refining business up to the date of disposal) during the year, analysed by category, was as follows:

	Number of employees		
	2011	2010	2009
Operations.....	5,780	5,960	8,614
Administration.....	1,857	2,058	2,804
Research and development .....	305	440	531
	<b>7,942</b>	<b>8,458</b>	<b>11,949</b>

The aggregate payroll costs of these persons were as follows:

	2011	2010	2009
	€m		
Wages and salaries.....	537.5	645.6	675.3
Social security costs.....	93.2	106.6	123.0
Expenses related to defined contribution pension plans .....	34.4	8.7	7.4
Expenses related to defined benefit pension plans.....	42.0	53.2	101.3
	<b>707.1</b>	<b>814.1</b>	<b>907.0</b>

## 8. DIRECTORS' REMUNERATION

	2011	2010	2009
	€m		
Salaries and other short term benefits.....	0.6	1.1	1.0
Company contribution to money purchase scheme .....	—	0.1	0.1
	<b>0.6</b>	<b>1.2</b>	<b>1.1</b>

## 9. FINANCE INCOME AND COSTS

### Recognised in profit or loss

	2011	2010	2009
	€m		
<b>Finance income</b>			
Interest income on bank balances .....	1.6	1.2	1.6
Other interest receivable .....	16.2	13.7	11.7
Total interest income on financial assets not at fair value through profit or loss.....	17.8	14.9	13.3
Exchange movements.....	12.6	5.2	16.0
Net fair value gain on derivatives .....	—	3.8	—
Expected return on defined benefit pension plan assets.....	47.7	46.2	58.5
Dividend income.....	5.4	9.1	7.3
Total finance income before exceptional items .....	83.5	79.2	95.1
Exceptional finance income (see Note 5) .....	—	—	89.0
<b>Total finance income.....</b>	<b>83.5</b>	<b>79.2</b>	<b>184.1</b>
<b>Finance costs</b>			
Interest payable on senior notes.....	225.5	208.4	178.0
Interest payable on bank loans and overdrafts.....	319.4	458.2	474.6
Interest payable on securitisation.....	40.8	38.1	32.0
Amortisation of issue costs.....	33.5	22.2	20.4
Interest payable on finance leases.....	—	0.2	0.2
Bank consent fees .....	35.7	10.4	—
Other finance charges .....	29.8	29.1	27.6
Exchange movements .....	—	58.3	11.5
Net fair value loss on derivatives.....	16.3	—	1.0
Interest on employee benefit liabilities .....	70.2	73.2	93.4
Total finance cost before exceptional items.....	771.2	898.1	838.7
Exceptional loss on extinguishment of debt (see Note 5).....	—	—	209.2
<b>Total finance costs.....</b>	<b>771.2</b>	<b>898.1</b>	<b>1,047.9</b>

<b>Net finance costs</b> .....	<b>687.7</b>	<b>818.9</b>	<b>863.8</b>
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Net gains and losses on financial instruments are included in Note 26.b.

## 10. TAXATION

### Taxation recognised in the consolidated income statement

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	€m		
<b>Current tax expense</b>			
Current year .....	205.6	110.7	37.6
Adjustments in respect of prior years .....	(25.0)	18.2	(1.0)
Current tax expense .....	<u>180.6</u>	<u>128.9</u>	<u>36.6</u>
<b>Deferred tax expense</b>			
Origination and reversal of temporary differences .....	40.7	112.5	(20.2)
Adjustments in respect of prior years .....	13.1	2.2	(33.8)
Deferred tax charge/(credit).....	<u>53.8</u>	<u>114.7</u>	<u>(54.0)</u>
<b>Total tax charge/(credit)</b> .....	<b><u>234.4</u></b>	<b><u>243.6</u></b>	<b><u>(17.4)</u></b>

### Reconciliation of effective tax rate

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	€m		
Profit/(loss) before taxation .....	<u>470.1</u>	<u>265.3</u>	<u>(757.1)</u>
Tax on above using the Luxembourg corporation tax rate of 28.8% (2010: 28.6%, 2009: 28.6%).....	135.4	75.9	(216.5)
Non-deductible expenses/tax exempt revenues .....	17.0	24.7	100.2
Disposal of businesses .....	0.2	105.7	8.2
Effect of tax rates in foreign jurisdictions.....	108.9	33.4	34.2
Deferred tax not recognised.....	—	6.4	61.7
Utilisation of tax losses brought forward.....	(15.2)	(22.9)	29.6
Adjustments for prior years .....	(11.9)	20.4	(34.8)
<b>Total tax charge/(credit)</b> .....	<b><u>234.4</u></b>	<b><u>243.6</u></b>	<b><u>(17.4)</u></b>

### Taxation recognised in other comprehensive income

	<u>2011</u>			<u>2010</u>			<u>2009</u>		
	Gross	Tax	Net	Gross	Tax	Net	Gross	Tax	Net
	€m								
Foreign exchange translation differences .....	(59.3)	—	(59.3)	281.5	—	281.5	56.8	—	56.8
Foreign exchange differences recycled on disposal of subsidiaries .....	—	—	—	45.5	—	45.5	(25.0)	—	(25.0)
Changes in the fair value of assets classified as available for sale.....	—	—	—	—	—	—	22.9	—	22.9
Net (loss)/gain on hedge of net investment in foreign operations.....	(18.4)	—	(18.4)	(73.8)	—	(73.8)	13.9	—	13.9
Cash flow hedge recycled from hedging reserve.....	—	—	—	—	—	—	(105.9)	29.6	(76.3)
Actuarial gains and losses on defined benefit pension schemes .....	(20.9)	6.4	(14.5)	(94.8)	31.7	(63.1)	(18.9)	16.8	(2.1)
Total.....	<b><u>(98.6)</u></b>	<b><u>6.4</u></b>	<b><u>(92.2)</u></b>	<b><u>158.4</u></b>	<b><u>31.7</u></b>	<b><u>190.1</u></b>	<b><u>(56.2)</u></b>	<b><u>46.4</u></b>	<b><u>(9.8)</u></b>

## 11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant & equipment Fixtures and fittings	Under construction	Total
	€m			

<b>Cost</b>				
Balance at 1 January 2009 .....	447.3	7,339.8	472.6	8,259.7
Additions .....	0.4	103.9	159.3	263.6
Disposals.....	(22.3)	(148.8)	(23.0)	(194.1)
Transfers .....	6.4	254.1	(273.1)	(12.6)
Reclassifications .....	—	—	(1.7)	(1.7)
Effect of movements in foreign exchange .....	0.6	153.0	5.8	159.4
<b>Balance at 31 December 2009 .....</b>	<b>432.4</b>	<b>7,702.0</b>	<b>339.9</b>	<b>8,474.3</b>
Disposal of businesses .....	(65.5)	(1,188.2)	(27.6)	(1,281.3)
Additions .....	0.6	178.0	219.2	397.8
Disposals.....	(5.2)	(32.3)	(0.5)	(38.0)
Transfers .....	1.7	239.8	(231.0)	10.5
Effect of movements in foreign exchange .....	13.1	299.3	14.5	326.9
<b>Balance at 31 December 2010 .....</b>	<b>377.1</b>	<b>7,198.6</b>	<b>314.5</b>	<b>7,890.2</b>
Disposal of businesses .....	(11.7)	(1,077.2)	(149.1)	(1,238.0)
Additions .....	13.9	151.2	274.3	439.4
Disposals.....	(2.2)	(29.1)	—	(31.3)
Transfers .....	1.4	148.0	(148.1)	1.3
Reclassifications .....	—	(12.2)	—	(12.2)
Effect of movements in foreign exchange .....	2.4	(12.2)	1.4	(8.4)
<b>Balance at 31 December 2011 .....</b>	<b>380.9</b>	<b>6,367.1</b>	<b>293.0</b>	<b>7,041.0</b>
<b>Accumulated depreciation and impairment</b>				
Balance at 1 January 2009 .....	123.0	2,696.1	—	2,819.1
Depreciation charge for the year.....	21.1	574.6	—	595.7
Transfers .....	0.7	(13.3)	—	(12.6)
Disposals.....	(2.3)	(53.7)	—	(56.0)
Effect of movements in foreign exchange .....	(0.6)	35.5	—	34.9
<b>Balance at 31 December 2009 .....</b>	<b>141.9</b>	<b>3,239.2</b>	<b>—</b>	<b>3,381.1</b>
Disposal of businesses .....	(19.7)	(555.1)	—	(574.8)
Depreciation charge for the year.....	18.9	548.8	—	567.7
Transfers .....	(0.7)	11.2	—	10.5
Disposals.....	(2.2)	(30.1)	—	(32.3)
Effect of movements in foreign exchange .....	4.1	131.6	—	135.7
<b>Balance at 31 December 2010 .....</b>	<b>142.3</b>	<b>3,345.6</b>	<b>—</b>	<b>3,487.9</b>
Disposal of businesses .....	(1.8)	(480.0)	—	(481.8)
Depreciation charge for the year.....	18.6	454.5	—	473.1
Exceptional depreciation charge for the year.....	—	19.0	—	19.0
Transfers .....	0.2	1.1	—	1.3
Reclassifications .....	—	(3.7)	—	(3.7)
Disposals.....	(1.3)	(29.7)	—	(31.0)
Effect of movements in foreign exchange .....	1.3	8.6	—	9.9
<b>Balance at 31 December 2011 .....</b>	<b>159.3</b>	<b>3,315.4</b>	<b>—</b>	<b>3,474.7</b>
<b>Net book value</b>				
At 31 December 2009 .....	290.5	4,462.8	339.9	5,093.2
At 31 December 2010 .....	234.8	3,853.0	314.5	4,402.3
<b>At 31 December 2011.....</b>	<b>221.6</b>	<b>3,051.7</b>	<b>293.0</b>	<b>3,566.3</b>

The exceptional depreciation charge of €19.0 million for the year ended December 31, 2011 reflects the closure of the previously mothballed cumene plant in Port Arthur, Texas.

#### *Leased plant and machinery*

Included in the above are assets held under hire purchase and finance leases with a net book value of €33.2 million (2010: €35.4 million, 2009: €43.6 million). The leased equipment secured lease obligations (see Note 20).

### ***Property, plant and equipment under construction***

During 2011, construction work at Grangemouth on the overhaul of the G4, Butadiene, GTU Benzene and Hydrofiner units was completed and the assets were transferred to other classes of property, plant and equipment.

Additions to assets under constructions during 2011 included further expenditure on the construction of an ethylene tank terminal in Antwerp, Belgium as well as an expansion of a furnace, boiler safety work and expenditure on a cooling tower in Chocolate Bayou, USA and scheduled turnarounds at our Nitriles plant in Seal Sands, England, at our C3 unit in Chocolate Bayou, USA and on a cracker and PE units in Koln, Germany.

During 2010, construction work on the Waste Water Treatment plant in Lavéra, France and on the expansion of the Poly Alpha-Olefins production facility in Feluy, Belgium were completed and the assets were transferred to other classes of property, plant and equipment.

Additions to assets under constructions during 2010 included the first phase of expenditure on the construction of an ethylene tank terminal in Antwerp, Belgium and scheduled turnarounds at the KG cracker and Hydrocracker units in Grangemouth, Scotland.

During 2009, construction work at Koln on the overhaul of the two catalytic cracking units was completed and the assets were transferred to other classes of property, plant and equipment. Construction work continued at the KG cracker unit in Grangemouth whilst work on the polypropylene plant in Belgium was halted until a decision to complete the project has been taken.

Additions to assets under constructions during 2009 included investment to meet future regulations with the first phase of construction of a new Sulfur Recovery Unit coupled with a Tail Gas Treatment and a new Waste Water Treatment Plant. Other notable investments include the electrical and hydrocracker substations, new tankage, tank farm fire protection, cross-country pipeline integrity gauging and expansion projects including acid crude processing.

## 12. INTANGIBLE ASSETS

	Intellectual property rights	Customer relationships	Other	Goodwill	Total
	€m				
<b>Cost</b>					
Balance at 1 January 2009 .....	163.4	23.1	9.1	946.0	1,141.6
Additions .....	—	—	—	1.0	1.0
Other additions .....	—	—	1.0	—	1.0
Reclassifications .....	1.7	—	—	—	1.7
Disposals .....	(25.8)	(20.2)	(0.3)	(80.6)	(126.9)
Effect of movements in foreign exchange .....	(0.6)	—	—	(6.1)	(6.7)
Balance at 31 December 2009 .....	138.7	2.9	9.8	860.3	1,011.7
Disposal of businesses .....	(2.9)	—	(0.4)	(8.8)	(12.1)
Acquisitions through business combinations .....	—	—	—	0.1	0.1
Reclassifications .....	(1.0)	—	—	—	(1.0)
Disposals .....	(0.3)	—	(0.2)	—	(0.5)
Effect of movements in foreign exchange .....	5.9	—	0.4	62.2	68.5
Balance at 31 December 2010 .....	140.4	2.9	9.6	913.8	1,066.7
Disposal of businesses .....	—	—	—	(278.3)	(278.3)
Additions .....	6.9	1.4	0.5	—	8.8
Reclassifications .....	(1.7)	—	(0.3)	—	(2.0)
Effect of movements in foreign exchange .....	2.7	—	—	(12.4)	(9.7)
<b>Balance at 31 December 2011 .....</b>	<b>148.3</b>	<b>4.3</b>	<b>9.8</b>	<b>623.1</b>	<b>785.5</b>
<b>Accumulated amortisation and impairment</b>					
Balance at 1 January 2009 .....	33.5	10.7	6.4	44.4	95.0
Amortisation for the year .....	14.5	5.2	0.7	—	20.4
Disposal .....	(3.3)	(13.5)	(0.3)	(34.9)	(52.0)
Effect of movements in foreign exchange .....	(0.3)	—	—	(1.0)	(1.3)
Balance at 31 December 2009 .....	44.4	2.4	6.8	8.5	62.1
Disposal of businesses .....	(1.4)	—	(0.3)	—	(1.7)
Amortisation for the year .....	11.9	0.1	0.6	—	12.6
Reclassifications .....	(1.3)	—	—	—	(1.3)
Effect of movements in foreign exchange .....	0.8	—	—	0.4	1.2
Balance at 31 December 2010 .....	54.4	2.5	7.1	8.9	72.9
Amortisation for the year .....	11.3	0.2	0.3	—	11.8
Effect of movements in foreign exchange .....	1.4	—	0.5	3.3	5.2
<b>Balance at 31 December 2011 .....</b>	<b>67.1</b>	<b>2.7</b>	<b>7.9</b>	<b>12.2</b>	<b>89.9</b>
<b>Net book value</b>					
At 31 December 2009 .....	94.3	0.5	3.0	851.8	949.6
At 31 December 2010 .....	86.0	0.4	2.5	904.9	993.8
<b>At 31 December 2011 .....</b>	<b>81.2</b>	<b>1.6</b>	<b>1.9</b>	<b>610.9</b>	<b>695.6</b>

Other intangible assets include non-compete agreements and licence fees.

### *Amortisation and impairment charge*

The amortisation charge is recognised in administrative expenses in the consolidated income statement.

### *Impairment*

Goodwill has been allocated to cash generating units (CGU) or groups of cash generating units as follows:

	2011	2010	2009
	€m		
O&P Europe .....	265.9	265.9	243.1



	<u>2011</u>	<u>2010</u>	<u>2009</u>
		<b>€m</b>	
O&P North America.....	264.5	252.9	244.8
Refining.....	—	305.6	300.6
Chemical Intermediates.....	80.5	80.5	63.3
<b>Total.....</b>	<b><u>610.9</u></b>	<b><u>904.9</u></b>	<b><u>851.8</u></b>

On July 1, 2011 the group disposed of the Refining segment to a new joint venture between PetroChina and INEOS Investments (Jersey) Limited ('IJJL'), a related party. IJJL is held under common control by our controlling shareholders. The consideration received by the Group for the disposal consisted of cash consideration of \$1.015 billion received from PetroChina for a 50% interest in the business and an investment in non-voting ordinary shares in IJJL for the other 50% interest in the business. The goodwill relating to the Refining segment was disposed of as part of the sale (see Note 3).

For the other segments the recoverable amount is based on the value in use of each operating segment before aggregation based on the latest board approved five year plan. The forecasts are based on current performance and management's assumptions regarding the future development of individual parameters including raw material prices and profit margins, utilising available market pricing forecasts. Future assumptions regarding market demand are based on external macroeconomic sources and specific data relevant to the petrochemical industry and management's knowledge of the local markets in which it operates.

The cash flows after the plan period are based on an average of each of the years in the five year plan to take account of the cyclical nature of the industry extrapolated using long term growth rates as set out in the table below.

No impairment charge has been recorded in these accounts as a result of the annual impairment test.

The key assumptions underlying the value in use calculation are shown below:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Period on which management approved forecasts are based.....	5 years	5 years	5 years
Discount rate.....	11.0%	11.0%	11.0%
Growth rate.....	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>

A terminal value is calculated based on the average cash flows over the five year forecasting period assuming compound growth of 3% and is discounted over the expected lives of the assets.

The discount rate is based upon the pre-tax weighted average cost of capital of the group as at each respective period end.

The growth rate used includes inflationary growth across our various markets.

### *Sensitivity of recoverable amounts*

The following table presents, for each CGU the change in the discount rate for the tests as of 31 December 2011 that would be required in order for the recoverable amount to equal carrying value.

	<u>Applied rate</u>	<u>Change in discount rate in order for the recoverable amount to be equal to carrying value</u>	<u>Required rate</u>
		%	
O&P Europe.....	11.0		13.5
O&P North America.....	11.0		41.4
Chemical Intermediates:			
Nitriles.....	11.0		22.6
Oxide.....	11.0		62.4
Phenol.....	11.0		29.4
Oligomers.....	11.0		27.6
Enterprises.....	11.0		14.1
Technologies.....	<u>11.0</u>		<u>27.0</u>

The following table presents, for each CGU the change in the growth rate for the tests as of 31 December 2011 that would be required in order for the recoverable amount to equal carrying value. For all operating segments except O&P North America, Oxide and Phenol there would need to be negative growth in order for an impairment to be recognised. For the O&P North America, Oxide and Phenol segment growth sensitivity is not relevant as a €nil terminal value would not result in impairment.

	Applied rate	Change in discount rate in order for the recoverable amount to be equal to carrying value %	Required rate
O&P Europe .....	3.0	(3.8)	(0.8)
O&P North America .....	3.0	n/a	n/a
Chemical Intermediates:			
Nitriles .....	3.0	(37.9)	(34.9)
Oxide .....	3.0	n/a	n/a
Phenol .....	3.0	n/a	n/a
Oligomers .....	3.0	(94.0)	(91.0)
Enterprises .....	3.0	(4.9)	(1.9)
Technologies.....	3.0	(89.2)	(86.2)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**(FORMING PART OF THE FINANCIAL STATEMENTS)**

**13. INVESTMENTS**

**13.a Investments In Equity—Accounted Investees**

	Joint ventures	Associated undertakings	Total
	€m		
At 1 January 2009.....	115.5	—	115.5
Share of profits retained.....	5.0	—	5.0
Additions .....	1.4	0.1	1.5
Loan repayment .....	(6.6)	—	(6.6)
Reclassifications .....	(10.3)	—	(10.3)
Dividends received .....	(1.1)	—	(1.1)
Disposals.....	(1.6)	—	(1.6)
Exchange adjustments .....	7.2	—	7.2
At 31 December 2009.....	109.5	0.1	109.6
Share of profits retained.....	4.0	—	4.0
Additions .....	0.6	—	0.6
Loan repayment .....	(6.8)	—	(6.8)
Reclassifications .....	(3.8)	—	(3.8)
Dividends received .....	(0.6)	—	(0.6)
Disposals.....	—	(0.1)	(0.1)
Exchange adjustments .....	2.7	—	2.7
At 31 December 2010.....	105.6	—	105.6
Share of profits / (losses) retained .....	(71.2)	—	(71.2)
Additions .....	420.0	—	420.0
Loan repayment .....	(12.8)	—	(12.8)
Dividends received .....	(0.7)	—	(0.7)
Disposals.....	(8.5)	—	(8.5)
Exchange adjustments .....	(0.1)	—	(0.1)
<b>At 31 December 2011.....</b>	<b>432.3</b>	<b>—</b>	<b>432.3</b>

**Joint ventures**

On July 1, 2011 the group disposed of the Refining business to a new joint venture between PetroChina and INEOS Investments (Jersey) Limited ('IJL'), a related party. IJL is held under common control by our controlling shareholders. The consideration received by the Group for the disposal consisted of cash consideration of \$1.015 billion received from PetroChina for a 50% interest in the business and an investment in non-voting ordinary shares in IJL for the other 50% interest in the business. The non-voting ordinary shares in IJL were fair valued at €420 million. This reflects the net present value of the future cash flows expected to be realised by the group for the ownership of these non-voting shares and takes into account the loss in control of the refining trade and assets.

The Group effectively retains an economic interest in the Refining business by virtue of its investment in IJL. The results of the Refining business are now reported against the share of (loss)/profit of associates and jointly controlled entities using the equity accounting method by virtue of this interest thus it is treated as a joint venture.

In 2009 the Group disposed of its interests in the Nova joint ventures for nil consideration; see Note 3.

The Group has a loan investment with Noretyl AS. At 31 December 2011 the balance was €17.7 million (2010: €18.4 million, 2009: €19.9 million).

Details of investments in joint ventures are set out below:

<u>Company</u>	<u>Class of shares held</u>	<u>Place of business and country of incorporation</u>	<u>Percentage held</u>	<u>Principal activities</u>
PetroIneos Refining Limited.....		Lavéra, France Grangemouth, Scotland	50.1%	Refining
PetroIneos Trading Limited.....	Ordinary	Lavéra, France Grangemouth, Scotland	49.9%	Refining
Ineos Infrastructure (Grangemouth) Limited.....	Ordinary	Grangemouth, Scotland	75%	Refining
Appryl SNC.....	Ordinary	Lavéra, France	50%	Chemicals
Naphthachimie SNC.....	Ordinary	Lavéra, France	50%	Chemicals
Oxochimie SA.....	Ordinary	Lavéra, France	50%	Chemicals
Noretyl AS.....	Ordinary	Rafnes, Norway	50%	Chemicals

Summary aggregated financial information for equity accounted joint ventures—50 per cent of the balances:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
		<b>€m</b>	
Current assets.....	995.4	70.1	64.1
Long-term assets.....	1,015.0	153.6	168.3
Current liabilities.....	(1,118.5)	(57.7)	(48.4)
Long-term liabilities.....	(114.0)	(29.1)	(55.4)
Income.....	3,365.3	171.8	844.4
Expenses.....	(3,435.4)	(170.0)	(831.6)

#### **Associated undertakings**

The Group retains interests in associated undertakings in the Bio and Healthcare businesses.

Details of the associated undertakings are set out below:

<u>Company</u>	<u>Class of shares held</u>	<u>Place of business and country of incorporation</u>	<u>Percentage held</u>	<u>Principal activities</u>
Ineos Bio Limited.....	Ordinary	UK	20%	Chemicals
Ineos Bio US LLC.....	Ordinary	USA	20%	Chemicals
Ineos Healthcare Limited.....	Ordinary	UK	20%	Healthcare

The Group has not recognised its share of losses relating to the Ineos Bio or Healthcare businesses of €5.9 million (2010: €2.9 million) and €0.2 million (2010: €3.7 million) respectively since the Group has no obligation in respect of these losses. The Group has adopted IAS 27 (revised 2008) *Consolidated and Separate Financial Statements* and has recognised these investments at their fair value on the date of reorganisation of these businesses, estimated by the Group to be €nil.

Summary aggregated financial information for equity accounted associated undertakings—share of the balances:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<b>€m</b>		
Total assets.....	19.3	9.8	23.7
Total liabilities.....	(3.6)	(12.7)	(26.8)
Income.....	—	1.3	—
Expenses.....	(6.1)	(7.8)	(3.2)

#### **13.b Investments in Subsidiary Undertakings**

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length.

The directors believe the carrying value of the investments is supported by the underlying net assets of the subsidiaries.

The following information relates to the principal subsidiary undertakings of the Company.

<b>Company</b>	<b>Country of incorporation and operation</b>	<b>Percentage holding</b>	<b>Principal activity</b>
Ineos Luxembourg I S.A. *	Luxembourg	100%	Holding company
Ineos Luxembourg II S.A.	Luxembourg	100%	Holding Company
Ineos Group AG	Switzerland	100%	Holding Company
Ineos Holdings Limited	England	100%	Holding Company
Ineos European Holdings Limited	England	100%	Holding Company
Ineos US Finance LLC	US	100%	Finance
Ineos Finance Plc	England	100%	Finance
Ineos Europe AG	Switzerland	100%	Chemicals
Ineos Oxide Limited	England	100%	Chemicals
Ineos NV	Belgium	100%	Chemicals
Ineos Belgium NV	Belgium	100%	Chemicals
Ineos Phenol Belgium NV	Belgium	100%	Chemicals
Ineos Italia Srl	Italy	100%	Chemicals
Ineos Phenol GmbH	Germany	100%	Chemicals
Ineos Fluor Limited	England	100%	Chemicals
IFJ Korea Limited	Korea	100%	Chemicals
Ineos Fluor Americas LLC	US	100%	Chemicals
Ineos Silicas Limited	England	100%	Chemicals
Ineos Americas LLC	US	100%	Chemicals
Ineos Manufacturing Deutschland GmbH	Germany	100%	Chemicals
Ineos Koln GmbH	Germany	100%	Chemicals
Ineos France SAS	France	100%	Chemicals
Ineos Commercial Services Limited	England	100%	Chemicals
Ineos Manufacturing Belgium NV	Belgium	100%	Chemicals
Ineos Feluy SPRL	Belgium	100%	Chemicals
Ineos Chemicals Grangemouth Limited	England	100%	Chemicals
Ineos Sales Belgium NV	Belgium	100%	Chemicals
Ineos Sales Italia s.r.l.	Italy	100%	Chemicals
Ineos Chemicals Lavera SAS	France	100%	Chemicals
Ineos Polymers Sarralbe SAS	France	100%	Chemicals
Ineos Manufacturing Italia s.p.a.	Italy	100%	Chemicals
Ineos USA LLC	US	100%	Chemicals
Ineos Polymers Inc	US	100%	Chemicals
Ineos Canada Company	Canada	100%	Chemicals
Ineos Canada Partnership	Canada	100%	Chemicals
Ineos Compounds UK Limited	England	100%	Chemicals
Ineos Bamble AS	Norway	100%	Chemicals
Ineos Nitriles (UK) Limited	England	100%	Chemicals
Ineos Manufacturing (Hull) Limited	England	100%	Chemicals
Ineos Technologies (Vinyls) Limited	England	100%	Chemicals

\* Held directly by the Company

#### 14. OTHER INVESTMENTS

	<b>2011</b>	<b>2010</b>	<b>2009</b>
At 1 January	152.2	129.7	123.5
Additions	—	—	—
Interest receivable	12.0	11.0	9.3
Exchange adjustments	2.5	11.5	(3.1)

At 31 December..... 166.7 152.2 129.7

During the year ended 31 December 2008 the Group acquired a non-voting preferred partnership interest in Ineos Investments LLP, an entity held under common control by the Group's ultimate shareholders, which owns 40% of the share capital of the PQ Corporation, a silicas business incorporated in the USA. Ineos Investments LLP is a limited liability partnership.

## 15. OTHER FINANCIAL ASSETS

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	€m		
<b>Non-current</b>			
Available for sale financial assets (see below and Note 26.a) .....	<u>47.5</u>	<u>90.1</u>	<u>82.2</u>
<b>Current</b>			
Derivative commodity contracts designated as fair value through profit or loss (see Note 26.a) .....	<u>—</u>	<u>8.2</u>	<u>2.9</u>

### *Available for sale financial assets*

Available for sale financial assets relate to a 13.9% investment in Geosud, a company registered in France whose principal activity is the provision of underground storage facilities for liquid hydrocarbons in Southern France and a 16.7% investment in Aethylen Rohrleitungs Gesellschaft ('ARG') mbH and Co. KG, a company registered in Germany whose principal activity is the transportation of ethylene via pipelines in Northern Europe

During 2011 we disposed of our 19.9% investment in Geosel Manosque, our 10% investment in Seminole Pipeline Company and our 4.08% investment in Exeltium SAS.

The investment in Geosel Manosque was valued at its aggregate acquisition cost of €23.0 million in 2008. As a result of a partial demerger of the business into Geosel Manosque and Geosud in 2009 further information became available that allowed the valuation of these investments in 2009 to be revised to an estimated fair value for Geosel Manosque (€26.0 million) and Geosud (€19.8 million). The fair value of the Geosud investment remains at €19.8 million in 2011.

The investment in ARG mbH and Co. KG has been classified as available for sale financial assets and recorded at its acquisition cost. This investment comprises shares in a private limited company. The carrying amount of these financial instruments was €27.7 million at 31 December 2011. These shares are not listed and there is no active market. A reliable determination of fair value would only be practicable if there were equity sales transactions on which fair values could be based. A disposal of these investments is not currently anticipated.

## 16. OTHER FINANCIAL LIABILITIES

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	€m		
<b>Current</b>			
Derivative commodity contracts designated as fair value through profit or loss (see Note 26.a) .....	<u>12.7</u>	<u>6.7</u>	<u>6.5</u>

## 17. DEFERRED TAX ASSETS AND LIABILITIES

### *Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

	2011		
	Assets	Liabilities	Total
	€m		
Property, plant and equipment .....	—	282.5	282.5
Employee benefits .....	(173.4)	—	(173.4)
Tax value of loss carry-forwards .....	(223.8)	—	(223.8)
Other .....	(69.6)	—	(69.6)

Tax (assets)/liabilities .....	(466.8)	282.5	(184.3)
Set off of tax .....	75.3	(75.3)	—
Net tax (assets)/liabilities.....	<u>(391.5)</u>	<u>207.2</u>	<u>(184.3)</u>

	2010		
	Assets	Liabilities	Total
	€m		
Property, plant and equipment .....	—	221.6	221.6
Employee benefits .....	(207.8)	—	(207.8)
Tax value of loss carry-forwards .....	(251.4)	—	(251.4)
Other .....	(63.1)	17.9	(45.2)
Tax (assets)/liabilities .....	(522.3)	239.5	(282.8)
Set off of tax .....	—	—	—
Net tax (assets)/liabilities.....	<u>(522.3)</u>	<u>239.5</u>	<u>(282.8)</u>

	2009		
	Assets	Liabilities	Total
	€m		
Property, plant and equipment .....	—	189.7	189.7
Employee benefits .....	(239.3)	—	(239.3)
Tax value of loss carry-forwards .....	(216.4)	—	(216.4)
Other .....	(31.8)	—	(31.8)
Tax (assets)/liabilities .....	(487.5)	189.7	(297.8)
Set off of tax .....	28.6	(28.6)	—
Net tax (assets)/liabilities.....	<u>(458.9)</u>	<u>161.1</u>	<u>(297.8)</u>

#### Movement in deferred tax

	Property, plant and equipment	Employee benefits	Tax value of loss carry-forward utilised	Other	Total
	€m				
At 1 January 2009.....	269.1	(223.8)	(290.1)	2.1	(242.7)
Recognised in profit or loss .....	(84.8)	(7.3)	73.7	(4.3)	(22.7)
Recognised in other comprehensive income.....	—	(16.8)	—	(29.6)	(46.4)
Included in businesses disposed of .....	5.4	8.6	—	—	14.0
At 31 December 2009.....	189.7	(239.3)	(216.4)	(31.8)	(297.8)
Recognised in profit or loss .....	100.9	31.7	(35.0)	(13.4)	84.2
Recognised in other comprehensive income.....	—	(31.7)	—	—	(31.7)
Included in businesses disposed of .....	(69.0)	31.5	—	—	(37.5)
At 31 December 2010.....	221.6	(207.8)	(251.4)	(45.2)	(282.8)
Recognised in profit or loss .....	70.9	9.5	27.6	(29.3)	78.7
Recognised in other comprehensive income.....	—	(6.4)	—	—	(6.4)
Included in businesses disposed of .....	(10.0)	31.3	—	4.9	26.2
At 31 December 2011 .....	<u>282.5</u>	<u>(173.4)</u>	<u>(223.8)</u>	<u>(69.6)</u>	<u>(184.3)</u>

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable based on an assessment of expected future profits modelled against the gross tax losses available over a period of 5 years. The Group did not recognise gross deductible temporary differences of €190.0 million (2010: €308.9 million, 2009: €483.3 million).

The Group has not provided deferred tax in relation to temporary differences on its overseas subsidiaries or joint ventures as the Group can control the timing and realisation of these temporary differences, and it is probable that no material unprovided tax liability would arise.

Deferred tax recognised in profit or loss in respect of the discontinued Refining business for the year ended 31 December 2011 was €24.9 million (2010: €30.5 million, 2009: €31.3 million).

## 18. INVENTORIES

	2011	2010	2009
		€m	
Raw materials and consumables .....	461.2	488.0	418.7
Work in progress.....	32.0	26.7	36.6
Finished goods .....	836.4	1,740.2	1,089.4
	<u>1,329.6</u>	<u>2,254.9</u>	<u>1,544.7</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to €8,060.4 million (2010: €7,457.4 million, 2009: €4,961.2 million). The net write-down of inventories to net realisable value amounted to €6.0 million (2010: €7 million, 2009: €54.3 million) after the reversal of previous write downs of €5.1 million (2010: €2.1 million, 2009: €57.8 million).

## 19. TRADE AND OTHER RECEIVABLES

	2011	2010 As restated	2009 As restated
		€m	
<b>Current</b>			
Trade receivables .....	1,524.3	1,894.0	1,536.3
Amounts due from related parties.....	245.9	95.3	97.2
Other receivables .....	232.0	176.1	179.4
Prepayments.....	54.3	79.0	86.4
	<u>2,056.5</u>	<u>2,244.4</u>	<u>1,899.3</u>
<b>Non-current</b>			
Other receivables .....	9.3	19.4	15.3
Prepayments.....	10.2	9.9	15.4
	<u>19.5</u>	<u>29.3</u>	<u>30.7</u>

### *Credit quality of financial assets and impairment losses*

The ageing of trade and other receivables at the end of the reporting period was:

	Trade receivables		Amounts due from related parties		Other receivables	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
	2011	2011	2011	2011	2011	2011
				€m		
Not past due .....	1,443.1	(14.3)	245.9	—	240.4	—
Past due 0-30 days .....	47.4	—	—	—	0.1	—
Past due 31-90 days .....	—	—	—	—	0.5	—
More than 90 days .....	61.4	(13.3)	—	—	0.3	—
	<u>1,551.9</u>	<u>(27.6)</u>	<u>245.9</u>	<u>—</u>	<u>241.3</u>	<u>—</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**(FORMING PART OF THE FINANCIAL STATEMENTS)**

**19. TRADE AND OTHER RECEIVABLES**

	Trade receivables		Amounts due from related parties		Other receivables	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
	2010	2010	2010	2010	2010	2010
				€m		
Not past due .....	1,916.5	(23.2)	95.3	—	190.3	—
Past due 0-30 days .....	—	—	—	—	1.7	—
Past due 31-90 days .....	2.2	(1.5)	—	—	—	—
More than 90 days .....	9.3	(9.3)	—	—	3.5	—
	<u>1,928.0</u>	<u>(34.0)</u>	<u>95.3</u>	<u>—</u>	<u>195.5</u>	<u>—</u>

	Trade receivables		Amounts due from related parties		Other receivables	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
	2009	2009	2009	2009	2009	2009
				€m		
Not past due .....	1,453.0	(23.1)	97.2	—	190.9	—
Past due 0-30 days .....	101.9	(1.9)	—	—	—	—
Past due 31-90 days .....	7.8	(1.4)	—	—	—	—
More than 90 days .....	22.9	(22.9)	—	—	3.8	—
	<u>1,585.6</u>	<u>(49.3)</u>	<u>97.2</u>	<u>—</u>	<u>194.7</u>	<u>—</u>

The accounts receivable not yet due after impairment losses as of the end of the reporting period are deemed to be collectible on the basis of established credit management processes such as regular analyses of the credit worthiness of our customers and external credit checks where appropriate for new customers (see Note 26.c). At 31 December 2009, 2010 and 2011 there were no significant trade, related party or other receivable balances not past due that were subsequently impaired.

Due to the global activities and diversified customer structure of the Group, there is no significant concentration of credit risk. (2010: BP Plc represented 7% of trade receivables, 2009: BP Plc represented 14% of trade receivables).

During 2009, 2010 and 2011 there were no significant trade, related party or other receivable balances that were subject to renegotiation of terms. Credit enhancements are held in respect of trade and other receivables in the form of €256.1 million (2010: €233.4 million, 2009: € 295.7 million) of assets pledged as security against amounts owed to the Group of which €nil million (2010: €2.6 million, 2009: € 12.0 million) is in respect of amounts falling overdue.

Trade receivable balances totalling €1,284.1 million (2010: € 1,063.6 million, 2009: €1,096.7 million) have been pledged as security against amounts drawn down under the Receivables Securitisation Facility, described in Note 20, totalling €689.2 million (2010: €753.0 million, 2009: €605.5 million). In accordance with IAS 39 'Financial Instruments: Recognition and Measurement' the trade receivable balances pledged as security do not qualify for derecognition and are included within the trade receivable balances above.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2011	2010	2009
		€m	
Balance at 1 January .....	34.0	49.3	49.0
Impairment loss (released)/recognised .....	(6.4)	(15.3)	0.3
Balance at 31 December .....	<u>27.6</u>	<u>34.0</u>	<u>49.3</u>

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

During the year the Group has not experienced a significant deterioration in the quality of receivable balances due to the current economic conditions.

There were no allowances made against amounts due from related parties or other receivables during the years ended 31 December 2011, 2010 and 2009.

## 20. INTEREST-BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 26.f.

	2011	2010	2009
	€m		
<b>Non-current liabilities</b>			
Senior Facilities Agreement.....	2,832.5	3,468.2	4,165.8
Senior Secured Notes.....	725.3	715.2	—
Senior Notes .....	2,031.1	2,017.7	1,969.9
Ineos Vinyls Senior Notes .....	—	—	159.9
Securitisation Facility .....	685.1	746.1	603.4
Other bank loans .....	—	—	—
Finance lease liabilities .....	9.0	6.7	10.1
Other loans.....	1.1	1.0	0.9
	<b>6,284.1</b>	<b>6,954.9</b>	<b>6,910.0</b>
	2011	2010	2009
	€m		
<b>Current liabilities</b>			
Current portion of borrowings under Senior Facilities Agreement.....	307.4	386.8	837.9
Current portion of other bank loans .....	—	—	—
Current portion of finance lease liabilities.....	1.8	1.1	1.4
	<b>309.2</b>	<b>387.9</b>	<b>839.3</b>

### Gross debt and issue costs

	Gross loans and borrowings	Issue costs	Net loans and borrowings
	2011	2011	2011
	€m		
Senior Facilities Agreement.....	3,170.0	(30.1)	3,139.9
Senior Secured Notes.....	740.3	(15.0)	725.3
Senior Notes .....	2,055.4	(24.3)	2,031.1
Securitisation Facility .....	689.2	(4.1)	685.1
Other .....	11.9	—	11.9
<b>Total</b> .....	<b>6,666.8</b>	<b>(73.5)</b>	<b>6,593.3</b>
	Gross loans and borrowings	Issue costs	Net loans and borrowings
	2010	2010	2010
	€m		
Senior Facilities Agreement.....	3,907.0	(52.0)	3,855.0
Senior Secured Notes.....	733.9	(18.7)	715.2

Senior Notes .....	2,047.9	(30.2)	2,017.7
Securitisation Facility .....	753.0	(6.9)	746.1
Other .....	8.8	—	8.8
<b>Total .....</b>	<b>7,450.6</b>	<b>(107.8)</b>	<b>7,342.8</b>

	Gross loans and borrowings	Issue costs	Net loans and borrowings
	2009	2009	2009
	€m		
Senior Facilities Agreement.....	5,003.7	—	5,003.7
Senior Notes .....	2,005.9	(36.0)	1,969.9
Ineos Vinyls Senior Notes .....	161.2	(1.3)	159.9
Securitisation Facility .....	605.6	(2.2)	603.4
Other .....	12.4	—	12.4
<b>Total .....</b>	<b>7,788.8</b>	<b>(39.5)</b>	<b>7,749.3</b>

### Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity
Senior Facilities Agreement.....	\$/€	LIBOR/EURIBOR plus 4.0%-6.0%	2013-2015
Senior Secured Notes.....	\$/€	9.0%/9.25%	2015
Senior Notes .....	\$/€	7.875%-8.5%	2016
Securitisation Facility .....	\$/€/£	Variable	2014
Other.....	€/¥	7.0-9.0%	2012-2017

### Senior Facilities Agreement

The Group has outstanding borrowings under a facilities agreement (the “Senior Facilities Agreement”) which consists 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”). The Term Loans outstanding at 31 December 2011 before issue costs were €2,875.5 million (2010: €3,568.8 million, 2009: €425.8 million), of which €23.7 million (2010: €63.3million, 2009: €260.0 million) is due within one year. The total amounts outstanding on Term Loan A were €nil million(2010: €68.1 million, 2009: €727.2 million), Term Loan B were €1,062.9 million (2010: €1,366.9 million, 2009: €1,545.3 million), Term Loan C were €1,162.6 million (2010: €1,483.8 million, 2009: €1,524.3 million), Term Loan D were €650.0 million (2010: €650.0 million, 2009: €650.0 million). The Revolving Credit Facility outstanding at 31 December 2011 before issue costs was €294.5 million (2010: €338.2 million, 2009: €57.9 million).

As a result of the substantial modification of the existing Senior Facilities Agreement debt on 17 July 2009 (see Note 5), the unamortised issue costs at that date were written off.

Term Loan A is now fully repaid. Term Loan B is repayable in annual installments of 1.0% until the final year before maturity where it is repayable in semi-annual installments of 48.5% of the principal amount of the loan up until the final repayment on December 16, 2013. Term Loan C is repayable in annual installments of 1.0% until the final year before maturity where it is repayable in semi-annual installments of 48.0% of the principal amount of the loan up until the final repayment on December 16, 2014. In February 2012 the Group successfully issued \$1,000m Senior Secured Notes due 2019 and €500m 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. Term Loan D is repayable in full on June 16, 2015. The Revolving Credit Facility matures on December 16, 2013.

The Term Loans and Revolving Credit Facility bear interest at a rate equal to a margin plus either EURIBOR or LIBOR. The applicable per annum cash margins as at December 31, 2011 are 4.00% per annum for the Term Loan A facility; 4.50% per annum for the Term Loan B facility; 5.00% per annum for the Term Loan C facility; 5.00% per annum for Revolving Credit Facility; and 6.00% per annum for the Term D Loan Facility. With effect from July 17, 2009 the Term Loans are also subject to a Payment in Kind (‘PIK’) margin of 2.00% per annum.

The cash margin on the Revolving Credit Facility is subject to a reduction based on certain financial tests. The PIK margin on the Term Loans is subject to a reduction based upon achieving certain reductions in total leverage, together with achieving certain credit ratings with Moody's and Standard and Poor.

The Group has achieved the required corporate credit ratings with Standard and Poor's and Moody's. The Group's net debt leverage was below 4.0 times as at September 30, 2011. This resulted in the initial PIK margin on the Term Loans of 2.00% per annum being reduced to nil per annum and the cash margin on the Revolving Credit Facility being reduced from an initial 6.00% per annum to 4.00% per annum with effect from November 1, 2011.

A US dollar LIBOR floor of 3.00% applies to all US dollar denominated Term Loans and is payable in cash. A EURIBOR floor of 3.00% applies to all Euro denominated Term Loans. The EURIBOR floor is payable in cash with effect from May 12, 2010. Prior to that date, the difference between the actual EURIBOR at the start of each interest period and the floor was accrued over the period and is not payable in cash until the final repayment dates of the applicable loans.

Ineos Holdings Limited and substantially all of its material subsidiaries are guarantors of the Senior Facilities Agreement. Their obligations are secured by fixed and floating charges over all of the assets of Ineos Holdings Limited and substantially all of the assets of those material subsidiaries.

The Senior Facilities Agreement contains numerous customary operating and financial covenants including requirements to maintain minimum coverage of interest expense, minimum coverage of total debt service and a maximum leverage ratio. In addition, the Senior Facilities Agreement includes 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. As at 31 December 2011 the Group has complied with all covenants.

The term loans are stated net of debt issue costs of €30.1 million (2010: €52.0 million, 2009: €nil million). These costs are allocated to the profit and loss account over the term of the Senior Notes in accordance with IAS 39—Financial Instruments: Recognition and Measurement.

### **Senior Secured Notes**

The Senior Secured Notes are listed on the Luxembourg Stock Exchange and comprise €300.0 million (2010: €300.0 million, 2009: € nil million) Senior Secured Notes due 2015 (the "Secured Euro Notes") and \$570.0 million (2010:\$570.0 million, 2009: €nil million) Senior Secured Notes due 2015 (the "Secured Dollar Notes"). The Senior Secured Notes bear 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. Unless previously redeemed as noted below, the Senior Secured Notes will be redeemed by the Group at their principal amount on May 15, 2015.

The Senior Secured Notes will be subject to redemption at any time on or after May 15, 2013, 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 May 15, of the years indicated below:

Year	Secured Euro Notes Redemption Price	Secured Dollar Notes Redemption Price
2013 .....	104.625%	104.500%
2014 and thereafter .....	100.000%	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 rank pari passu with the Term Loans under the Senior Facilities Agreement and are structurally senior to the Senior Notes due 2016. 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 are stated net of debt issue costs of € 15.0 million (2010: €18.7 million, 2009: €nil million). These costs are allocated to the profit and loss account over the term of the Senior Secured Notes.

### **Senior Notes**

The Senior Notes are listed on the Luxembourg Stock Exchange and comprise €1,532.1 million (2010 and 2009: €1,532.1 million) Senior Notes due 2016 (the “EuroNotes”) and \$677.5 million (2010 and 2009: \$677.5 million) Senior Notes due 2016 (the “Dollar Notes”). The Senior Notes bear interest at 7.875% per annum for the Euro Notes and 8.5% 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 will be redeemed by the Group at their principal amount on 15 February 2016.

In July 2009 the Group finalised the settlement of a legal claim against a third party. The defendant agreed to acquire Senior Notes issued by the Group and to then transfer them to the Group by way of settlement. The total settlement value was \$35 million (€25.1 million) and the Group received Senior Notes with a book value of €114.1 million. The transaction resulted in a gain of €89.0 million which has been accounted for as exceptional finance income (see Note 5).

The Senior Notes are subject to redemption at any time on or after 15 February 2011, 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:

Year	Euro Notes redemption price	Dollar Notes redemption price
2011 .....	103.938%	104.250%
2012 .....	102.625%	102.833%
2013 .....	101.313%	101.417%
2014 and thereafter .....	100.0%	100.0%

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 are secured by junior pledges of all of the shares of Ineos Group Holdings S.A.. The Senior Notes are guaranteed by Ineos Group Holdings S.A. 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 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 are stated net of debt issue costs of €24.3 million (2010: €30.2 million, 2009: €36.0 million). These costs are allocated to the profit and loss account over the term of the Senior Notes in accordance with IAS 39—Financial Instruments: Recognition and Measurement.

### **Ineos Vinyls Senior Notes**

The Ineos Vinyls Senior Notes bear interest at 9.125% per annum, payable semi-annually in arrears on September 1 and December 1 of each year. As part of the disposal of ChlorVinyls, the Group transferred the Ineos Vinyls Senior Notes to Kerling plc in January 2010. The Notes were subsequently redeemed on March 1, 2010.

### **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 31 December 2011 was €689.2 million (2010: €753.0 million, 2009: €605.6 million).

The Receivables Securitisation Facility is stated net of debt issue costs of €4.1 million (2010: €6.9 million, 2009: €2.2 million).

### Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments	Interest	Principal
	2011		
	€m		
Less than one year .....	2.6	(0.2)	2.4
Between one and five years .....	7.6	(6.8)	0.8
More than five years .....	12.5	(4.9)	7.6
	<b>22.7</b>	<b>(11.9)</b>	<b>10.8</b>

	Minimum lease payments	Interest	Principal
	2010		
	€m		
Less than one year .....	1.7	(0.2)	1.5
Between one and five years .....	6.5	(6.1)	0.4
More than five years .....	8.3	(2.4)	5.9
	<b>16.5</b>	<b>(8.7)</b>	<b>7.8</b>

	Minimum lease payments	Interest	Principal
	2009		
	€m		
Less than one year .....	1.6	(0.2)	1.4
Between one and five years .....	6.9	(6.3)	0.6
More than five years .....	10.6	(1.1)	9.5
	<b>19.1</b>	<b>(7.6)</b>	<b>11.5</b>

### 21. TRADE AND OTHER PAYABLES

	2011	2010	2009 As restated
	€m		
<b>Current</b>			
Trade payables .....	659.2	1,054.9	872.6
Amounts due to related parties .....	211.9	106.0	161.9
Other payables .....	393.3	591.4	672.5
Deferred consideration.....	33.2	32.7	30.3
Accruals and deferred income .....	656.3	1,681.3	970.5
	<b>1,953.9</b>	<b>3,466.3</b>	<b>2,707.8</b>
<b>Non-current</b>			
Amounts due to related parties .....	4.2	4.2	4.0
Other payables .....	66.4	64.1	30.3
Accruals and deferred income .....	14.6	22.9	43.9
	<b>85.2</b>	<b>91.2</b>	<b>78.2</b>

## 22. EMPLOYEE BENEFITS

### *Pension plans*

The Group operates a number of pension plans throughout the world, devised in accordance with local conditions and practices. The plans are generally of the defined benefit type and are funded by payments to separately administered funds or insurance companies. The principal funded plans are in the United Kingdom, North America, Belgium and Norway.

The Group also operates a number of unfunded defined benefit pension schemes in Germany and France.

The most recent full valuations of the significant defined benefit plans were carried out as follows:

<u>Plan</u>	<u>Country</u>	<u>Valuation date</u>
Innovene .....	United Kingdom	01 July 2011
All Plans .....	North America	1 January 2011
All Plans .....	Belgium	31 December 2011
Borealis .....	Norway	31 December 2011
All plans.....	France	31 December 2011
All Plans .....	Germany	31 December 2011

These valuations have been updated where appropriate to 31 December 2011 by independent qualified actuaries.

The Group's pension schemes have been disclosed on a geographical basis as those schemes in the United Kingdom, North America and Other European. Other European principally includes the Group's pension plans in Germany, Belgium, Norway and France.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2011**

**(FORMING PART OF THE FINANCIAL STATEMENTS)**

**22. EMPLOYEE BENEFITS**

*Pension plan assumptions*

The principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	United Kingdom			North America			Other European		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
	%								
<b>Major assumptions</b>									
Rate of general increase in salaries .....	4.1	4.6	4.6	3.5	3.5	3.5	2.7-5.0	2.7-5.0	2.7-5.0
Rate of increase to pension in payment .....	2.9	3.5	3.5	0.0	0.0	0.0	0.7-2.0	0.8-2.0	1.0-2.0
Discount rate for scheme liabilities .....	5.0	5.5	5.7	4.5	5.5	6.0	2.5-5.8	4.0-5.0	4.5-5.8
Inflation .....	3.1	3.6	3.6	2.5	2.5	2.5	2.0-2.3	2.0-2.3	2.0-2.3

The assumptions relating to longevity underlying the pension liabilities at the reporting date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

	United Kingdom			North America			Other European		
	2011 years	2010 years	2009 years	2011 years	2010 years	2009 years	2011 years	2010 years	2009 years
Longevity at age 65 for current pensioners .....	19.9-23.1	20.3-21.2	19.1-21.1	18.1-19.5	18.1-19.5	18.1-19.5	18.0-23.5	18.0-23.4	18.0-23.2

Expected long-term rate of return is as follows:

	United Kingdom			North America			Other European		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
	%								
Equities .....	7.2	8.1	8.1	9.0	8.6	8.8	7.5	7.0	7.0-7.8
Bonds .....	3.8	4.8	5.1	3.1	4.2	4.4	4.5	4.3	4.0-4.5
Property .....	6.7	7.5	8.1	7.2	7.0	7.2	7.0	7.0	6.5-7.0
Other .....	2.8-7.2	4.2-8.1	4.3	N/A	N/A	N/A	2.5-4.3	3.0-4.5	3.0-5.6

*Post-retirement health care plans*

The Group also operates a number of post retirement healthcare plans in the United States, which provide employees with other post-employment benefits in respect of health care. The plans are unfunded and the liability in respect of these benefits is included in provisions. The liability is assessed by qualified independent actuaries under the projected unit method, assuming the following rates:

Rate	2011	2010	2009
	%		
Liability discount rate .....	4.5	5.5	6.0
Long-term healthcare trend rate .....	5.0	5.0	5.0



### History of plans

The Group has taken the exemption in IFRS 1 that permits it to elect to provide disclosures prospectively from the date of transition to IFRS of 1 January 2007.

The history of the plans for the current and prior periods is as follows:

#### Consolidated balance sheet

	2011	2010	2009
		€m	
Present value of the defined benefit obligation in respect of pension plans .....	(1,249.8)	(1,453.2)	(1,733.4)
Present value of obligations in respect of post retirement health care plan .....	(20.6)	(57.8)	(37.8)
Unrecognised past service (credit) / cost .....	(24.3)	6.2	5.7
Fair value of plan assets.....	713.4	817.6	941.4
<b>Deficit</b> .....	<b>(581.3)</b>	<b>(687.2)</b>	<b>(824.1)</b>

The Group's net liability in respect of defined benefit obligations is as follows:

	2011	2010	2009
		€m	
Obligations in respect of pension plans			
United Kingdom .....	133.2	202.8	388.2
North America .....	44.0	41.3	66.7
Other European .....	359.2	391.5	337.1
	536.4	635.6	792.0
Obligations in respect of post-retirement health care plans .....	20.6	57.8	37.8
Unrecognised past service cost .....	24.3	(6.2)	(5.7)
<b>Recognised liability for defined benefit obligations</b> .....	<b>581.3</b>	<b>687.2</b>	<b>824.1</b>

#### Experience adjustments

	2011	2010	2009
		€m/%	
Experience adjustments (loss)/gain on plan liabilities .....	5.5	(9.9)	(12.9)
Experience adjustments as a percentage of plan liabilities .....	0.4%	(0.7)%	(0.7)%
Experience adjustments gain/(loss) on plan assets.....	(35.0)	20.6	84.9
Experience adjustments as a percentage of plan assets.....	(4.9)%	3.2%	9.0%

The Group expects to contribute approximately €1055 million to its funded defined benefit plans in the next financial year. This excludes direct company benefit payments and payments in relation to unfunded defined benefit plan schemes.

#### Expense recognised in the consolidated income statement

	Pension Plan								
	United Kingdom			North America			Other European		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
				€m					
Current service cost .....	23.5	29.2	31.5	8.2	8.2	9.0	21.4	19.6	23.2
Past service cost.....	—	0.9	0.5	0.2	—	(0.2)	1.2	—	—
Losses/(gains) on curtailments and settlements .....	—	(6.0)	2.3	—	(0.2)	23.1	—	0.5	8.9
Interest on obligation .....	36.0	39.0	57.0	8.6	8.7	9.7	23.1	23.0	24.3
Expected return on plan assets.....	(34.2)	(35.0)	(45.2)	(8.2)	(6.5)	(8.0)	(5.3)	(4.7)	(5.3)
	<b>25.3</b>	<b>28.1</b>	<b>46.1</b>	<b>8.8</b>	<b>10.2</b>	<b>33.6</b>	<b>40.4</b>	<b>38.4</b>	<b>51.1</b>

	Post retirement health care plans			Total		
	2011	2010	2009	2011	2010	2009
	€m					
Current service cost .....	2.1	2.2	2.3	55.2	59.2	66.0
Past service cost.....	(14.6)	—	0.7	(13.2)	0.9	1.0
Losses/(gains) on curtailments and settlements .....	—	(1.2)	—	—	(6.9)	34.3
Interest on obligation .....	2.5	2.5	2.4	70.2	73.2	93.4
Expected return on plan assets.....	—	—	—	(47.7)	(46.2)	(58.5)
	<b>(10.0)</b>	<b>3.5</b>	<b>5.4</b>	<b>64.5</b>	<b>80.2</b>	<b>136.2</b>

The expense is recognised in the following line items in the consolidated income statement:

	2011	2010	2009
	€m		
Cost of sales.....	42.0	53.2	101.3
Finance income.....	(47.7)	(46.2)	(58.5)
Finance cost .....	70.2	73.2	93.4
	<b>64.5</b>	<b>80.2</b>	<b>136.2</b>

Actuarial gains and losses, before tax, recognised directly in equity in the statement of comprehensive income since 1 January 2007, the transition date to IFRSs:

	2011	2010	2009
	€m		
Cumulative amount at 1 January.....	(384.6)	(289.8)	(270.9)
Loss recognised in the year.....	(20.9)	(94.8)	(18.9)
<b>Cumulative amount at 31 December.....</b>	<b>(405.5)</b>	<b>(384.6)</b>	<b>(289.8)</b>

#### Pension plans

	United Kingdom			North America		
	2011	2010	2009	2011	2010	2009
	€m					
Present value of funded obligations.....	583.7	787.9	1,152.1	203.5	170.6	140.8
Present value of unfunded obligations.....	—	—	—	—	—	—
	583.7	787.9	1,152.1	203.5	170.6	140.8
Fair value of plan assets.....	(450.5)	(585.1)	(763.9)	(159.5)	(129.3)	(74.1)
<b>Deficit.....</b>	<b>133.2</b>	<b>202.8</b>	<b>388.2</b>	<b>44.0</b>	<b>41.3</b>	<b>66.7</b>

	Other European			Total		
	2011	2010	2009	2011	2010	2009
	€m					
Present value of funded obligations.....	144.9	130.0	139.7	932.1	1,088.5	1,432.6
Present value of unfunded obligations.....	317.7	364.7	300.8	317.7	364.7	300.8
	462.6	494.7	440.5	1,249.8	1,453.2	1,733.4
Fair value of plan assets.....	(103.4)	(103.2)	(103.4)	(713.4)	(817.6)	(941.4)
<b>Deficit.....</b>	<b>359.2</b>	<b>391.5</b>	<b>337.1</b>	<b>536.4</b>	<b>635.6</b>	<b>792.0</b>

Movements in present value of defined benefit obligation:

	United Kingdom			North America		
	2011	2010	2009	2011	2010	2009
	€m					
At 1 January.....	787.9	1,152.1	855.1	170.6	140.8	185.3
Interest cost.....	36.0	39.0	57.0	8.6	8.7	9.7
Current service cost .....	23.5	29.2	31.5	8.2	8.2	9.0

Special termination cost and past service cost.....	—	3.2	3.1	0.2	—	(0.2)
Member contributions.....	1.8	2.1	4.5	—	—	—
Curtailments.....	—	(8.2)	(0.1)	—	(0.2)	(0.2)
Settlements.....	—	—	(0.4)	—	—	(45.2)
Benefits paid.....	(9.8)	(18.8)	(20.2)	(6.3)	(4.7)	(2.1)
Reclassifications.....	—	—	—	—	—	—
Acquisitions.....	—	—	2.7	—	—	—
Disposals.....	(232.3)	(489.7)	—	—	(0.6)	(14.8)
Actuarial (gain)/loss.....	(28.8)	46.6	136.4	17.5	5.9	0.6
Exchange.....	5.4	32.4	82.5	4.7	12.5	(1.3)
<b>At 31 December.....</b>	<b>583.7</b>	<b>787.9</b>	<b>1,152.1</b>	<b>203.5</b>	<b>170.6</b>	<b>140.8</b>

	Other European			Total		
	2011	2010	2009	2011	2010	2009
	€m					
At 1 January.....	494.7	440.5	472.2	1,453.2	1,733.4	1,512.6
Interest cost.....	23.1	23.0	24.3	67.7	70.7	91.0
Current service cost.....	21.4	19.6	23.2	53.1	57.0	63.7
Special termination cost and past service cost.....	1.2	0.4	8.9	1.4	3.6	11.8
Member contributions.....	—	—	—	1.8	2.1	4.5
Curtailments.....	—	—	—	—	(8.4)	(0.3)
Settlements.....	—	—	—	—	—	(45.6)
Benefits paid.....	(20.5)	(28.4)	(29.4)	(36.6)	(51.9)	(51.7)
Reclassifications.....	—	—	(27.9)	—	—	(27.9)
Acquisitions.....	—	—	—	—	—	2.7
Disposals.....	(51.1)	(11.2)	(9.8)	(283.4)	(501.5)	(24.6)
Actuarial (gain)/loss.....	(6.4)	48.9	(29.7)	(17.7)	101.4	107.3
Exchange.....	0.2	1.9	8.7	10.3	46.8	89.9
<b>At 31 December.....</b>	<b>462.6</b>	<b>494.7</b>	<b>440.5</b>	<b>1,249.8</b>	<b>1,453.2</b>	<b>1,733.4</b>

Movements in fair value of plan assets:

	United Kingdom			North America		
	2011	2010	2009	2011	2010	2009
	€m					
At 1 January.....	585.1	763.9	564.8	129.3	74.1	128.4
Benefit payments.....	(9.8)	(18.8)	(20.2)	(6.3)	(4.7)	(2.1)
Group contributions.....	40.0	56.2	45.5	21.1	43.3	12.7
Member contributions.....	1.8	2.1	4.5	—	—	—
Expected return on plan assets.....	34.2	35.0	45.2	8.2	6.5	8.0
Actuarial (loss)/gain.....	(29.6)	26.8	67.1	3.3	3.9	5.1
Acquisitions.....	—	—	2.7	—	—	—
Disposals.....	(176.0)	(302.8)	—	—	(0.5)	(9.3)
Settlements.....	—	—	(0.3)	—	—	(68.5)
Reclassifications.....	—	—	—	—	—	—
Exchange movements.....	4.8	22.7	54.6	3.9	6.7	(0.2)
<b>At 31 December.....</b>	<b>450.5</b>	<b>585.1</b>	<b>763.9</b>	<b>159.5</b>	<b>129.3</b>	<b>74.1</b>

	Other European			Total		
	2011	2010	2009	2011	2010	2009
	€m					
At 1 January.....	103.2	103.4	85.5	817.6	941.4	778.7
Benefit payments.....	(20.6)	(28.4)	(29.4)	(36.7)	(51.9)	(51.7)
Group contributions.....	24.2	27.4	28.3	85.3	126.9	86.5
Member contributions.....	—	—	—	1.8	2.1	4.5
Expected return on plan assets.....	5.3	4.7	5.3	47.7	46.2	58.5
Actuarial (loss)/gain.....	(8.7)	(10.1)	12.7	(35.0)	20.6	84.9
Acquisitions.....	—	—	—	—	—	2.7

Disposals.....	—	(0.6)	—	(176.0)	(303.9)	(9.3)
Settlements.....	—	—	—	—	—	(68.8)
Reclassifications .....	—	5.1	(4.7)	—	5.1	(4.7)
Exchange movements .....	—	1.7	5.7	8.7	31.1	60.1
<b>At 31 December .....</b>	<b><u>103.4</u></b>	<b><u>103.2</u></b>	<b><u>103.4</u></b>	<b><u>713.4</u></b>	<b><u>817.6</u></b>	<b><u>941.4</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2011**

**(FORMING PART OF THE FINANCIAL STATEMENTS)**

**22. EMPLOYEE BENEFITS**

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The fair value of the plan assets and the return on those assets were as follows:

	United Kingdom			North America		
	2011	2010	2009	2011	2010	2009
	€m					
Equities .....	292.1	414.3	574.2	57.7	58.4	47.0
Corporate bonds.....	124.3	133.5	174.5	94.4	62.1	20.3
Property .....	7.1	6.6	4.3	7.4	8.8	6.8
Other.....	27.0	30.7	10.9	—	—	—
<b>Total plan assets.....</b>	<b>450.5</b>	<b>585.1</b>	<b>763.9</b>	<b>159.5</b>	<b>129.3</b>	<b>74.1</b>
<b>Actual return on plan assets .....</b>	<b>4.6</b>	<b>61.9</b>	<b>112.3</b>	<b>11.5</b>	<b>10.4</b>	<b>13.1</b>

	Other European			Total		
	2011	2010	2009	2011	2010	2009
	€m					
Equities .....	42.8	51.0	43.8	392.6	523.7	665.0
Corporate bonds.....	22.9	17.7	19.2	241.6	213.3	214.0
Property .....	2.4	2.5	1.9	16.9	17.9	13.0
Other.....	35.3	32.0	38.5	62.3	62.7	49.4
<b>Total plan assets.....</b>	<b>103.4</b>	<b>103.2</b>	<b>103.4</b>	<b>713.4</b>	<b>817.6</b>	<b>941.4</b>
<b>Actual return on plan assets .....</b>	<b>(3.4)</b>	<b>3.5</b>	<b>18.0</b>	<b>12.7</b>	<b>75.8</b>	<b>143.4</b>

***Post-retirement health care plans***

Reconciliation of present value of scheme liabilities:

	2011	2010	2009
	€m		
At 1 January.....	57.8	37.8	48.2
Current service cost .....	2.1	2.2	2.3
Past service (credit)/cost .....	(43.0)	(0.2)	6.5
Curtailed/settlement.....	—	(1.2)	—
Contributions .....	(0.5)	(0.5)	(0.3)
Interest cost.....	2.5	2.5	2.5
Actuarial loss/(gain).....	3.6	14.0	(3.5)
(Disposals)/acquisitions.....	—	(0.1)	(14.1)
Reclassifications .....	—	—	(3.2)
Exchange adjustments .....	(1.9)	3.3	(0.6)
<b>At 31 December.....</b>	<b>20.6</b>	<b>57.8</b>	<b>37.8</b>

The post-retirement healthcare plans do not hold any assets.

The sensitivity of the present value of scheme liabilities and aggregate of service and interest cost to changes in the medical trend rate is set out below:

	2011		2010		2009	
	Sensitivity to a change in medical trend rate		Sensitivity to a change in medical trend rate		Sensitivity to a change in medical trend rate	
	Decrease of 1%	Increase of 1%	Decrease of 1%	Increase of 1%	Decrease of 1%	Increase of 1%
	€m					
Impact on scheme liabilities .....	(0.3)	0.3	(7.2)	8.9	(4.4)	5.3
Impact on aggregate of service and interest cost .....	(0.7)	0.8	(0.5)	0.6	(0.5)	0.6

## 23. PROVISIONS

	Severance and restructuring costs	Remediation	Other	Total
	€m			
At 1 January 2011 .....	23.6	25.9	25.7	75.2
Reclassifications .....	(0.1)	—	(0.2)	(0.3)
Disposal of business .....	(1.6)	(9.9)	(11.0)	(22.5)
Charged to the consolidated income statement .....	18.5	1.3	2.5	22.3
Discount unwinding .....	—	0.1	—	0.1
Utilised in the year .....	(23.1)	(6.6)	(3.1)	(32.8)
Released in the year .....	—	—	(2.5)	(2.5)
Exchange adjustments .....	0.4	(0.3)	0.4	0.5
At 31 December 2011 .....	17.7	10.5	11.8	40.0
Non-current .....	23.3	24.1	8.0	55.4
Current .....	8.7	13.1	10.7	32.5
Balance at 31 December 2009 .....	32.0	37.2	18.7	87.9
Non-current .....	20.1	12.6	13.8	46.5
Current .....	3.5	13.3	11.9	28.7
Balance at 31 December 2010 .....	23.6	25.9	25.7	75.2
Non-current .....	13.3	8.0	4.6	25.9
Current .....	4.4	2.5	7.2	14.1
<b>Balance at 31 December 2011 .....</b>	<b>17.7</b>	<b>10.5</b>	<b>11.8</b>	<b>40.0</b>

### *Severance and restructuring costs*

As described in Note 5, the Group has implemented a restructuring programme of the Innovene and other acquired businesses. The restructuring costs largely relate to severance and early retirement costs and the programme is expected to continue for another 2 years.

### *Remediation costs*

The Group has provided for the cost of remediation works where there is a legal or constructive obligation for such work to be carried out. The provision was established to meet the clean up costs of contaminated soil and groundwater, the removal of potentially hazardous substances and rectification work required to ensure compliance with license to operate obligations. These costs relate mainly to the Group's production facilities at the Runcorn, Warrington, Cologne, Grangemouth, Lavéra, Chocolate Bayou, Green Lake, Lima and Texas City sites. The provision only covers items of specific work for which a reasonable estimate can be determined. The required work is expected to be completed within the next three year period. The interest rate used to determine the obligation in the balance sheet at 31 December 2011 was 8.0% (2010: 8.0%, 2009: 9.0%). By their nature the amounts and timing of any outflows in respect of remediation costs are difficult to predict.

### *Other provisions*

Other provisions include a number of provisions for other loss making contracts and commercial disputes and a provision for costs related to the Fluor disposal made in 2010.

## **24. SHARE CAPITAL**

	<u>2011</u>	<u>2010 As restated</u>	<u>2009 As restated</u>
		€m	
<b>Fully paid</b>			
924,803 (2010: 924,803, 2009: 924,803) Ordinary shares of €1 each.....	<u>0.9</u>	<u>0.9</u>	<u>0.9</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. As explained in Note 1 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 share capital has been presented as if Ineos Group Holdings S.A. had always been the parent company of the Group for the current and prior years.

## **25. DIVIDENDS**

The following dividends were recognised during the year:

	<u>2011</u>	<u>2010 As restated</u>	<u>2009</u>
		€m	
Interim dividend paid.....	<u>13.8</u>	<u>23.0</u>	<u>—</u>

The dividend paid in 2010 includes €14.0 million paid to employees in relation to the shares tracking the Ineos Fluor business which was divested in 2010.

## **26. FINANCIAL INSTRUMENTS**

### **26.a Fair value of financial instruments**

#### *Investments in debt and equity securities*

The fair value of other investments shown as loans and receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Available for sale financial assets are accounted for at fair value based on the present value of future cash flows where such information is readily available based on the present value of future cash flows estimated from financial information made available during the year as a result of a recent transaction in the investment. However, as explained in Note 15, the Group's available for sale financial assets include certain equity interests which are not quoted and for which there is no active market. In these circumstances, in the absence of reliable information, the Group considers that a reliable determination of fair value is not practicable and such investments are recorded at their acquisition cost. The fair value has therefore been presented as the equivalent to the carrying value at the reporting date.

#### *Trade and other receivables*

The carrying amount of trade and other receivables generally approximates to fair value due to their short maturities. Where settlement is not due in the short term and where the effect is material, fair value is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

### *Trade and other payables*

The carrying amount of trade and other payables generally approximates to fair value due to their short maturities. Where settlement is not due in the short term and where the effect is material, fair value is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

### *Cash and cash equivalents*

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

### *Interest-bearing borrowings*

The fair value of the Senior Notes are based on the prices of recent transactions on the Luxembourg Stock Exchange. The fair value of other interest-bearing borrowings, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Market discount rates applied range from 5% to 10% (2010: 5% to 10%, 2009: 5% to 10%). The fair value of finance leases is determined by reference to market rates for similar lease agreements.

### *Derivative financial instruments*

The fair value of forward exchange contracts is based on market quotes where they are available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps and commodity contracts are based on market or broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. The interest rates used to discount estimated cash flows were between 1.6% and 3.6% (2010: 1.6% to 3.6%, 2009: 1.6% to 3.6%,).

### *Fair values*

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the consolidated balance sheet are as follows:

	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
	<u>2011</u>		<u>2010</u>		<u>2009</u>	
	€m					
<b>Financial assets held for trading at fair value through profit or loss:</b>						
Derivative Commodity contracts .....	—	—	8.2	8.2	2.9	2.9
Interest rate swaps.....	—	—	—	—	—	—
Forward exchange contracts .....	—	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>8.2</u>	<u>8.2</u>	<u>2.9</u>	<u>2.9</u>
<b>Available for sale equity investments:</b>						
Carried at fair value .....	19.8	19.8	45.8	45.8	45.8	45.8
Carried at cost.....	27.7	27.7	44.3	44.3	36.4	36.4
<b>Total available for sale equity investments.....</b>	<u>47.5</u>	<u>47.5</u>	<u>90.1</u>	<u>90.1</u>	<u>82.2</u>	<u>82.2</u>
<b>Loans and receivables carried at amortised cost:</b>						
Trade receivables .....	1,524.3	1,524.3	1,894.0	1,894.0	1,536.3	1,536.3
Amounts due from related parties.....	245.9	245.9	95.3	95.3	97.2	97.2
Other receivables .....	241.3	241.3	195.5	195.5	194.7	194.7
Other investments .....	166.7	166.0	152.2	135.8	129.7	124.8
Loans and receivables.....	2,178.2	2,177.5	2,337.0	2,320.6	1,957.9	1,953.0
Cash and cash equivalents .....	582.4	582.4	599.2	599.2	662.1	662.1



	2,760.6	2,759.9	2,936.2	2,919.8	2,620.0	2,615.1
<b>Total financial assets</b> .....	<b>2,808.1</b>	<b>2,807.4</b>	<b>3,026.3</b>	<b>3,009.9</b>	<b>2,702.2</b>	<b>2,697.3</b>
<b>Financial liabilities held for trading at fair value through profit and loss:</b>						
Derivative Commodity contracts .....	12.7	12.7	6.7	6.7	6.5	6.5
Forward exchange contracts .....	—	—	—	—	—	—
	12.7	12.7	6.7	6.7	6.5	6.5
<b>Financial liabilities carried at amortised cost:</b>						
Senior Facilities Agreement.....	3,139.9	3,139.9	3,855.0	4,342.5	5,003.7	5,003.7
Senior Secured Notes.....	725.3	725.3	715.2	780.0	—	—
Senior Notes .....	2,031.1	1,549.8	2,017.7	1,902.8	1,969.9	1,084.9
Ineos Vinyls Senior Notes .....	—	—	—	—	159.9	139.4
Securitisation Facility .....	685.1	685.1	746.1	746.1	603.4	603.4
Other bank loans .....	1.1	1.1	1.0	1.0	0.9	0.9
Finance lease liabilities .....	10.8	10.8	7.8	7.8	11.5	11.5
Trade payables .....	659.2	659.2	1,054.9	1,054.9	872.6	872.6
Amounts due to related parties .....	216.1	216.1	110.2	110.2	165.9	165.9
Other payables .....	459.7	459.7	655.5	655.5	702.8	702.8
	7,928.3	7,447.0	9,163.4	9,600.8	9,490.6	8,585.1
<b>Total financial liabilities</b> .....	<b>7,941.0</b>	<b>7,459.7</b>	<b>9,170.1</b>	<b>9,607.5</b>	<b>9,497.1</b>	<b>8,591.6</b>

The carrying amount of the Senior Facilities Agreement approximates to fair value due to improvement in liquidity in the credit markets and Ineos's credit rating (2010 using a level 3 valuation technique and non-observable consensus prices for interbank transactions). The movement in the fair value during the year not recognised in these accounts includes a decrease of €148.1 million (2010: €148.1 million, 2009: increase of €2,768.5 million).

The table below analyses financial instruments carried at fair value, by valuation method. The different levels, determined in accordance with IFRS 7 "Financial Instruments: Disclosure", have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
	2011				2010				2009			
<b>Financial assets held for trading at fair value through profit or loss:</b>												
Derivative Commodity contracts .....	—	—	—	—	8.2	—	8.2	—	2.9	—	2.9	—
Interest rate swaps .....	—	—	—	—	—	—	—	—	—	—	—	—
Forward exchange contracts .....	—	—	—	—	—	—	—	—	—	—	—	—
<b>Available for sale equity investments carried at fair value</b> .....	19.8	—	—	19.8	45.8	—	—	45.8	45.8	—	—	45.8
<b>Financial liabilities held for trading at fair value through profit and loss:</b>												
Derivative Commodity contracts .....	(12.7)	—	(12.7)	—	(6.7)	—	(6.7)	—	(6.5)	—	(6.5)	—
Forward exchange contracts .....	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total financial assets and liabilities held at fair value</b>	<b>7.1</b>	<b>—</b>	<b>(12.7)</b>	<b>19.8</b>	<b>47.3</b>	<b>—</b>	<b>1.5</b>	<b>45.8</b>	<b>42.2</b>	<b>—</b>	<b>(3.6)</b>	<b>45.8</b>

There have been no transfers from Level 2 to Level 1 in 2011 (2010: no transfers from Level 2 to Level 1).

## **26.b Net gains and losses from financial instruments**

Net gains and losses from financial instruments comprise the results of valuations, the amortisation of discounts, the recognition and derecognition of impairment losses, results from the translation of foreign currencies, interest, dividends and all effects on profit or loss of financial instruments.

Net gains from receivables and loans relate primarily to recognition and derecognition of impairment losses, results from the translation of foreign currencies and interest income.

Net losses from financial liabilities measured at amortised cost relate primarily to amortisation of discounts, results from the translation of foreign currencies, interest expense and other financing related expenses.

The item 'financial instruments at fair value through profit or loss' comprise valuation gains and losses, and only includes gains and losses from instruments which are not designated as hedging instruments as defined by IAS 39.

No gains or losses on items measured at fair value have been recognised in the income statement in respect of fair values determined based on a level 3 valuation technique using non-observable inputs. Gains totalling €nil million (2010: €nil million, 2009: €33.2 million) on available for sale equity investments have been recognised in the Statement of Comprehensive Income for the year ended 31 December 2011 based on a level 3 valuation technique using non-observable inputs. There have been no other movements in financial assets and liabilities held at fair value based on a level 3 valuation technique so a reconciliation table has not been presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(FORMING PART OF THE FINANCIAL STATEMENTS)

26. FINANCIAL INSTRUMENTS

	Loans and receivables			Available for sale financial assets		
	2011	2010	2009	2011	2010	2009
	€m					
Interest income.....	17.8	14.9	13.3	—	—	—
Dividend income.....	—	—	—	5.4	9.1	7.3
Foreign exchange gains/(losses) .....	18.8	(0.1)	34.7	—	—	—
<b>Net result</b> .....	<b>36.6</b>	<b>14.8</b>	<b>48.0</b>	<b>5.4</b>	<b>9.1</b>	<b>7.3</b>
<b>Carrying value at 31 December</b> .....	<b>2,760.6</b>	<b>2,936.2</b>	<b>2,620.0</b>	<b>47.5</b>	<b>90.1</b>	<b>82.2</b>

	Liabilities measured at amortised cost			Financial instruments at fair value through profit or loss		
	2011	2010	2009	2011	2010	2009
	€m					
Redemption premium on early settlement of Senior Bonds .....	—	—	89.0	—	—	—
Interest cost.....	(619.5)	(742.9)	(715.8)	—	—	—
Loss on extinguishment of Senior Facilities Agreement Debt.....	—	—	(209.2)	—	—	—
Other finance cost.....	(65.5)	(23.5)	(11.2)	—	—	—
Net fair value gains/(losses) on derivatives .....	—	—	—	(16.3)	5.5	(23.2)
Foreign exchange gains/(losses) .....	(6.2)	(53.0)	(31.1)	—	—	—
<b>Net result</b> .....	<b>(691.2)</b>	<b>(819.4)</b>	<b>(878.3)</b>	<b>(16.3)</b>	<b>5.5</b>	<b>(23.2)</b>
<b>Carrying value at 31 December</b> .....	<b>(7,928.3)</b>	<b>(9,163.4)</b>	<b>(9,490.6)</b>	<b>(12.7)</b>	<b>(6.7)</b>	<b>(6.5)</b>

26.c Credit risk

*Financial risk management*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, deposits with financial institutions and derivatives.

Group Treasury policy and objectives in relation to credit risk is to minimise the likelihood that the Group will experience financial loss due to counterparty failure and to ensure that in the event of a single loss, the failure of any single counterparty would not materially impact the financial wellbeing of the Group.

*Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. Management considers that there is no geographical concentration of credit risk.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered or are adjusted accordingly. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

### *Investments, cash and cash equivalent*

Surplus cash investments are only made with banks with which the Group has a relationship. Occasionally deposits are made with banking counterparties that provide financing arrangements, reducing the credit exposure of the Group.

### *Guarantees*

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At 31 December 2011 no guarantees were outstanding (2010: none, 2009: none).

### *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the reporting date was the carrying amount of financial assets. Further details on the Group's exposure to credit risk are given in Note 19.

## **26.d Liquidity risk**

### *Financial risk management*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group. The Group's exposure to liquidity risk is limited by the fact that it operates with significant cash resources, and it maintains the most appropriate mix of short, medium and long-term borrowings from the Group's lenders.

The Group is reliant on committed funding from a variety of sources at Group and subsidiary company level to meet the anticipated needs of the Group for the period covered by the Group's budget.

The Group forecasts on a regular basis the expected cash flows that will occur on a weekly and monthly basis. This information is used in conjunction with the weekly reporting of actual cash balances at bank in order to calculate the level of funding that will be required in the short and medium term. On a monthly basis the level of headroom on existing facilities is reported and forecast forward until the end of the financial period. In addition, the Group maintains the following lines of credit:

- Senior Facilities Agreement—€2,411.2 million (2010: €2,943.4 million, 2009: €3,915.8 million) and \$982.5 million (2010: \$1,265.8 million, 2009: \$1,555.8 million) facility that is secured. Interest is payable at rates of EURIBOR and \$LIBOR plus 4-6% (2010: EURIBOR and \$LIBOR plus 6-8%, 2009: EURIBOR and \$LIBOR plus 6-8%).
- Receivables Securitisation Facility—€1,200 million (2010: €1,200 million, 2009: €1,200 million) that can be drawn down to meet short-term financing needs. The facility renews automatically at the option of the Group and expires in July 2013. Interest is payable at a variable rate and the margin is linked to the credit rating of the receivables included in the securitization.

The maturity profile of the Group's undrawn committed facilities at 31 December 2011, 2010 and 2009 was as follows:

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>Undrawn facilities</b>	<b>Undrawn facilities</b>	<b>Undrawn facilities</b>
	<b>€m</b>		
In one year .....	—	—	—
In more than one year, but not more than two years .....	297.8	—	—
In more than two years, but not more than five years .....	—	262.6	8.7
In more than five years .....	—	—	—
	<b>297.8</b>	<b>262.6</b>	<b>8.7</b>

The undrawn committed facilities are in respect of unused committed Revolving Credit Facilities of €297.8 million (2010: €262.6 million, 2009: €8.7 million).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	2011					
	Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
	€m					
<b>Non-derivative financial liabilities</b>						
Senior Facilities Agreement.....	3,139.9	(3,890.0)	(307.6)	(1,621.9)	(1,960.5)	—
Senior Secured Notes.....	725.3	(970.6)	(68.5)	(68.3)	(833.8)	—
Senior Notes .....	2,031.1	(2,746.3)	(167.5)	(167.4)	(2,411.4)	—
Securitisation Facility .....	685.1	(759.4)	(23.8)	(23.7)	(711.9)	—
Other loans.....	1.1	(1.1)	—	—	(1.1)	—
Finance lease liabilities.....	10.8	(22.7)	(2.6)	(2.6)	(5.0)	(12.5)
Trade payables.....	659.2	(659.2)	(659.2)	—	—	—
Amounts due to related parties .....	216.1	(216.1)	(216.1)	—	—	—
Other payables .....	459.7	(459.7)	(459.7)	—	—	—
<b>Derivative financial liabilities</b>						
Forward exchange contracts .....	12.7	(12.7)	(12.7)	—	—	—
	<b>7,941.0</b>	<b>(9,737.8)</b>	<b>(1,917.7)</b>	<b>(1,883.9)</b>	<b>(5,923.7)</b>	<b>(12.5)</b>
	2010					
	Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
	€m					
<b>Non-derivative financial liabilities</b>						
Senior Facilities Agreement.....	3,855.0	(5,120.8)	(375.1)	(711.1)	(4,034.6)	—
Senior Secured Notes.....	715.2	(1,067.9)	(66.8)	(66.8)	(934.3)	—
Senior Notes .....	2,017.7	(2,870.3)	(164.5)	(164.5)	(493.5)	(2,047.8)
Securitisation Facility .....	746.1	(865.8)	(37.6)	(37.6)	(790.6)	—
Other loans.....	1.0	(36.5)	(16.6)	(18.9)	(1.0)	—
Finance lease liabilities.....	7.8	(16.5)	(0.4)	(4.0)	(8.6)	(3.5)
Trade payables.....	1,054.9	(1,054.9)	(1,054.9)	—	—	—
Amounts due to related parties .....	110.2	(118.0)	(107.3)	(5.5)	(3.9)	(1.3)
Other payables .....	655.5	(651.8)	(591.4)	(60.4)	—	—
<b>Derivative financial liabilities</b>						
Forward exchange contracts .....	6.7	(6.7)	(6.7)	—	—	—
	<b>9,170.1</b>	<b>(11,809.2)</b>	<b>(2,421.3)</b>	<b>(1,068.8)</b>	<b>(6,266.5)</b>	<b>(2,052.6)</b>
	2009					
	Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
	€m					
<b>Non-derivative financial liabilities</b>						
Senior Facilities Agreement.....	5,003.7	(7,059.8)	(1,171.3)	(603.9)	(4,407.0)	(877.6)
Senior Notes .....	1,969.9	(3,025.8)	(170.0)	(170.0)	(509.9)	(2,175.9)
Ineos Vinyls Senior Notes .....	159.9	(189.2)	(14.6)	(174.6)	—	—
Securitisation Facility .....	603.4	(635.2)	(24.9)	(610.3)	—	—
Other loans.....	0.9	(40.8)	(13.5)	(13.3)	(14.0)	—
Finance lease liabilities.....	11.5	(26.7)	(1.8)	(5.0)	(8.2)	(11.7)
Trade payables.....	872.6	(901.4)	(901.4)	—	—	—
Amounts due to related parties .....	165.9	(178.5)	(164.0)	(6.1)	(6.3)	(2.1)
Other payables .....	702.8	(702.8)	(646.8)	(56.0)	—	—
<b>Derivative financial liabilities</b>						
Forward exchange contracts .....	6.5	(6.5)	(6.5)	—	—	—

2009					
Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
€m					
<b>9,497.1</b>	<b>(12,766.7)</b>	<b>(3,114.8)</b>	<b>(1,639.2)</b>	<b>(4,945.4)</b>	<b>(3,067.3)</b>

## 26.e Net investment and cash flow hedges

The Group has derivative commodity contracts that qualify as cash flow hedges at 31 December 2011 with a carrying value of €nil (2010: €nil, 2009: €nil). Gains or losses were taken to the hedge reserve in respect of these contracts during 2011 €nil (2010: €nil, 2009: €nil). The amount of gains recycled from the hedge reserve during the year totalled €nil million before tax or €nil million net of tax (2010: €nil, 2009: €105.8 million). The cash flow hedges were used to manage the price risk in respect of certain forecast purchases of raw materials and sales of petrochemical-based products from the Group's refining activities. The forecast purchases and sales are hedged using forward and swap contracts linked to the oil price. The cash flows associated with cash flow hedging instruments are all expected to occur and impact on the profit or loss within less than one year.

The Group has US\$ and Sterling financial liabilities in respect of the Senior Facilities Agreement and Securitisation Facility that are designated net investment hedges of US\$ and Sterling operations in accordance with the requirements of IAS 21 "The effects of changes in Foreign Exchange Rates". The US\$ and Sterling net investment hedges had a carrying value and fair value as follows:

	Carrying amounts 2011	Fair value 2011	Carrying amounts 2010	Fair value 2010	Carrying amounts 2009	Fair value 2009
	€m					
US\$ .....	(1,047.6)	(1,047.6)	(1,243.8)	(1,250.1)	(699.5)	(485.9)
Sterling .....	(19.7)	(19.7)	(64.4)	(64.4)	(40.8)	(40.6)
	<b>(1,067.3)</b>	<b>(1,067.3)</b>	<b>(1,308.2)</b>	<b>(1,314.5)</b>	<b>(740.3)</b>	<b>(526.5)</b>

For the year ended 31 December 2011 loss totalling €18.4 million were taken directly to reserves and reported in the Statement of Comprehensive Income for the year then ended (2010: loss €73.8 million, 2009: gains €13.9 million). There was no ineffectiveness recognised in the income statement for the year ended 31 December 2011 (2010: €nil, 2009: €nil).

## 26.f Market risk

### *Financial risk management*

Market risk reflects the possibility that changes in market prices, such as crude oil, feedstock refined products, chemicals or currency exchange rates or changes in interest rates will adversely affect the value of the Group's assets, liabilities or expected future cash flows. The Group holds interest rate swaps, forward foreign exchange contracts, currency swaps and commodity contracts in order to manage market risk. The use of derivative instruments is confined to specialist teams that have the appropriate skills, experience, supervision, control and reporting systems.

#### **(i) Market risk—Foreign currency risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Sterling.

Foreign exchange risk arises from net investments in foreign operations, future commercial transactions, and recognised assets and liabilities.

The Group applies hedge accounting to foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item is considered to form part of a net investment in a foreign operation and changes in the fair value are recognised directly within equity.

A substantial portion of the Group's revenue is generated in, or linked to, the US dollar and the euro. In the refining business the prices of finished products and of the underlying raw materials are primarily denominated in US dollars, while the costs are largely denominated in euros and sterling. In the European petrochemical business, product prices, certain feedstock costs and most other costs are denominated in euro and sterling. In the US petrochemical and specialty chemicals businesses, product prices, raw materials costs and most other costs are primarily denominated in US dollars.

The Group generally does not enter into foreign currency exchange instruments to hedge foreign currency transaction exposure, although the Group has done so in the past and may do so in the future. The Group benefits from natural hedging, to the extent that currencies in which net cash flows are generated from the Group's operations, are matched against long-term indebtedness.

The foreign currency exposure where the Group's financial assets / (liabilities) are not denominated in the functional currency of the operating unit involved is shown below. Foreign exchange differences on retranslation of these assets and liabilities are taken to the income statement of the Group.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
		<b>€m</b>	
Euros.....	271.1	226.9	223.3
US Dollars .....	(1,239.5)	(1,331.2)	(570.6)
Sterling.....	(14.3)	(109.4)	(586.8)
Other.....	1.1	61.4	2.7
	<u><b>(981.6)</b></u>	<u><b>(1,152.3)</b></u>	<u><b>(931.4)</b></u>

#### *Sensitivity analysis*

A 10% percent weakening of the following currencies at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for the comparative period.

	<u>Equity</u>			<u>Profit or loss</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
				<b>€m</b>		
Euros.....	127.2	130.8	74.0	(29.0)	(15.6)	19.1
US Dollars .....	125.2	124.4	70.0	(1.3)	8.7	(12.9)
Sterling.....	2.0	6.4	4.1	(0.5)	4.5	54.6
Other.....	—	—	—	(0.1)	(6.1)	(0.3)

A 10% percent strengthening of the above currencies against the euro at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### **(ii) Market risk—Interest rate risk**

##### *Profile*

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
		<b>€m</b>	
<b>Carrying amount—asset / (liability)</b>			
<b>Fixed rate instruments</b>			
Financial assets .....	214.2	242.3	211.9
Financial liabilities.....	(2,768.3)	(2,741.7)	(2,142.2)
	<u><b>(2,554.1)</b></u>	<u><b>(2,499.4)</b></u>	<u><b>(1,930.3)</b></u>

##### **Variable rate instruments**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
		€m	
Financial assets .....	582.4	599.2	662.1
Financial liabilities.....	(3,825.0)	(4,601.1)	(5,607.1)
	<u>(3,242.6)</u>	<u>(4,001.9)</u>	<u>(4,945.0)</u>

### *Sensitivity analysis*

A change of 1% in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for 2011, 2010 and 2009.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
		€m	
<b>Equity</b>			
Increase.....	—	—	—
Decrease.....	—	—	—
<b>Profit or loss</b>			
Increase in interest rates by 1% .....	(32.8)	(40.6)	(49.4)
Decrease in interest rates by 1% .....	<u>32.8</u>	<u>40.6</u>	<u>49.4</u>

### **(iii) Market risk—Commodity price risk**

The Group is exposed to commodity price risk through fluctuations in raw material prices and sales of products. The raw material exposures result primarily from the price of crude oil and base chemicals linked to the price of crude. The sales price exposures are primarily related to petrochemicals where prices are in general linked to the market price of crude oil.

The Group enters into contracts to supply or acquire physical volumes of commodities at future dates during the normal course of business that may be considered derivative contracts. Where such contracts exist and are in respect of the normal purchase or sale of products to fulfil the Group's requirements, the own use exemption from derivative accounting is applied.

The Group manages commodity price exposures through trading crude oil, refined products and chemical feedstock and using commodity swaps, options and futures as a means of managing price and timing risks. The Group operates within procedures and policies designed to ensure that risks, including those relating to the default of counterparties, are minimised. At 31 December 2011 the Group had swap and option contracts with a nominal exposure to purchase nil million barrels other commodities (2010: 4.8 million barrels, 2009: 1.4 million barrels) and no nominal exposure to sell the refined product generated from those barrels of crude oil (2010:nil , 2009: 1.4 million barrels).

A 10 percent increase/decrease in commodity prices at the reporting date would have decreased/increased the loss for the year by:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
		€m	
<b>Equity</b>			
Increase in commodity prices by 10% .....	—	—	—
Decrease in commodity prices by 10% .....	—	—	—
<b>Profit or loss</b>			
Increase in commodity prices by 10% .....	—	(18.2)	(25.3)
Decrease in commodity prices by 10% .....	<u>—</u>	<u>14.4</u>	<u>25.3</u>



Management consider that a change of 10 percent gives an appropriate benchmark to assess the risks that the Group might reasonably be exposed to. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 31 December 2009, 31 December 2010 and 31 December 2011.

**(iv) Market risk—Equity price risk**

The Group’s exposure to equity price risk arises from its investment in equity securities which are classified as available for sale financial assets and are shown on the consolidated balance sheet as other financial assets. Available for sale financial assets are accounted for at fair value based on the present value of future cash flows where such information is readily available. However, as explained in Note 15, the Group’s available for sale financial assets include certain equity interests which are not quoted and for which there is no active market. In these circumstances, in the absence of reliable information, the Group considers that a reliable determination of fair value is not practicable and such investments are recorded at their acquisition cost. The fair value has therefore been presented as the equivalent to the carrying value at the reporting date. The remainder of available for sale financial assets are valued at fair value based on the present value of future cash flows estimated from financial information made available during the year as a result of a recent transaction in the investment.

For the available for sale investments carried at fair value a 10 percent increase and decrease in transaction prices at the reporting date would have decreased and increased the loss for the year by €4.8 million (2010: €46 million, 2009: €4.6 million). Management consider that a change of 10 percent gives an appropriate benchmark to assess the risks that the Ineos Group is expected to be exposed to. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

**26.g Capital management**

The Group’s objectives for managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines its capital employed of €5,688.4million (2010: €6,150.7 million, 2009: €6,396.8 million) as shareholders’ equity of €(322.5) million (2010: €(92.9) million, 2009: €(690.4) million) and net debt (net of debt issue costs) of €6,010.9 million (2010: €6,743.6 million, 2009: €7,087.2 million).

The principal sources of debt available to the Group at 31 December 2011 include the Senior Facilities Agreement, Senior Secured Notes, Senior Notes and Receivables Securitisation Facility and are described in Note 20 along with the key operating and financial covenants that apply to these facilities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt or sell assets to reduce debt. The ability of the Group to pay dividends and provide appropriate facilities to the Group is restricted by the terms of principal financing agreements to which members of the Group are party.

**27. OPERATING LEASES**

Non-cancellable operating lease rentals are payable as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	€m		
Less than one year .....	61.4	83.1	81.3
Between one and five years .....	140.2	353.3	295.3
More than five years .....	121.6	74.1	255.3
	<u><b>323.2</b></u>	<u><b>510.5</b></u>	<u><b>631.9</b></u>

The Group has certain operating lease arrangements in respect of manufacturing facilities and combined heat and power plants where the Group has the option to acquire at fair value or depreciated cost to the lessor in certain circumstances either during the life of the lease or at the end of the lease term.

## **28. CAPITAL COMMITMENTS**

Outstanding capital expenditure authorised by the Board and for which contracts had been placed as at 31 December 2011 by the Group amounted to approximately €26.9 million (2010: €6.5 million, 2009: € 98.4 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(FORMING PART OF THE FINANCIAL STATEMENTS)

29. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<u>2011</u>	<u>2010</u>	<u>2009</u>
		<b>€m</b>	
Increase/(decrease) in cash and cash equivalents in the year.....	(20.0)	(70.1)	20.2
Cash outflow from change in debt financing.....	<u>799.1</u>	<u>342.7</u>	<u>212.8</u>
Change in net debt resulting from cash flows.....	779.1	272.6	233.0
Ineos Vinyls Senior Notes disposed of with subsidiary.....	—	161.2	—
Finance leases acquired/disposed of with subsidiary.....	—	3.9	7.1
Other net non-cash transactions.....	<u>(12.1)</u>	<u>(162.4)</u>	<u>121.0</u>
Movement in net debt in year.....	<b><u>767.0</u></b>	<b><u>275.3</u></b>	<b><u>361.1</u></b>

	<u>1 Jan 2009</u>	<u>Cash Flow</u>	<u>Disposals</u>	<u>Other Non Cash Changes</u>	<u>31 Dec 2009</u>
			<b>€m</b>		
Cash at bank and in hand.....	651.8	20.2	—	(9.9)	662.1
Debt due within one year.....	(642.3)	(167.7)	—	(27.8)	(837.8)
Debt due after more than one year.....	(7,476.4)	378.9	—	158.0	(6,939.5)
Finance leases.....	(20.9)	1.6	7.1	0.7	(11.5)
	<u>(8,139.6)</u>	<u>212.8</u>	<u>7.1</u>	<u>130.9</u>	<u>(7,788.8)</u>
<b>Net debt.....</b>	<b><u>(7,487.8)</u></b>	<b><u>233.0</u></b>	<b><u>7.1</u></b>	<b><u>121.0</u></b>	<b><u>(7,126.7)</u></b>

	<u>1 Jan 2010</u>	<u>Cash Flow</u>	<u>Disposals</u>	<u>Other Non Cash Changes</u>	<u>31 Dec 2010</u>
			<b>€m</b>		
Cash at bank and in hand.....	662.1	(70.1)	—	7.2	599.2
Debt due within one year.....	(837.8)	239.8	—	196.5	(401.5)
Debt due after more than one year.....	(6,939.5)	102.7	161.2	(365.7)	(7,041.3)
Finance leases.....	(11.5)	0.2	3.9	(0.4)	(7.8)
	<u>(7,788.8)</u>	<u>342.7</u>	<u>165.1</u>	<u>(169.6)</u>	<u>(7,450.6)</u>
<b>Net debt.....</b>	<b><u>(7,126.7)</u></b>	<b><u>272.6</u></b>	<b><u>165.1</u></b>	<b><u>(162.4)</u></b>	<b><u>(6,851.4)</u></b>

	<u>1 Jan 2011</u>	<u>Cash Flow</u>	<u>Disposals</u>	<u>Other Non Cash Changes</u>	<u>31 Dec 2011</u>
			<b>€m</b>		
Cash at bank and in hand.....	599.2	(20.0)	—	3.2	582.4
Debt due within one year.....	(401.5)	43.7	—	39.6	(318.2)
Debt due after more than one year.....	(7,041.3)	754.4	—	(50.9)	(6,337.8)
Finance leases.....	(7.8)	1.0	—	(4.0)	(10.8)
	<u>(7,450.6)</u>	<u>799.1</u>	<u>—</u>	<u>(15.3)</u>	<u>(6,666.8)</u>
<b>Net debt.....</b>	<b><u>(6,851.4)</u></b>	<b><u>779.1</u></b>	<b><u>—</u></b>	<b><u>(12.1)</u></b>	<b><u>(6,084.4)</u></b>

### 30. RELATED PARTIES

#### *Identity of related parties with which the Group has transacted*

*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 AG, 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 were partners in Ineos Capital Partners. Ineos Capital Partners provided operational management services to the Group through a management services agreement. The management services agreement was novated from Ineos Capital Partners to Ineos AG in April 2010. Ineos AG (previously Ineos Capital Partners) management fees of €70.6 million (2010: €67.4 million, 2009: €65.8 million) were charged to the income statement during the year. The Group recovered costs of €2.9 million (2010: €nil million, 2009: €0.2 million). At 31 December 2011 amounts owed to Ineos AG (previously Ineos Capital Partners) were €87.0 million (2010: €54.1 million, 2009: €4.1 million). Amounts due from Ineos Group AG, a wholly owned subsidiary of Ineos AG, were €17.8 million (2010: €6.8 million, 2009: €nil million).

Ineos AG owns and controls Kerling plc. The Group has made sales to the Kerling Group of €15.3 million (2010: €16.9 million), recovered costs of €0.1 million (2010: €7.5 million) and made purchases of €nil million (2010: €0.9 million). €23.6 million (2010: €2.0 million) was owed by and €22.4 million (2010: €15.5 million) was owed to the Kerling Group as at 31 December 2011.

Ineos AG owns and controls Ineos Industries Limited. The Group has made sales to the Ineos Industries Group of €493.9 million (2010: €424.4 million), recovered costs of €19.8 million (2010: €11.1 million) and made purchases of €151.2 million (2010: €14.1 million). €70.2 million (2010: €8.0 million) was owed by and €1.0 million (2010: €52.9 million) was owed to the Ineos Industries Group as at 31 December 2011.

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

The Group has made sales to the Refining joint ventures of €315.9 million, recovered costs of €1,120.9 million and made purchases of €1,435.0 million. At 31 December, 2011 €47.0 million was owed by the Refining joint ventures and €74.6 million was owed to the Refining joint ventures.

The Group has made sales to other joint ventures of €122.9 million (2010: €157.8 million, 2009: €162.9 million), recovered costs of €32.6 million (2010: €13.7 million, 2009: €38.7 million) and made purchases of €84.5 million (2010: €111.7 million, 2009: €429.4 million). At 31 December, 2011 €86.5 million (2010: €32.4 million, 2009: €32.5 million) was owed by other joint ventures and €31.0 million (2010: €33.6 million, 2009: €43.7 million) was owed to other joint ventures.

#### *Compensation to key management personnel (including directors)*

The Group defines key management as the directors of the Company. Details of Directors' remuneration are given in Note 8.

### 31. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Ineos Holdings Luxembourg S.A.. The ultimate parent undertaking at 31 December 2011 was Ineos AG, a company registered in Switzerland. The ultimate controlling party is Mr JA Ratcliffe, director and majority shareholder of the ultimate parent undertaking.

### 32. SUBSEQUENT EVENTS

In February 2012 the Group successfully issued \$1,000m Senior Secured Notes due 2019 and €500m Floating Rate Notes due 2019. The net proceeds from the notes were used to repay all of the outstanding Term Loan B and a proportion of the Term Loan C of the Senior Facilities Agreement.

### 33. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group prepares its consolidated financial statements in accordance with IFRSs, which require management to make judgements, estimates and assumptions which affect the application of the accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates change and in any future periods.

The following areas are considered to involve a significant degree of judgement or estimation:

#### *Fair value measurement on business combination*

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets and liabilities acquired. The determination of the fair value of the acquired assets and liabilities is to a considerable extent based upon management's judgement, and estimates and assumptions made.

Allocation of the purchase price affects the results of the Group as intangible assets are amortised over their estimated useful lives, whereas goodwill, is not amortised. This could lead to differing amortisation charges based on the allocation to indefinite and finite lived intangible assets.

On acquisition of a business, the identifiable intangible assets may include customer contracts, customer relationships and preferential supply contracts. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset. The use of different estimates and assumptions for the expectations of future cash flows and the discount rate would change the valuation of these intangible assets.

The carrying amount of intangibles is disclosed in Note 12.

#### *Taxation*

Management is required to estimate the tax payable in each of the jurisdictions in which the Group operates. This involves estimating the actual current tax charge or credit together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which may be included on the consolidated balance sheet of the Group. Management have performed an assessment as to the extent to which future taxable profits will allow the deferred asset to be recovered. The calculation of the Group's total tax charge necessarily involves a significant degree of estimation in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority, or, as appropriate, through a formal legal process.

The Group has, from time to time, contingent tax liabilities arising from trading and corporate transactions in the countries in which it operates. After appropriate consideration, management makes provision for these liabilities based on the probable level of economic loss that may be incurred and which is reliably measurable.

The breadth of the Group's structure with operations in many geographic locations makes the use of estimates and assumptions more challenging. The resolution of issues is not always within the control of the Group and can be reliant upon the efficiency of the legal processes in the relevant jurisdictions in which the Group operates, and as a result, issues can, and often do take many years to resolve.

Details of amounts recognised with regard to taxation are disclosed in Notes 10 and 17.

### ***Post-retirement benefits***

The Group operates a number of defined benefit post employment schemes. Under IAS 19 Employee Benefits, management is required to estimate the present value of the future defined benefit obligation of each of the defined benefit schemes. The costs and year end obligations under defined benefit schemes are determined using actuarial valuations. The actuarial valuations involve making numerous assumptions, including:

- Future rate of increase in salaries;
- Inflation rate projections
- Discount rate for scheme liabilities;
- Expected rates of return on the scheme assets.

Details of post-retirement benefits are set out in Note 22.

### ***Provisions***

Provisions are recognised for the cost of remediation works where there is a legal or constructive obligation for such work to be carried out. Where the estimated obligation arises upon initial recognition of the related asset, the corresponding debit is treated as part of the cost of the related asset and depreciated over its estimated useful life.

Other provisions are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events that can be reasonably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances, which can be subject to change.

Estimates of the amounts of provisions recognised are based on current legal and constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

In relation to remediation costs, the estimated interest rate used in discounting the cash flows is reviewed at least annually. The interest rate used to determine the obligation in the balance sheet at 31 December 2011 was 8.0% (2010: 8%, 2009: 9.0%).

The nature and amount of provisions included within the financial statements are detailed in Note 23.

### ***Impairment reviews***

IFRSs require management to test for impairment of goodwill and other intangible assets with indefinite lives, on an annual basis, and of tangible and intangible assets with finite lives if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

An impairment test requires an assessment as to whether the carrying value of assets can be supported by its recoverable amount. Management calculates the recoverable amount based on the net present value of the future cash flows derived from the relevant assets, using cash flow projections which have been discounted at an appropriate discount rate.

In calculating the net present value of the future cash flows, certain assumptions and estimates are required to be made in respect of highly uncertain matters, including management's expectations of:

- Growth rates of various revenue streams;
- Long term growth rates;
- Future margins;
- The selection of an appropriately risk adjusted discount rate; and

- The determination of terminal values.

Changing the assumptions selected by management, in particular the discount rate used in the present value calculation, could significantly affect the Group's impairment evaluation and results.

The Group has property, plant and equipment with a carrying value of € 3,566.3 million (2010: €4,402.3million, 2009: €5,093.2 million) as disclosed in Note 11 and intangible assets with a carrying value of €695.6million (2010: €993.8 million, 2009: € 949.6 million) as disclosed in Note 12. All of these assets are assessed annually for impairment as described above.

For the purpose of impairment testing (when required), to assess whether any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. Actual outcomes could vary significantly from such estimates of discounted future cash flows. Factors such as changes in the planned use of buildings, plant or equipment, or closure of facilities, the presence or absence of competition, lower than expected asset utilisation from events such as unplanned outages, strikes and hurricanes, technical obsolescence or lower than anticipated sales of products with capitalised intellectual property rights could result in shortened useful lives or impairment. Changes in the discount rates used could also lead to impairments.

Further details on the impairment review performed on the goodwill and intangible assets are provided in Note 12, including sensitivity analysis in relation to key assumptions.

### ***Segment aggregation***

IFRS 8 "Operating Segments" permits two or more operating segments to be aggregated into one for disclosure purposes when individual segments have characteristics so similar that they can be expected to have essentially the same future prospects. Management apply this judgement when aggregating the businesses within the Chemical Intermediates segment. In doing so they take into account that the businesses all have similar economic characteristics, similar products, services and types of customer and similar past cyclical financial performance.

## **AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INEOS GROUP HOLDINGS PLC**

We have audited the Group financial statements of Ineos Group Holdings plc for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**Other matter**

We have reported separately on the parent company financial statements of Ineos Group Holdings plc for the year ended 31 December 2010.

[GRAPHIC]

Steve Denison (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
31 March 2011

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010	2009	2008
			€m	
<b>Revenue</b> .....	2	<b>22,912.7</b>	<b>18,077.3</b>	<b>29,073.3</b>
Cost of sales before exceptional items.....		(21,327.1)	(16,707.9)	(28,140.8)
Exceptional cost of sales.....	5	—	—	(130.3)
Total cost of sales.....		(21,327.1)	(16,707.9)	(28,271.1)
<b>Gross profit</b> .....		<b>1,585.6</b>	<b>1,369.4</b>	<b>802.2</b>
Distribution costs.....		(267.1)	(425.5)	(543.7)
Administrative expenses before exceptional items.....		(267.6)	(361.5)	(403.9)
Exceptional administrative expenses.....	5	(12.1)	(41.9)	(80.7)
Exceptional administrative gain.....	5	—	—	29.0
Total administrative expenses.....		(279.7)	(403.4)	(455.6)
Total expenses.....		(546.8)	(828.9)	(999.3)
<b>Operating profit/(loss)</b> .....	6	<b>1,038.8</b>	<b>540.5</b>	<b>(197.1)</b>
Share of profit/(loss) of associates and jointly controlled entities using the equity accounting method, before exceptional items.....		12.9	23.7	(53.3)
Share of exceptional loss of associates and jointly controlled entities using the equity accounting method.....	5	—	—	(4.5)
Total share of profit/(loss) of associates and jointly controlled entities using the equity accounting method.....		12.9	23.7	(57.8)
(Loss)/profit on disposal of businesses.....	3	(74.7)	(276.5)	143.0
<b>Profit/(loss) before net finance costs</b> .....		<b>977.0</b>	<b>287.7</b>	<b>(111.9)</b>
Finance income before exceptional items.....	9	80.9	95.1	173.9
Exceptional finance income.....	5	—	89.0	—
Total finance income.....	9	80.9	184.1	173.9
Finance costs before exceptional item.....	9	(901.3)	(863.8)	(946.2)
Exceptional finance cost.....	5	—	(209.2)	—
Total finance costs.....	9	(901.3)	(1,073.0)	(946.2)
Net finance costs.....	9	(820.4)	(888.9)	(772.3)
<b>Profit/(loss) before tax</b> .....		<b>156.6</b>	<b>(601.2)</b>	<b>(884.2)</b>
Tax (charge)/credit.....	10	(213.1)	(13.9)	311.6
<b>Loss for the year</b> .....		<b>(56.5)</b>	<b>(615.1)</b>	<b>(572.6)</b>
<b>Attributable to:</b>				
Owners of the parent.....		(56.5)	(617.3)	(572.3)
Minority interest.....		—	2.2	(0.3)
<b>Loss for the year</b> .....		<b>(56.5)</b>	<b>(615.1)</b>	<b>(572.6)</b>

All amounts relate to continuing operations.

The notes on the following pages F-198 to F-286 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	<u>Note</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
		€m		
<b>Loss for the year</b> .....		<b><u>(56.5)</u></b>	<b><u>(615.1)</u></b>	<b><u>(572.6)</u></b>
<b>Other comprehensive income:</b>				
Foreign exchange translation differences net of tax .....		281.5	56.8	(184.1)
Foreign exchange differences recycled on disposal of subsidiaries net of tax.....	3	45.5	(25.0)	13.5
Changes in the fair value of assets classified as available for sale net of tax.....		—	22.9	—
Net (loss)/gain on hedge of net investment in foreign operations net of tax.....	26.e	(73.8)	13.9	(40.0)
Net change in fair value of cash flow hedges net of tax .....		—	—	76.3
Cash flow hedge recycled from hedging reserve net of tax .....		—	(76.3)	—
Actuarial gains and losses on defined benefit pension schemes net of tax .....	22	(63.1)	(2.1)	(241.5)
<b>Other comprehensive income for the year net of tax</b> .....		<b><u>190.1</u></b>	<b><u>(9.8)</u></b>	<b><u>(375.8)</u></b>
<b>Total comprehensive income for the year</b> .....		<b><u>133.6</u></b>	<b><u>(624.9)</u></b>	<b><u>(948.4)</u></b>
<b>Total comprehensive income for the year is attributable to:</b>				
Owners of the parent.....		133.6	(624.2)	(946.0)
Minority interest .....		—	(0.7)	(2.4)
		<b><u>133.6</u></b>	<b><u>(624.9)</u></b>	<b><u>(948.4)</u></b>

The notes on the following pages F-198 to F-286 are an integral part of these consolidated financial statements.

**CONSOLIDATED BALANCE SHEET**

**AS AT 31 DECEMBER 2010**

	Note	2010	2009	2008
		€m		
<b>Non-current assets</b>				
Property, plant and equipment .....	11	4,402.3	5,093.2	5,440.6
Intangible assets .....	12	993.8	949.6	1,046.6
Investments in equity-accounted investees .....	13.a	105.6	109.6	115.5
Other investments .....	14	152.2	129.7	123.5
Other financial assets .....	15	90.1	82.2	49.0
Other receivables .....	19	73.3	168.9	168.2
Deferred tax assets .....	17	522.3	458.9	437.8
		<u>6,339.6</u>	<u>6,992.1</u>	<u>7,381.2</u>
<b>Current assets</b>				
Inventories .....	18	2,254.9	1,544.7	1,593.6
Trade and other receivables .....	19	2,356.6	1,918.0	1,991.9
Other financial assets .....	15	8.2	2.9	159.4
Cash and cash equivalents .....	29	599.2	662.1	651.8
		<u>5,218.9</u>	<u>4,127.7</u>	<u>4,396.7</u>
<b>Total assets</b> .....		<b><u>11,558.5</u></b>	<b><u>11,119.8</u></b>	<b><u>11,777.9</u></b>
<b>Equity attributable to owners of the parent</b>				
Share capital .....	24	17.7	17.7	17.7
Share premium .....		51.1	51.1	51.1
Other reserves .....		(410.3)	(600.2)	(593.3)
Retained earnings .....		(95.2)	(38.7)	578.6
<b>Total shareholders' (deficit)/funds</b> .....		<b><u>(436.7)</u></b>	<b><u>(570.1)</u></b>	<b><u>54.1</u></b>
Minority interest .....		—	12.9	17.7
<b>Total equity</b> .....		<b><u>(436.7)</u></b>	<b><u>(557.2)</u></b>	<b><u>71.8</u></b>
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings .....	20	6,954.9	6,910.0	7,333.8
Trade and other payables .....	21	91.2	78.2	102.6
Employee benefits .....	22	687.2	824.1	782.1
Provisions .....	23	46.5	55.4	163.4
Deferred tax liabilities .....	17	239.5	161.1	195.1
		<u>8,019.3</u>	<u>8,028.8</u>	<u>8,577.0</u>
<b>Current liabilities</b>				
Interest-bearing loans and borrowings .....	20	387.9	839.3	615.6
Trade and other payables .....	21	3,466.3	2,731.5	2,451.6
Tax payable .....		86.3	38.4	8.4
Other financial liabilities .....	16	6.7	6.5	0.5
Provisions .....	23	28.7	32.5	53.0
		<u>3,975.9</u>	<u>3,648.2</u>	<u>3,129.1</u>
<b>Total liabilities</b> .....		<b><u>11,995.2</u></b>	<b><u>11,677.0</u></b>	<b><u>11,706.1</u></b>
<b>Total equity and liabilities</b> .....		<b><u>11,558.5</u></b>	<b><u>11,119.8</u></b>	<b><u>11,777.9</u></b>

The notes on the following pages F-198 to F-286 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Share capital	Share premium	Other reserves	Retained earnings	Shareholders' funds	Minority interest	Total equity
	€m						
<b>Balance at 1 January 2008</b> .....	17.7	51.1	(219.6)	1,150.9	1,000.1	13.7	1,013.8
Loss for the year .....	—	—	—	(572.3)	(572.3)	(0.3)	(572.6)
<b>Other comprehensive income:</b>							
Foreign exchange translation differences.....	—	—	(182.0)	—	(182.0)	(2.1)	(184.1)
Foreign exchange differences recycled on disposal of subsidiaries.....	—	—	13.5	—	13.5	—	13.5
Net loss on hedge of net investment in foreign operations.....	—	—	(40.0)	—	(40.0)	—	(40.0)
Net change in fair value of cash flow hedges, net of tax.....	—	—	76.3	—	76.3	—	76.3
Actuarial losses on defined benefit plan schemes net of tax .....	—	—	(241.5)	—	(241.5)	—	(241.5)
<b>Transactions with owners, recorded directly in equity:</b>							
Acquisitions (see Note 4).....	—	—	—	—	—	6.4	6.4
<b>Balance at 31 December 2008</b> .....	17.7	51.1	(593.3)	578.6	54.1	17.7	71.8
Loss for the year .....	—	—	—	(617.3)	(617.3)	2.2	(615.1)
<b>Other comprehensive income:</b>							
Foreign exchange translation differences.....	—	—	59.7	—	59.7	(2.9)	56.8
Foreign exchange differences recycled on disposal of subsidiaries.....	—	—	(25.0)	—	(25.0)	—	(25.0)
Changes in the fair value of assets classified as available for sale .....	—	—	22.9	—	22.9	—	22.9
Net gain on hedge of net investment in foreign operations.....	—	—	13.9	—	13.9	—	13.9
Cash flow hedge recycled from hedging reserve net of tax .....	—	—	(76.3)	—	(76.3)	—	(76.3)
Actuarial losses on defined benefit plan schemes net of tax .....	—	—	(2.1)	—	(2.1)	—	(2.1)
<b>Transactions with owners, recorded directly in equity:</b>							
Disposals (see Note 3).....	—	—	—	—	—	(4.1)	(4.1)
<b>Balance at 31 December 2009</b> .....	17.7	51.1	(600.2)	(38.7)	(570.1)	12.9	(557.2)
Loss for the year .....	—	—	—	(56.5)	(56.5)	—	(56.5)
<b>Other comprehensive income:</b>							
Foreign exchange translation differences.....	—	—	281.3	—	281.3	0.2	281.5
Foreign exchange differences recycled on disposal of subsidiaries.....	—	—	45.5	—	45.5	—	45.5
Changes in the fair value of assets classified as available for sale .....	—	—	—	—	—	—	—
Net gain on hedge of net investment in foreign operations.....	—	—	(73.8)	—	(73.8)	—	(73.8)
Cash flow hedge recycled from hedging reserve net of tax .....	—	—	—	—	—	—	—
Actuarial losses on defined benefit plan schemes net of tax .....	—	—	(63.1)	—	(63.1)	—	(63.1)
<b>Transactions with owners, recorded directly in equity:</b>							
Disposals (see Note 3).....	—	—	—	—	—	(13.1)	(13.1)
<b>Balance at 31 December 2010</b> .....	17.7	51.1	(410.3)	(95.2)	(436.7)	—	(436.7)

The notes on the following pages F-198 to F-286 are an integral part of these consolidated financial statements.

## Analysis of other reserves

	Translation reserve	Fair value reserve	Hedging reserve	Actuarial gains/losses	Total other reserves
			€m		
<b>Balance at 1 January 2008</b> .....	(229.0)	—	—	9.4	(219.6)
Foreign exchange translation differences .....	(182.0)	—	—	—	(182.0)
Foreign exchange differences recycled on disposal of subsidiaries .....	13.5	—	—	—	13.5
Net loss on hedge of net investment in foreign operations .....	(40.0)	—	—	—	(40.0)
Net change in fair value of cash flow hedges, net of tax .....	—	—	76.3	—	76.3
Actuarial gains and losses on defined benefit plan schemes net of tax .....	—	—	—	(241.5)	(241.5)
<b>Balance at 31 December 2008</b> .....	<b>(437.5)</b>	<b>—</b>	<b>76.3</b>	<b>(232.1)</b>	<b>(593.3)</b>
Foreign exchange translation differences .....	59.7	—	—	—	59.7
Foreign exchange differences recycled on disposal of subsidiaries .....	(25.0)	—	—	—	(25.0)
Changes in the fair value of assets classified as available for sale .....	—	22.9	—	—	22.9
Net gain on hedge of net investment in foreign operations .....	13.9	—	—	—	13.9
Cash flow hedge recycled from hedging reserve net of tax .....	—	—	(76.3)	—	(76.3)
Actuarial losses on defined benefit plan schemes net of tax .....	—	—	—	(2.1)	(2.1)
<b>Balance at 31 December 2009</b> .....	<b>(388.9)</b>	<b>22.9</b>	<b>—</b>	<b>(234.2)</b>	<b>(600.2)</b>
Foreign exchange translation differences .....	281.3	—	—	—	281.3
Foreign exchange differences recycled on disposal of subsidiaries .....	45.5	—	—	—	45.5
Changes in the fair value of assets classified as available for sale .....	—	—	—	—	—
Net gain on hedge of net investment in foreign operations .....	(73.8)	—	—	—	(73.8)
Cash flow hedge recycled from hedging reserve net of tax .....	—	—	—	—	—
Actuarial losses on defined benefit plan schemes net of tax .....	—	—	—	(63.1)	(63.1)
<b>Balance at 31 December 2010</b> .....	<b>(135.9)</b>	<b>22.9</b>	<b>—</b>	<b>(297.3)</b>	<b>(410.3)</b>

The notes on the following pages F-198 to F-286 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010	2009	2008
		€m		
<b>Cash flows from operating activities</b>				
Loss for the year .....		(56.5)	(615.1)	(572.6)
Adjustments for:				
Depreciation and impairment.....	11	567.7	595.7	755.5
Amortisation .....	12	12.6	20.4	21.5
Negative goodwill.....	5	—	—	(29.0)
Net finance costs.....	9	820.4	888.9	772.3
Share of (profits)/losses of equity-accounted investees .....		(12.9)	(23.7)	57.8
Loss on sale of property, plant and equipment .....	6	5.7	10.5	21.2
(Profit)/loss on disposal of businesses .....	3	74.7	276.5	(143.0)
Tax (credit)/charge.....	10	213.1	13.9	(311.6)
Decrease/(increase) in trade and other receivables .....		(538.9)	(105.9)	1,306.6
Decrease/(increase) in inventories .....		(724.8)	(44.4)	1,164.1
(Decrease)/increase in trade and other payables .....		812.1	222.0	(1,673.9)
Increase/(decrease) in provisions and employee benefits .....		(49.6)	(23.4)	(1.8)
Tax (paid)/received .....		(91.5)	11.1	(121.7)
<b>Net cash from operating activities .....</b>		<b>1,032.1</b>	<b>1,226.5</b>	<b>1,245.4</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment.....		—	24.6	—
Proceeds from sales of investments .....		—	—	—
Interest and other finance income received.....		3.2	6.0	36.3
Dividends received .....		9.1	7.3	3.7
Disposal of businesses, net of cash disposed of.....	3	415.2	(31.5)	190.3
Acquisition of subsidiaries, net of cash acquired.....	4	—	(1.0)	(106.7)
Acquisition of intangible assets .....		—	—	(25.3)
Acquisition of property, plant and equipment .....		(344.3)	(264.0)	(624.0)
Acquisition of other investments .....		—	(3.3)	(3.4)
<b>Net cash generated/(used) in investing activities .....</b>		<b>83.2</b>	<b>(261.9)</b>	<b>(529.1)</b>
<b>Cash flows from financing activities</b>				
Securitisation Facility .....		119.7	(148.4)	(348.2)
Revolving Credit Facility.....		(239.8)	167.9	410.0
Proceeds from new Senior Secured Notes .....		730.4	—	—
Issue costs .....		(79.3)	(2.3)	(40.2)
Interest paid .....		(763.4)	(729.5)	(646.6)
Repayment of loans .....		(952.8)	(230.5)	(384.0)
Dividends paid .....	25	—	—	—
Dividends paid to minority interests .....		—	—	(0.3)
Capital element of finance lease payment.....		(0.2)	(1.6)	(2.8)
<b>Net cash used in financing activities .....</b>		<b>(1,185.4)</b>	<b>(944.4)</b>	<b>(1,012.1)</b>
Net (decrease)/increase in cash and cash equivalents .....	29	(70.1)	20.2	(295.8)
Cash and cash equivalents at 1 January .....	29	662.1	651.8	951.4
Effect of exchange rate fluctuations on cash held.....		7.2	(9.9)	(3.8)
<b>Cash and cash equivalents at 31 December .....</b>	29	<b>599.2</b>	<b>662.1</b>	<b>651.8</b>

The notes on the following pages F-198 to F-286 are an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
**(FORMING PART OF THE FINANCIAL STATEMENTS)**

**1. ACCOUNTING POLICIES**

*Overview*

Ineos Group Holdings plc (the “Company”) is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The nature of the operations and principal activities of the Company and its subsidiaries are the manufacture and sale of a range of chemicals and refined products used in a variety of applications.

*Basis of accounting*

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the “Group”) and equity account the Group’s interest in associates and jointly controlled entities.

The Group financial statements have been prepared and approved by the directors in accordance with the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the European Union in response to the IAS regulation (EC 1606/2002) effective as of 31 December 2010.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

*Measurement convention*

The financial statements are prepared on the historical cost basis except that derivative financial instruments and financial instruments classified as fair value through the profit or loss are stated at their fair value and non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

*Functional and presentation currency*

These Group financial statements are presented in euro, which is the functional currency of the majority of operations. The Group’s primary products are sold in an international commodities market which is priced and invoiced primarily in euros.

All financial information presented in euro has been rounded to the nearest €0.1 million.

*Changes in accounting policies*

The Group has applied the following accounting standards for the first time in 2010 with effect from 1 January 2010 (with prior period comparative information restated, to the extent required and as explained below):

- IAS 7 ‘Statement of Cash Flows’—Classification of expenditures on unrecognised assets
- IAS 17 ‘Leases’—Classification of leases of land and buildings
- IAS 18 ‘Revenue’—Determining whether an entity is acting as principal or agent
- IAS 36 ‘Impairment of Assets’—Unit of accounting for goodwill impairment test
- IAS 39 ‘Financial Instruments: Recognition and Measurement’—Cash flow hedge accounting, Eligible Hedged Items (July 2008) and Treatment of loan prepayment penalties
- IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’—Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations



- Improvements to IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17—Distributions of Non-Cash Assets to Owners (Issued November 2008)
- IFRIC 18—Transfers of Assets from Customers (issued January 2009)

IAS 17 'Leases' has been amended such that a lease of land with an indefinite economic life need not be classified as an operating lease. As a result a land lease with a lease term of several decades or longer may be classified as a finance lease, even if at the end of the lease term title does not pass to the lessee. This amendment has had no material impact on the financial statements.

The appendix to IAS 18 'Revenue' has been amended to specify that an entity acts as principal when it is exposed to significant risks and rewards associated with sale of goods or rendering of services. The amendment also provides further indicators to assist in assessing whether an entity is principal or agent. This amendment has had no material impact on the financial statements.

The improvement to IAS 36 'Impairment of Assets' clarified that each unit or group of units to which goodwill is allocated should not be larger than an operating segment as defined by paragraph 5 of IFRS 8 'Operating Segments' before aggregation. The improvement is only applicable prospectively and had no material impact on the financial statements.

The following amendments to IAS 39 'Financial instruments: Recognition and measurement' were applied for the first time in 2010 and had no material impact on the financial statements:

- Clarification of the principles applied in relation to identifying inflation as a hedged risk or portion; and hedging with options.
- Guidance on the treatment of embedded prepayment options in debt contracts.
- Confirmation that gains or losses on a hedged instrument should be reclassified from equity to profit or loss during the period that the hedged forecast cash flows affect profit or loss.

The improvement to IFRIC 16 'Hedges of a net investment in a foreign operation' requires that in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the group should clearly document its hedging strategy because of the possibility of different designations at different levels of the group. This amendment to the interpretation has had no material impact on the financial statements.

The remaining amendments identified above were applied for the first time during 2010 and had no material impact on the financial statements.

### ***Basis of consolidation***

#### *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the Group financial statements from the date that control commences until the date that control ceases.

#### *Special purpose entities ("SPE")*

An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

The Group has established an SPE, Ineos Finance Ireland Limited, for a debt securitisation programme. The Group does not have any direct or indirect shareholdings in this SPE. Ineos Finance Ireland Limited is controlled by the Group as it

was established under terms that impose strict limitations on the decision-making powers of the SPE's management that result in the Group receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of risks arising from the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE and its assets. Ineos Finance Ireland Limited is therefore regarded as an SPE and has been consolidated in these financial statements.

#### *Associates and jointly controlled entities (equity accounted investees)*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring the venturers' unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost.

The Group's investment in associates and jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment losses.

The Group financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

#### ***Foreign exchange***

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign exchange are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, euros, at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at exchange rates prevailing at the dates of the transactions. The Group applies an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are taken directly to the translation reserve. They are recycled into the consolidated income statement upon disposal.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve. Foreign exchange differences arising on the retranslation of a borrowing designated as a hedge of a net investment in a foreign operation are recognised directly in equity, in the translation reserve, to the extent that the hedge is effective. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

#### ***Classification of financial instruments issued by the Group***

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

### ***Non-derivative financial instruments***

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

#### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

#### *Trade and other payables*

Trade and other payables are recognised initially at fair value less transaction costs that are directly attributable to the acquisition or issue. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### *Investments in debt and equity securities*

Investments in loans and receivables are stated at amortised cost less impairment.

Other investments in debt and equity securities held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in a fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. Where no reliable measurement of fair value is available, available-for-sale investments are stated at historic acquisition cost (see Note 15).

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

#### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### *Debt restructuring*

The Group derecognises financial liabilities in accordance with the provisions in IAS 39. When debt is modified, the Group analyses the modifications from both a quantitative and qualitative perspective to determine if the modifications are

substantial and meet the IFRS requirements for derecognition, in which case the debt is treated as extinguished. All fees paid in connection with a debt extinguishment are expensed immediately. When a modification is accounted for as a non-substantial modification, associated fees incurred are deferred as an adjustment to the carrying value of the liability and amortised using the effective interest method.

### ***Derivative financial instruments and hedging***

#### *Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement as finance income or expense. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

#### *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the consolidated income statement as finance income or expense.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, e.g. when interest income or expense is recognised.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and included in the consolidated income statement as an adjustment to turnover and cost of sales in the same period or periods during which the hedged forecast transaction affects turnover and cost of sales in the consolidated income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the consolidated income statement immediately.

#### *Hedge of net investment in foreign operation*

The Group applies hedge accounting to foreign exchange differences arising on the retranslation of a foreign currency loan where the loan is designated as a hedge of a net investment in a foreign operation in accordance with IAS 21 and IAS 39.

Exchange differences arising on retranslation of foreign currency loans designated as a net investment hedge are taken directly to equity via the consolidated statement of comprehensive income. Gains and losses accumulated in the translation reserve will be recycled to the statement of comprehensive income when the foreign operation is sold.

### ***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Cost may include the cost of materials, labour and other costs directly attributable to bringing the assets to a working condition for their intended use. Cost may also include the cost of dismantling and removing items and restoring the site on which they are located.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation commences from the date an asset is brought into service. Land and assets in the course of construction are not depreciated. The estimated useful lives are as follows:

- |   |               |
|---|---------------|
| • Buildings                                     | 10 - 40 years |
| • Plant and equipment and fixtures and fittings | 3 - 40 years  |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, the Group makes an estimate of the recoverable amount, which is the higher of the asset's fair value less cost to sell and value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated income statement in the period in which the item is derecognised.

#### ***Business combinations, goodwill and intangible assets***

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities. In respect of business acquisitions that have occurred since 1 January 2007, goodwill represents the difference between the cost of the acquisition and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. For any acquisitions occurring on or after 1 January 2009, all transaction costs are expensed as incurred.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to groups of cash-generating units and is not amortised but is tested annually for impairment. At Ineos, cash generating units are predominately business units. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

IFRS 1 grants certain transition exemptions from the full requirements of IFRSs in the transition period. The Group elected not to restate business combinations that took place prior to 1 January 2007. In respect of acquisitions prior to 1 January 2007, goodwill is included at 1 January 2007 on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable to IFRS save that only separable intangible assets were recognised and goodwill was amortised. On transition to IFRS amortisation of goodwill has ceased and negative goodwill recognised under UK GAAP is included within retained earnings.

Negative goodwill arising on an acquisition is recognised immediately in the consolidated income statement.

#### ***Intangible assets***

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. These intangible assets principally comprise intellectual property rights, customer relationships, non-compete agreements and license fees.

Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of other consideration given to acquire the assets. An intangible asset acquired as part of a business combination is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

#### *Amortisation*

Amortisation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- |                                |                       |
|--------------------------------|-----------------------|
| • Customer relationships       | 3 years               |
| • Intellectual property rights | 10 - 15 years         |
| • Non-compete agreements       | life of the agreement |
| • Licenses                     | up to 15 years        |

These intangible assets are tested for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying value may not be recoverable. Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

#### *Research and development*

Expenditure on research activities is recognised in the consolidated income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Where regulatory and other uncertainties are such that the criteria are not met, the expenditure is recognised in the income statement. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

#### *Impairment excluding inventories and deferred tax assets*

The carrying amounts of the Group's assets are assessed at the end of the reporting period to determine whether there is any indication of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and other intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at the end of the reporting period.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

(FORMING PART OF THE FINANCIAL STATEMENTS)

### 1. ACCOUNTING POLICIES

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

#### *Calculation of recoverable amount*

The recoverable amount of the Group's receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables are not discounted where their duration is less than one year or where the effect of discounting is not material.

The recoverable amount of other assets is the greater of their fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### *Reversals of impairment*

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Provision is made for obsolete, slow-moving or defective items where appropriate.

Items owned by the Group that are held on consignment at another entity's premises are included as part of the Group's inventory.

### ***Commodities***

Contracts that are entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with the company's expected purchase, sale or usage requirements (own-use contracts) are not accounted for as derivative financial instruments, but rather as executory contracts.

### ***Employee benefits***

The Group operates a number of defined contribution plans and funded and unfunded defined benefit pension schemes. The Group also provides unfunded early retirement benefits, long service awards and an incentive plan for certain employees.

The Group provides health care insurance to eligible retired employees and their dependants, primarily in the United States.

### ***Defined contribution plans***

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated income statement as incurred.

### ***Defined benefit plans***

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans and other post employment benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The liability discount rate is the yield at the reporting date on AA credit rated bonds denominated in the currency of, and that have maturity dates approximating to the terms of, the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the consolidated income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the consolidated income statement.

All actuarial gains and losses as at 1 January 2007, the date of transition to IFRSs, were recognised. In respect of actuarial gains and losses that arise subsequent to 1 January 2007, the Group recognises them in the period they occur directly in equity through the statement of comprehensive income.

Where the calculation results in a benefit to the Group, the asset recognised is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between:

- cost of sales,
- net finance costs and,
- in net expense recognised directly in equity, the actuarial gains and losses.



### *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### *Incentive plan*

Certain employees of the Group are eligible to participate in an incentive plan (the Plan) operated by Ineos Limited, the parent of Ineos Group Holdings plc in the United Kingdom. Ineos Limited issues "Business Tracker Shares" in relation to each of the businesses operated by Ineos Limited and its subsidiaries, including those businesses within the Ineos Group Holdings plc group. These Business Tracker Shares entitle the holder of the share to appreciation in market value (rather than the totality of the market value) of the relevant business compared with the market value at the date of acquisition of the relevant share. Determination of market values, and any discretionary adjustments, is made by a committee (the Special Committee) of Ineos Limited.

The Plan is considered to be in the nature of a Share-based Payment arrangement within the scope of IFRS 2. The Ineos Group Holdings plc group neither receives nor makes any payments and incurs no liabilities in respect of its employees' participation in the Plan. Under IFRS 2 (as amended in June 2009 for "Group Cash-settled Share-based Payment Transactions" which the Directors have elected to adopt early) the Group recognises any deemed cost of the arrangement in accordance with the requirements applicable to equity-settled share-based payment transactions, with a corresponding increase in equity as a contribution from the parent. Participating employees purchase Business Tracker Shares from the Trust which administers the Plan at a price which is related to the approximate market value of the relevant Business Unit. Accordingly the Directors believe that the net fair value of the benefit at the date of grant after taking account of the payment for the shares is not significant and no cost has been recognised in these financial statements.

### *Provisions*

A provision is recognised in the consolidated balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

### *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### *Revenue*

Revenue represents the invoiced value of products sold or services provided to third parties net of sales discounts, value added taxes and duties. Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer and it can be reliably measured.

The pricing for products sold is determined by market prices (market contracts and arrangements) or is linked by a formula to published raw material prices plus an agreed additional amount (formula contracts). Revenue arising from the sale of goods is recognised when the goods are either dispatched or delivered depending on the relevant delivery terms and the point at which risks and rewards have been transferred to the buyer when the prices are determinable and when collectability is considered probable.

Services provided to third parties include administrative and operational services provided to other chemical companies with units on our sites and services under tolling arrangements. Under tolling arrangements, customers pay for or provide raw materials to be converted into a certain specified product, for which the Group charges a toll fee. The Group only recognises the toll fee as revenue earned under such arrangements upon shipment of the converted product to the customer as this is the point at which risks and rewards have been transferred to the buyer. For all other services, revenue is recognised upon completion of the service provided.

### ***Government grants***

Government grants are shown in the consolidated balance sheet as deferred income. This income is amortised on a straight line basis over the same period as the tangible fixed asset to which it relates or the life of the related project.

### ***Expenses***

#### ***Operating lease payments***

Payments made under operating leases are recognised in the consolidated income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated income statement as an integral part of the total lease expense.

#### ***Finance lease payments***

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### ***Finance income and expenses***

Interest income and interest payable is recognised in the consolidated income statement as it accrues, using the effective interest method. Dividend income is recognised in the consolidated income statement on the date the entity's right to receive payments is established. Foreign exchange gains and losses are reported on a net basis.

Finance costs comprise interest payable, finance charges on finance leases, unwinding of the discount on provisions, net fair value losses derivatives and net foreign exchange losses that are recognised in the consolidated income statement (see foreign exchange accounting policy). Finance income comprise interest receivable on funds invested, expected return on defined benefit pension plan assets, net fair value gain on derivatives and net foreign exchange gains.

### ***Taxation***

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

### ***Segmental analysis***

The Group determines its operating segments in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments. During the year, the chief operating decision makers resigned from the board of the company. The chief operating decision-makers are the members of the Executive Committee of the ultimate parent undertaking, Ineos AG. The members of this committee are the previous company board members and the information presented is unchanged from prior year and therefore there is no change to the segment information presented.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the chief operating decision-makers to make decisions about resources to be allocated to the segment and assess its performance.

The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure and the aggregation criteria set out in IFRS 8.

Segment results that are reported to the chief operating decision-makers include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than as acquired through business combinations.

### ***Emission trading scheme***

The Group participates in the EU Emissions Trading Scheme. The Scheme encourages companies to reduce carbon emissions by offering financial incentives if they achieve their annual reduction targets. If a company reduces emissions beyond their target then the surplus may be traded in the form of emissions permits.

The incentive money due from the EU Emissions Trading Scheme is recognised in the consolidated income statement once the reduction targets have been met. The emissions permits allocated under the Scheme are at nil cost. The Group recognises the revenue from such permits upon their sale to third parties.

The Kyoto Protocol sets legally binding targets for cutting emissions and provides for three international "flexible mechanisms" to be used by developed countries in cost effectively meeting their greenhouse gas emissions targets, one of which is the Clean Development Mechanism ("CDM"). This permits industrialised countries to meet part of their commitments through projects in developing countries. The CDM programme provides incentives for the project participants in the form of Certified Emissions Reductions ("CERs"). It is the trading of these CERs that provides the market incentive to reduce emissions. The Group is involved in a number of CDM projects. CERs produced from these projects are recorded at nil cost. CERs purchased from third parties are recognised within stock on the basis of purchased cost. The Group recognises the revenue from sale of CERs upon their sale to third parties.

The Group recognises a provision for emissions produced. The provision is measured at the carrying amount of the emission rights held (nil if granted, otherwise at cost) or, in the case of a shortfall, at the current fair value of the emission rights needed.

### ***Exceptional items***

The presentation of the Group's results separately identifies the effect of profits and losses on the disposal of businesses, the impairment of non-current assets, the cost of restructuring acquired businesses and the impact of one off events such as legal settlements as exceptional items. Results excluding disposals, impairments, restructuring costs and one off items are used by management and are presented in order to provide readers with a clear and consistent presentation of the underlying operating performance of the Group's ongoing business.

### ***Accounting standards not applied***

The following IFRSs relevant to the Group were available for early application but have not been applied by the Group in these financial statements. The impact of their adoption is currently being assessed and is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 9 'Financial Instruments' is the first step in a process to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. The group is yet to assess IFRS 9's full impact, but the new standard has the potential to have a significant impact on the accounting for the group's financial assets and liabilities.

- Amendments to IAS 32 Classification of Rights Issues (Issued 8 October 2009) address the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The group will apply the amended standard from 1 January 2011.
- Amendments to IFRS 7 'Transfers of Financial Assets' require additional disclosures about transfers of financial assets, such as securitisations, to enable users to understand the possible effects of any risks that may remain with the transferor. The Group is currently assessing the impact of this improvement.
- IAS 24 'Related Party Disclosures (revised 2009)' IAS 24 (revised) clarifies and simplifies the definition of a related party. In addition, the group and the parent will need to disclose any transactions between its subsidiaries and its associates. The group will apply the revised standard from 1 January 2011 when adoption is mandatory. The group is currently assessing the impact on the related party disclosures.
- Amendments to IFRIC 14 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14 and without the amendments entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. The amendments are effective for annual periods beginning 1 January 2011 and the group is currently assessing the impact on the financial statements.
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The interpretation requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The amendments are effective for annual periods beginning 1 July 2010 and group is currently assessing the impact on the financial statements.

## 2. OPERATING SEGMENTS

The determination of the Group's operating segments is based on the business units for which information is reported to the Group's Chief Operating Decision Maker. The Group has four reportable segments, as described below.

- The Group's Olefins and Polymers business units produce olefins and related products and a broad range of polymers. The Group's olefins businesses are focused on ethylene and propylene, which are the two largest volume olefins globally and are key building blocks for polymers. These olefins are primarily used as feedstock for the Group's polymers business. In addition, the Group sells olefins to third party customers for a variety of industrial and consumer applications, including plastics, rubber and fibre.

O&P North America segment—In North America, the group's Olefins and Polymers business comprises five sites including major facilities in Chocolate Bayou, Texas, and Battleground, Texas.

O&P Europe segment—In Europe, the Group owns and operates three major cracker complexes, two that are integrated with our refineries in Grangemouth, United Kingdom and Lavéra, France and one in Cologne, Germany. Each of these sites includes polymers and derivatives units.

- Refining—Oil refining is the process of separating, converting and treating hydrocarbon molecules present in crude oil to produce marketable finished petroleum products, such as gasoline, diesel, liquefied petroleum gas ('LPG'), naphtha, heating and fuel oils and bitumen. Refining is primarily a margin based business where both the feedstocks and refined petroleum products are commodities. The Group owns and operates two refineries which are both fully integrated with petrochemical plants located at the same sites. The Group's principal refining products are transport fuels (particularly diesel fuel and gasoline), LPG, naphtha, and heating and fuel oils.
- Chemical Intermediates—This reportable segment is the aggregation, in compliance with IFRS 8, of a number of different business units with similar economic and other characteristics. Chemical Intermediates are high-value added chemical products used as key components in a variety of consumer and industrial products. The Group's chemical intermediates businesses are exposed to similar key commodities, namely oil and gas. They

produce a range of products including phenol, alpha olefins, solvents, industrial chemicals and nitriles. The Chemical Intermediates processes are similar in that they are all capital intensive and based upon processing and mixing chemical raw materials to produce chemical products for the next stage along the value chain. The Chemical Intermediates products are distributed on a business-to-business basis across the world. This is performed using similar conventional methods of pipeline, truck, rail or ship container depending on the customer location and size of the order. The Chemical Intermediates customer base is similar in that the customers are generally manufacturers of consumer and industrial products in developed markets and mature industrial economies. The accounting policies of all of the reportable segments are as described in Note 1.

Information regarding the operations of each reportable segment is included in the following tables. Performance is measured based on earnings before interest, tax, depreciation and amortisation and exceptional items other than exceptional cost of sales items, measured under UK GAAP (“Segment EBITDA”) except that share of associate’s revenue is not allocated to segments as would be the case under UK GAAP. Segment EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm’s length basis. Information regarding segments reviewed by management includes management accounts comprising the balance sheet, profit or loss, cash flows and other financial and non financial information used to manage the business.

Adjustments in the following tables comprise the following items:

- Elimination of inter-segmental transactions and balances; and
- Differences arising from conversion of UK GAAP to IFRS. These include treatment of negative goodwill, amortisation of goodwill, accounting for derivatives, treatment of deferred tax on pensions, accounting for joint ventures and exchange differences recycled on disposal of businesses.

#### Segment information—2010

	Reportable segments				Total of reportable segments	Adjustments	Amounts in financial statements
	O&P North America	O&P Europe	Refining	Chemical Intermediates			
	€m						
Reportable segment revenue.....	3,253.8	6,543.7	8,782.5	8,917.3	27,497.3	(4,584.6)	22,912.7
Reportable segment EBITDA.....	330.8	326.5	(10.7)	997.5	1,644.1	—	1,644.1
Depreciation and impairment of property, plant and equipment and intangible assets.....	(84.6)	(164.4)	(110.7)	(246.3)	(606.0)	25.7	(580.3)
Exceptional items (excluding items relating to impairment and financing).....	—	(1.7)	(0.9)	(9.5)	(12.1)	—	(12.1)
Profit/(loss) on disposal of businesses.....	—	—	—	154.3	154.3	(229.0)	(74.7)
Net finance costs							(820.4)
Profit before tax							156.6
Share of profit of associates and jointly controlled entities .....	1.8	11.7	2.9	0.2	16.6	(3.7)	12.9
Payments for capital expenditure.....	44.6	63.0	130.2	106.5	344.3	—	344.3

Major items in the adjustments column include:

- Reportable segment revenues: the elimination of inter-segmental revenues: 2010: €4,584.6 million (2009: €3,019.4 million, 2008 €8,424.2 million).

- Profit/(loss) on disposal of businesses: exchange differences recycled on disposal of businesses: €45.5 million and goodwill adjustments: €249.8 million.

### Segment information—2009

	Reportable segments				Total of reportable segments	Adjustments	Amounts in financial statements
	O&P North America	O&P Europe	Refining	Chemical Intermediates			
	€m						
Reportable segment revenue.....	2,166.3	4,634.3	6,941.7	7,354.4	21,096.7	(3,019.4)	18,077.3
Reportable segment EBITDA.....	276.5	170.8	228.7	546.2	1,222.2	—	1,222.2
Depreciation and impairment of property, plant and equipment and intangible assets.....	(103.4)	(148.6)	(92.1)	(266.3)	(610.4)	(5.7)	(616.1)
Exceptional items (excluding items relating to impairment and financing).....	(19.0)	(7.9)	—	(15.0)	(41.9)	—	(41.9)
Loss on disposal of businesses.....	—	—	—	(220.1)	(220.1)	(56.4)	(276.5)
Net finance costs							(888.9)
Loss before tax							(601.2)
Share of profit of associates and jointly controlled entities .....	0.9	6.6	—	13.8	21.3	2.4	23.7
Payments for capital expenditure.....	31.4	48.0	70.7	113.9	264.0	—	264.0

### Segment information—2008

	Reportable segments				Total of reportable segments	Adjustments	Amounts in financial statements
	O&P North America	O&P Europe	Refining	Chemical Intermediates			
	€m						
Reportable segment revenue.....	2,950.9	9,946.6	11,757.7	12,842.3	37,497.5	(8,424.2)	29,073.3
Reportable segment EBITDA.....	26.2	101.4	43.4	422.5	593.5	(15.2)	578.3
Depreciation and impairment of property, plant and equipment and intangible assets.....	(114.7)	(190.6)	(93.2)	(398.6)	(797.1)	20.1	(777.0)
Exceptional items (excluding items relating to impairment and financing).....	(3.5)	(12.8)	—	(35.4)	(51.7)	(4.5)	(56.2)
Profit on disposal of businesses.....	—	—	—	143.0	143.0	—	143.0
Net finance costs							(772.3)
Loss before tax							(884.2)
Share of (loss)/profit of associates and jointly controlled entities .....	0.4	8.6	—	(49.2)	(40.2)	(17.6)	(57.8)
Payments for capital expenditure.....	57.8	152.0	90.5	323.7	624.0	—	624.0

For analysis of impairment by segment, see Note 5.

*Geographic segments*

	Revenues		
	2010	2009	2008
	€m		
<b>Geographical information by location of customers:</b>			
Europe.....	16,101.9	13,215.2	22,002.5
Americas.....	5,025.4	3,255.3	5,429.3
Rest of World.....	1,785.4	1,606.8	1,641.5
<b>Total.....</b>	<b><u>22,912.7</u></b>	<b><u>18,077.3</u></b>	<b><u>29,073.3</u></b>
<b>Geographical information by location from which the Group derives revenue:</b>			
Europe.....	17,345.3	14,229.6	23,217.1
Americas.....	5,345.9	3,420.0	5,365.8
Rest of World.....	221.5	427.7	490.4
<b>Total.....</b>	<b><u>22,912.7</u></b>	<b><u>18,077.3</u></b>	<b><u>29,073.3</u></b>

In presenting information on the basis of geographic analysis of segments, segment revenue is based on the geographical location of customers and geographical locations from which the Group derives revenues.

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**NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

**(FORMING PART OF THE FINANCIAL STATEMENTS)**

**2. OPERATING SEGMENTS**

Revenues from external customers for each product and service or each group of similar products and services and a geographic analysis of segment assets are not presented as the necessary information is not available and the Directors are of the opinion that the cost to develop it would be excessive.

*Major customer*

Revenues from one customer of the Group's Refining segment represent € 2,540.6 million (2009: €2,918.5million, 2008: €7,614.5 million) of the Group's total revenues.

**3. DISPOSALS**

*2010 disposals*

*ChlorVinyls*

On 28 January 2010 the Group completed the sale of the ChlorVinyls and Compounds Switzerland businesses to Kerling plc, a new holding company formed to combine together Ineos Enterprises, Ineos ChlorVinyls and the Ineos Norwegian Polymers business. The Group received €65million cash consideration (plus true ups for cash and inter-company debt) together with the assignment of pension liabilities and the Ineos Vinyls Senior Notes. The total enterprise value of the transaction was €429.2 million. The Group recorded a pre-tax loss of €161.1 million on the disposal.

**Effect of the aggregated disposals on individual assets and liabilities**

	<b>2010</b>
	<b>€m</b>
Goodwill .....	7.6
Property, plant and equipment .....	543.8
Inventories .....	61.9
Cash .....	2.8
Trade and other receivables .....	136.9
Employee benefits .....	(197.7)
Deferred tax asset on employee benefits .....	31.5
Trade and other payables .....	(137.3)
Other creditors .....	(76.6)
Ineos Vinyls Senior Notes .....	(161.2)
Provisions .....	(0.1)
Net assets disposed of .....	211.6
Proceeds .....	70.3
Deficit of net assets over proceeds received .....	141.3
Exchange differences recycled on disposal .....	19.8
<b>Loss on disposal of business .....</b>	<b><u>161.1</u></b>

*Fluorochemicals*

On 31 March 2010 the Group completed the sale of its fluorochemicals business to Mexichem Fluor S.A. de C.V., a subsidiary of Mexichem S.A.B. de C.V. a leading Latin American producer of PVC pipes and resin, chloralkali, hydrofluoric acid and fluorspar. The sale comprised of the international business and assets related to the Group's fluorochemical operations located in North America, Europe, and Asia. Activities relating to the Clean Development Mechanism (CDM) and

fluorspar (Glebe Mines) remained with Ineos. The Group received total consideration of €265.3 million from the disposal of the fluorochemical business and recorded a pre-tax profit of €176.5 million.

#### Effect of the aggregated disposals on individual assets and liabilities

	<u>2010</u>
	€m
Goodwill .....	1.2
Intangible assets .....	0.1
Property, plant and equipment .....	40.3
Inventories .....	33.7
Cash .....	3.0
Trade and other receivables .....	38.4
Trade and other payables .....	(26.7)
Net assets disposed of .....	90.0
Costs of disposal .....	8.2
Cash proceeds .....	257.7
Deferred proceeds .....	7.6
Total proceeds .....	265.3
Excess of sale proceeds over net assets .....	167.1
Exchange differences recycled on disposal .....	9.4
<b>Profit on disposal of business .....</b>	<b><u>176.5</u></b>

#### Films

On 1 September 2010 the Group completed the sale of its global films business to the Bilcare group, a leading international pharmaceutical packaging and research company. The Group received €96 million cash consideration from the disposal of the Films business and recorded a pre-tax loss of €90.1 million.

#### Effect of the aggregated disposals on individual assets and liabilities

	<u>2010</u>
	€m
Property, plant and equipment .....	122.4
Intangibles .....	1.5
Investments .....	0.1
Inventories .....	29.8
Cash .....	3.0
Trade and other receivables .....	47.8
Trade and other payables .....	(35.2)
Other creditors .....	(10.1)
Provisions .....	(0.3)
Minority interests .....	(13.1)
Net assets disposed of .....	145.9
Costs of disposal .....	5.1
Proceeds .....	96.0
Deficit of net assets over proceeds received .....	55.0
Exchange differences recycled on disposal .....	35.1
<b>Loss on disposal of business .....</b>	<b><u>90.1</u></b>

#### 2009 disposals

##### Summary:

	<u>2009</u>
	€m
Disposals to Ineos Industries .....	(169.6)

Additional commitment to entities sold to Ineos Industries.....	(75.0)
Disposal of Compounds Italia.....	(43.5)
Further consideration from the disposal of the Silicas business in 2008 .....	11.6
<b>Net loss on disposal of businesses .....</b>	<b><u>(276.5)</u></b>

### *INEOS Industries*

During 2009, the Group made a number of disposals to a related party, Ineos Industries Limited, an entity held under common control by the Group's ultimate shareholders. The Group received no consideration for the disposals which included the Group's ABS, Styrenics, Melamines and Films Italia businesses, together with 80% of the Group's Bio and Healthcare businesses. The remaining 20% of Bio and Healthcare businesses, which the Group still owns at 31 December 2010, are accounted for as associated undertakings (see Note 13.a). Of the total loss on these disposals €5.0 million is attributable to the recognition of the retained interests at their estimated fair value of €nil.

### **Effect of the aggregated disposals on individual assets and liabilities**

	<b>2009</b>
	<b>€m</b>
Goodwill .....	45.7
Property, plant and equipment .....	76.4
Intangible assets.....	29.2
Provisions against joint ventures .....	(20.2)
Inventories .....	81.2
Cash .....	29.8
Trade and other receivables .....	252.2
Employee benefits .....	(29.4)
Trade and other payables .....	(215.6)
Provisions, including net deferred tax liability .....	(52.1)
Minority interests.....	(4.1)
Net assets disposed of.....	193.1
Costs of disposal .....	1.5
Proceeds.....	—
Deficit of net assets over proceeds received .....	194.6
Exchange differences recycled on disposal .....	(25.0)
<b>Loss on disposals of businesses .....</b>	<b><u>169.6</u></b>

As part of the disposal agreement the Group has committed to provide further support to the businesses disposed of for the purpose of working capital management of €7 million and has therefore included this amount within the loss on disposal. Management believed it was likely that this amount would be called upon by the businesses within one year and therefore provided for it on disposal as a current liability. If any amount was not called upon within five years the Group must remit the remaining balance at that point. The funds were fully paid to Ineos Industries during 2010.

### *Compounds Italia*

On 22 January 2009, the Group completed the sale of the Compounds Italia business to a third party. The Group disposed of its entire investment for nominal consideration.

### **Effect of the disposal on individual assets and liabilities**

	<b>2009</b>
	<b>€m</b>
Property, plant and equipment .....	26.6
Inventories .....	9.9
Cash .....	1.7
Trade and other receivables .....	24.3
Trade and other payables .....	(15.2)
Provisions .....	(4.7)

Net assets disposed .....	42.6
Costs of disposal .....	0.9
Proceeds.....	—
<b>Loss on disposal.....</b>	<b><u>43.5</u></b>

#### *Other*

During 2009, the Group received further consideration from the disposal of the Silicas business which occurred in the prior year. The additional consideration received from PQ Corporation, the entity which acquired the Silicas business during 2008, was €11.6 million and was settled by PQ Corporation waving a liability owed to the Group. This amount has been offset against the loss on disposal of businesses presented in the income statement.

#### *2008 disposals*

##### *INEOS Silicas*

On 2 July 2008 the Group completed the sale of the Ineos Silicas business to PQ Corporation, the speciality chemical company owned by The Carlyle Group and Ineos Investments LLP (see Note 14), for a total consideration of €304.0 million, of which €198.5 million was received in cash. A pre-tax gain of €143.0 million was recorded.

#### **Effect of the disposal on individual assets and liabilities**

	<b>2008</b>
	<b>€m</b>
Goodwill .....	2.6
Property, plant and equipment .....	103.7
Investments .....	0.5
Inventories .....	22.9
Cash .....	13.1
Trade and other receivables .....	109.5
Employee benefits.....	(0.7)
Trade and other payables .....	(70.0)
Provisions.....	<u>(7.1)</u>
Net assets disposed .....	174.5
Excess of sale proceeds over net assets.....	<u>129.5</u>
<b>Total sales proceeds .....</b>	<b><u>304.0</u></b>
Sales proceeds satisfied by:	
Cash .....	198.5
Preferred partnership investment in Ineos Investments LLP .....	<u>105.5</u>
<b>Total sales proceeds .....</b>	<b><u>304.0</u></b>
Profit recognised in the consolidated income statement:	
Excess of sale proceeds over net assets.....	129.5
Exchange differences recycled on disposal.....	<u>13.5</u>
<b>Profit on disposal of businesses.....</b>	<b><u>143.0</u></b>

#### *Other disposals*

During 2008 the Group received cash of €4.9 million being deferred consideration on the disposal of the Emulsion PVC (E-PVC) business which took place on 2 July 2007.

## **4. ACQUISITIONS OF SUBSIDIARIES**

### *2010 Acquisitions*

No acquisitions were made in 2010.

### 2009 Acquisitions

No acquisitions were made in 2009. A further €1.0 million was paid with regard to acquisitions made in prior years.

### 2008 Acquisitions

Acquisitions were made in 2008 for a total consideration of €120.2 million including acquisition expenses. These acquisitions gave rise to positive goodwill of €19.1 million and negative goodwill of € 29.0 million. Negative goodwill has been recognised in administrative expenses in the consolidated income statement. All acquisitions have been accounted for using the purchase method, as required by IFRS 3. The adjustments required to the book values of the assets and liabilities of the businesses acquired during the year in order to present the net assets of the business at fair values, together with the resultant amount allocated to goodwill, are set out below:

#### VAM/EtAc

	<u>Book value</u>	<u>Fair value adjustments</u>	<u>Fair value</u>
		€m	
Property, plant and equipment .....	21.6	—	21.6
Inventory .....	24.4	1.8	26.2
Trade and other receivables .....	6.8	—	6.8
Net assets acquired .....	<u>52.8</u>	<u>1.8</u>	54.6
Goodwill .....			<u>0.6</u>
Consideration (including acquisition expenses) .....			<u>55.2</u>

On 31 March 2008 the Group acquired the European VAM and EtAc businesses, together with the TSEP pipeline from BP. The production assets acquired are based at Saltend in the United Kingdom. The newly acquired business now forms part of the Chemical Intermediates segment.

A revaluation of inventories by €1.8 million was made to reflect the fair value of catalyst inventories acquired at acquisition.

In the period from acquisition date to 31 December 2008 the European VAM and EtAc businesses, together with the TSEP pipeline contributed revenue of €206.1 million and profit before tax of €8.4 million. It is not practicable to provide information regarding revenue and profit before tax since 1 January 2008 as this information was not provided by the vendor.

Goodwill arising on the acquisition relates to expected future business improvement, expected synergies of the acquisition and the quality of the workforce in the business.

#### Seal Sands

	<u>Book value</u>	<u>Fair value adjustments</u>	<u>Fair value</u>
		€m	
Property, plant and equipment .....	40.7	(6.8)	33.9
Inventory .....	24.7	—	24.7
Provisions .....	(3.3)	—	(3.3)
Deferred tax liability .....	—	(10.7)	(10.7)
Net assets acquired .....	<u>62.1</u>	<u>(17.5)</u>	44.6
Negative goodwill recognised as an administrative gain .....			<u>(29.0)</u>
Consideration (including acquisition expenses) .....			<u>15.6</u>

On 18 August 2008 the Group acquired the Seal Sands business on Teesside in the United Kingdom from BASF. The Seal Sands site provides large-scale production facilities for acrylonitrile (AN) and hexamethylenediamine (HMD), along with by-product plants. The total consideration, including acquisition expenses was €15.6 million. The newly acquired business now forms part of the Nitriles business within the Chemical Intermediates segment.

A revaluation of tangible fixed assets by €6.8 million was made to reflect the lower of depreciated replacement cost and the value in use based on discounted cash flows for the assets. A deferred tax liability is recognised regarding negative goodwill arising on the acquisition and is included as a fair value adjustment.

The assets acquired were carved out of an existing business and as such there is no historic financial information available for these assets prior to acquisition. In the period from acquisition date to 31 December 2008 the Seal Sands business contributed revenue of €85.5 million and a loss before tax of €23.0 million. Had the Seal Sands business been acquired at the beginning of the period it would have contributed revenue of €294.3 million. The contribution to profit or loss from 1 January 2008 cannot be presented as no separate profit information for this business was prepared by the vendor prior to the acquisition date.

This acquisition, on which negative goodwill arose, was a bargain purchase due to its poor trading performance and future earnings expectations which would continue until a change plan could be implemented by the Group.

#### ABS India

	Book value	Fair value adjustments	Fair value
		€m	
Property, plant and equipment .....	5.9	17.4	23.3
Inventory.....	10.4	—	10.4
Trade and other receivables .....	16.4	—	16.4
Cash .....	13.5	—	13.5
Trade and other payables .....	(26.3)	—	(26.3)
Net assets acquired .....	<u>19.9</u>	<u>17.4</u>	37.3
Minority interest .....			(6.4)
Net assets acquired (net of minority interest) .....			30.9
Goodwill .....			18.5
Consideration (including acquisition expenses) .....			<u>49.4</u>

On 2 October 2007 the Group acquired 100% of the Lanxess ABS plastic business, Lustran Polymers. At that time the Indian part of the business was not acquired, although a public offer was launched for the remaining Indian shares that were traded publicly on the Bombay Stock Exchange and the National Stock Exchange in India. On 13 March 2008 the Group acquired an 83.33% shareholding in the Indian part of the business.

A revaluation of tangible fixed assets by €17.4 million was made to reflect the carrying value of the assets based on the lower of depreciated replacement cost and the value in use based on discounted cash flows for the assets.

In its last financial year to 31 December 2007, ABS India made a profit after taxation of €6.2 million (INR 349.5 million). For the period from 1 January 2008 until the date of acquisition, ABS India made a profit after taxation of €0.7 million (INR 43.6 million).

Goodwill on acquisition relates to the expected synergies on acquisition and the strong market position of the business in Asia.

#### 5. EXCEPTIONAL ITEMS

	2010	2009	2008
		€m	
Exceptional cost of sales.....	—	—	(130.3)
Exceptional administrative expenses:			
Restructuring of corporate headquarters .....	(7.7)	—	—
Restructuring of Innovene operations .....	(4.4)	(29.9)	(20.4)
Restructuring of other acquired businesses.....	—	(12.0)	(26.5)
Settlement of legal claim .....	—	—	(33.8)
Total exceptional administrative expenses .....	<u>(12.1)</u>	<u>(41.9)</u>	<u>(80.7)</u>

Share of exceptional loss of associates and jointly controlled entities using the equity accounting method.....	—	—	(4.5)
Exceptional finance cost: loss on extinguishment of debt .....	—	(209.2)	—
Total exceptional expenses .....	(12.1)	(251.1)	(215.5)
Exceptional administrative gain: negative goodwill .....	—	—	29.0
Exceptional finance income.....	—	89.0	—
Total exceptional gains .....	—	89.0	29.0

### ***Exceptional cost of sales***

The charge to cost of sales for the year ended 31 December 2008 reflects the non cash write-down of certain tangible fixed assets. The charge reflects the closure of the polypropylene assets in Bamble, Norway (O&P Europe segment) during the year together with the planned closures of the Per and Trichloroethylene plants in Runcorn, England (Chemical Intermediates segment) and the polypropylene assets in Battleground, Texas (O&P North America segment) in early 2009. Costs incurred on the planned expansions of the polypropylene assets in Geel and Lillo, Belgium (O&P Europe segment) have also been written off as these projects were suspended. An impairment charge has also been taken against the HFC 125 assets in Runcorn (Chemical Intermediates segment) after a review of the business was carried out during the year ended 31 December 2008.

### ***Exceptional administrative expenses***

During 2010 the Group relocated its corporate headquarters to Switzerland which has resulted in exceptional costs of €7.7 million being incurred during the year in relation to the Group restructuring.

The Innovene business was acquired in 2005 and the Group has subsequently undertaken a restructuring programme which is focused on the operations at the main sites in the business at Grangemouth, Lavéra, Cologne and Chocolate Bayou. In addition two of the production lines at the Sarralbe site were closed in 2009 which has resulted in a corresponding reduction in the workforce there. The restructuring costs of €4.4 million (2009: € 29.9 million, 2008:€20.4 million) largely relate to severance and early retirement costs.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2010

#### (FORMING PART OF THE FINANCIAL STATEMENTS)

#### 5. EXCEPTIONAL ITEMS

Other restructuring costs of €12.0 million charged in 2009 primarily relate to restructuring and the provision of severance payments in the Compounds and ABS businesses. In 2008, other restructuring costs of € 26.5 million were charged in relation to other acquired businesses in 2008 and primarily relate to severance costs, early retirement costs and contract termination penalties at Bamble, Norway.

In the year ended 2008 the Group agreed to an out of court settlement of €33.8 million (including costs) to settle the case involving damages awarded to Dr Mannsfeld in Alabama, USA for allegedly patenting his ideas. The Group denied the accusation. The Group acquired Phenolchemie in 2001. Dr Mannsfeld's claim against the Group was based on the contention that Phenolchemie took his idea of using phenol residue as a feedstock for making carbon black in the late nineties. Dr Mannsfeld was an employee of Degussa at that time and has never been an employee of either Phenolchemie or the Group.

#### *Exceptional loss in associates and jointly controlled entities using the equity accounting method*

The restructuring charges of €nil in 2010 (2009: €nil, 2008: € 4.5 million) relate to the Group's share of the asset write downs and severance costs incurred by the Ineos Nova joint venture.

#### *Exceptional finance cost: loss on extinguishment of debt*

On 17 July 2009 the Group successfully reached agreement with its senior lenders on a package of amendments to the Group's Senior Facilities Agreement. The Group assessed that the package of amendments to the Senior Facilities Agreement represented a substantial modification and resulted in the extinguishment of the existing debt (see Note 20).

As a result, the existing debt was derecognised and the modified debt recognised at fair value. The Group estimated the fair value of the modified debt by reference to a valuation technique as the Senior Facilities Agreement debt was not quoted and information about transactions in the Group's debt was not available. The valuation technique used a discounted cash flow technique using an estimated yield for similar debt to determine the fair value of the modified debt. The estimated yield was determined by reference to consensus pricing in respect of the existing Senior Facilities Agreement debt as adjusted for market illiquidity and other factors distorting prices during July 2009 due to the impact of the global financial crisis.

Accordingly the Group recognised a charge of €209.2million as an exceptional finance expense which included the write-off of the deferred issue costs on the existing Senior Facilities Agreement debt and the costs associated with the July 2009 modification.

#### *Exceptional administrative gain*

For the acquisition of Seal Sands in 2008, the fair value of identifiable assets, liabilities and contingent liabilities exceeded the consideration paid giving rise to negative goodwill recognised directly in the consolidated income statement (see Note 4).

#### *Exceptional finance income*

In July 2009 the Group finalised the settlement of a legal claim against a third party. The defendant agreed to acquire Senior Notes issued by the Group and to then transfer them to the Group by way of settlement. The total settlement value was \$35 million (€25.1 million) and the Group received Senior Notes with a book value of €114.1 million. The resulting gain of €89.0 million has been included as exceptional finance income (see Note 20).

#### 6. OPERATING PROFIT/(LOSS)

Included in operating profit/(loss) are the following:



	<u>2010</u>	<u>2009</u>	<u>2008</u>
		<b>€m</b>	
Exceptional restructuring costs—included in administrative expenses .....	12.1	41.9	46.9
Research and development expensed as incurred .....	29.7	59.0	66.6
Amortisation of other intangible assets.....	12.6	20.4	21.5
Loss on disposal of property, plant and equipment.....	5.7	10.5	21.2
Amortisation of government grants .....	(8.5)	(8.7)	(4.9)
<b>Depreciation and impairment of tangible fixed assets:</b>			
Owned assets .....	561.4	589.1	749.2
Finance leased assets .....	6.3	6.6	6.3
<b>Operating lease rental charges:</b>			
Plant, machinery and equipment.....	123.8	63.4	46.1
Other.....	<u>9.8</u>	<u>11.3</u>	<u>8.3</u>

#### Auditors' remuneration:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
		<b>€m</b>	
Audit of these financial statements.....	0.7	0.7	0.7
<b>Amounts receivable by auditors and their associates in respect of:</b>			
Audit of financial statements of subsidiaries pursuant to legislation.....	2.2	2.8	2.5
Other services relating to taxation .....	3.5	2.0	1.7
Services relating to corporate finance transactions.....	3.9	3.3	0.8
All other services .....	<u>2.5</u>	<u>0.6</u>	<u>1.4</u>
	<u>12.8</u>	<u>9.4</u>	<u>7.1</u>

## 7. STAFF NUMBERS AND COSTS

The monthly average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	<b>Number of employees</b>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operations.....	5,960	8,614	11,651
Administration .....	2,058	2,804	2,741
Research and development .....	440	531	579
	<u>8,458</u>	<u>11,949</u>	<u>14,971</u>

The aggregate payroll costs of these persons were as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
		<b>€m</b>	
Wages and salaries.....	645.6	675.3	797.1
Social security costs.....	106.6	123.0	180.5
Expenses related to defined contribution pension plans .....	8.7	7.4	15.7
Expenses related to defined benefit pension plans.....	53.2	101.3	61.3
	<u>814.1</u>	<u>907.0</u>	<u>1,054.6</u>

## 8. DIRECTORS' REMUNERATION

	<u>2010</u>	<u>2009</u>	<u>2008</u>
		<b>€m</b>	
Aggregate emoluments .....	1.1	1.0	0.6
Company contribution to money purchase scheme .....	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
	<u>1.2</u>	<u>1.1</u>	<u>0.7</u>

Retirement benefits are accruing to one director (2009: two directors, 2008: two directors) under a money purchase scheme. Two directors (2009: no directors, 2008: no directors) have retirement benefits accruing under a defined benefit pension scheme.

The total amount of emoluments payable to the highest paid director for the year was €0.4 million (2009: €0.5 million, 2008: € 0.4 million). Pension contributions of €nil (2009: €32,000, 2008: €35,000) were paid into a personal pension scheme in relation to the highest paid director.

## 9. FINANCE INCOME AND COSTS

### Recognised in profit or loss

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	€m		
<b>Finance income</b>			
Interest income on bank balances .....	1.2	1.6	30.6
Other interest receivable .....	13.7	11.7	9.3
Total interest income on financial assets not at fair value through profit or loss.....	14.9	13.3	39.9
Exchange movements .....	5.2	16.0	31.8
Net fair value gain on derivatives .....	5.5	—	12.9
Expected return on defined benefit pension plan assets.....	46.2	58.5	85.6
Dividend income.....	9.1	7.3	3.7
Total finance income before exceptional items .....	80.9	95.1	173.9
Exceptional finance income (see Note 5) .....	—	89.0	—
<b>Total finance income</b> .....	<b>80.9</b>	<b>184.1</b>	<b>173.9</b>
<b>Finance costs</b>			
Interest payable on senior notes.....	208.4	178.0	182.0
Interest payable on bank loans and overdrafts.....	458.2	474.6	390.8
Interest payable on securitisation.....	38.1	32.0	53.1
Amortisation of issue costs .....	22.2	20.4	28.6
Interest payable on finance leases.....	0.2	0.2	0.2
Bank consent fees .....	10.4	—	—
Other finance charges .....	29.1	27.6	32.6
Exchange movements .....	58.3	12.4	158.0
Net fair value loss on derivatives.....	—	23.2	—
Interest on employee benefit liabilities .....	73.2	93.4	96.2
Unwind of discount on provisions .....	3.2	2.0	4.7
Total finance cost before exceptional items.....	901.3	863.8	946.2
Exceptional loss on extinguishment of debt (see Note 5).....	—	209.2	—
<b>Total finance costs</b> .....	<b>901.3</b>	<b>1,073.0</b>	<b>946.2</b>
<b>Net finance costs</b> .....	<b>820.4</b>	<b>888.9</b>	<b>772.3</b>

Net gains and losses on financial instruments are included in Note 26.b.

## 10. TAXATION

### Taxation recognised in the consolidated income statement

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	€m		
<b>Current tax expense</b>			
Current year .....	110.7	37.6	74.3
Adjustments in respect of prior years .....	18.2	(1.0)	(12.7)
Current tax expense .....	128.9	36.6	61.6
<b>Deferred tax expense</b>			
Origination and reversal of temporary differences .....	82.0	11.1	(294.2)

Adjustments in respect of prior years .....	2.2	(33.8)	(79.0)
Deferred tax charge/(credit).....	84.2	(22.7)	(373.2)
<b>Total tax charge/(credit).....</b>	<b>213.1</b>	<b>13.9</b>	<b>(311.6)</b>

### Reconciliation of effective tax rate

	2010	2009	2008
		€m	
Profit/(loss) before taxation .....	156.6	(601.2)	(884.2)
Tax on above using the UK corporation tax rate of 28% (2009: 28%, 2008: 28%).....	43.8	(168.4)	(247.6)
Non-deductible expenses/tax exempt revenues .....	24.7	87.9	(4.3)
Disposal of businesses .....	105.7	8.2	9.7
Effect of tax rates in foreign jurisdictions.....	35.0	29.7	9.8
Deferred tax not recognised.....	6.4	61.7	42.1
Utilisation of tax losses brought forward.....	(22.9)	29.6	(29.6)
Adjustments for prior years .....	20.4	(34.8)	(91.7)
<b>Total tax charge/(credit).....</b>	<b>213.1</b>	<b>13.9</b>	<b>(311.6)</b>

### Taxation recognised in other comprehensive income

	2010			2009			2008		
	Gross	Tax	Net	Gross	Tax	Net	Gross	Tax	Net
						€m			
Foreign exchange translation differences ...	281.5	—	281.5	56.8	—	56.8	(184.1)	—	(184.1)
Foreign exchange differences recycled on disposal of subsidiaries .....	45.5	—	45.5	(25.0)	—	(25.0)	13.5	—	13.5
Changes in the fair value of assets classified as available for sale .....	(13.1)	—	(13.1)	22.9	—	22.9	—	—	—
Net (loss)/gain on hedge of net investment in foreign operations.....	(73.8)	—	(73.8)	13.9	—	13.9	(40.0)	—	(40.0)
Net change in fair value of cash flow hedges.....	—	—	—	—	—	—	105.8	(29.5)	76.3
Cash flow hedge recycled from hedging reserve .....	—	—	—	(105.9)	29.6	(76.3)	—	—	—
Actuarial gains and losses on defined benefit pension schemes .....	(94.8)	31.7	(63.1)	(18.9)	16.8	(2.1)	(321.2)	79.7	(241.5)
<b>Total.....</b>	<b>145.3</b>	<b>31.7</b>	<b>177.0</b>	<b>(56.2)</b>	<b>46.4</b>	<b>(9.8)</b>	<b>(426.0)</b>	<b>50.2</b>	<b>(375.8)</b>

## 11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment Fixtures and fittings	Under construction	Total
				€m
<b>Cost</b>				
Balance at 1 January 2008 .....	476.0	7,577.9	348.3	8,402.2
Acquisitions through business combinations .....	6.6	72.0	0.2	78.8
Additions .....	6.2	238.7	356.5	601.4
Disposals.....	(48.0)	(223.5)	(24.4)	(295.9)
Transfers .....	9.9	222.9	(232.8)	—
Effect of movements in foreign exchange .....	(3.4)	(548.2)	24.8	(526.8)
Balance at 31 December 2008 .....	447.3	7,339.8	472.6	8,259.7
Additions .....	0.4	103.9	159.3	263.6
Disposals.....	(22.3)	(148.8)	(23.0)	(194.1)
Transfers .....	6.4	254.1	(273.1)	(12.6)
Reclassifications .....	—	—	(1.7)	(1.7)
Effect of movements in foreign exchange .....	0.6	153.0	5.8	159.4
Balance at 31 December 2009 .....	432.4	7,702.0	339.9	8,474.3
Disposal through business combinations .....	(65.5)	(1,188.2)	(27.6)	(1,281.3)

Additions .....	0.6	178.0	219.2	397.8
Disposals.....	(5.2)	(32.3)	(0.5)	(38.0)
Transfers .....	1.7	239.8	(231.0)	10.5
Effect of movements in foreign exchange .....	13.1	299.3	14.5	326.9
<b>Balance at 31 December 2010 .....</b>	<b>377.1</b>	<b>7,198.6</b>	<b>314.5</b>	<b>7,890.2</b>
<b>Accumulated depreciation and impairment</b>				
Balance at 1 January 2008 .....	113.4	2,215.6	—	2,329.0
Depreciation charge for the year.....	21.4	603.8	—	625.2
Impairment losses .....	—	130.3	—	130.3
Disposals.....	(10.5)	(160.5)	—	(171.0)
Effect of movements in foreign exchange .....	(1.3)	(93.1)	—	(94.4)
Balance at 31 December 2008 .....	123.0	2,696.1	—	2,819.1
Depreciation charge for the year.....	21.1	574.6	—	595.7
Transfers .....	0.7	(13.3)	—	(12.6)
Disposals.....	(2.3)	(53.7)	—	(56.0)
Effect of movements in foreign exchange .....	(0.6)	35.5	—	34.9
Balance at 31 December 2009 .....	141.9	3,239.2	—	3,381.1
Disposal through business combinations .....	(19.7)	(555.1)	—	(574.8)
Depreciation charge for the year.....	18.9	548.8	—	567.7
Transfers .....	(0.7)	11.2	—	10.5
Disposals.....	(2.2)	(30.1)	—	(32.3)
Effect of movements in foreign exchange .....	4.1	131.6	—	135.7
<b>Balance at 31 December 2010 .....</b>	<b>142.3</b>	<b>3,345.6</b>	<b>—</b>	<b>3,487.9</b>
<b>Net book value</b>				
At 1 January 2008.....	362.6	5,362.3	348.3	6,073.2
At 31 December 2008.....	324.3	4,643.7	472.6	5,440.6
At 31 December 2009.....	290.5	4,462.8	339.9	5,093.2
<b>At 31 December 2010.....</b>	<b>234.8</b>	<b>3,853.0</b>	<b>314.5</b>	<b>4,402.3</b>

### *Impairment losses*

The impairment losses for the year ended 31 December 2008 of € 130.3 million reflect the closure of polypropylene assets in Bamble, Norway during the year and the closures of the Per and Trichloroethylene plants in Runcorn, England and the polypropylene assets in Battleground, Texas in early 2009. Costs incurred to date on the planned expansions of the polypropylene assets in Geel and Lillo, Belgium were also written off as these projects were suspended. An impairment charge was also taken against the HFC 125 assets in Runcorn after a review of the business was carried out during 2008.

These impairment losses were recognised in cost of sales as exceptional charges. The items of property, plant and equipment were subsequently written off.

### *Leased plant and machinery*

Included in the above are assets held under hire purchase and finance leases with a net book value of €35.4 million (2009: €43.6 million, 2008: €50.0 million). The leased equipment secured lease obligations (see Note 20).

### *Property, plant and equipment under construction*

During 2010, construction work on the Waste Water Treatment plant in Lavéra, France and on the expansion of the Poly Alpha-Olefins production facility in Feluy, Belgium were completed and the assets were transferred to other classes of property, plant and equipment.

Additions to assets under constructions during 2010 included the first phase of expenditure on the construction of an ethylene tank terminal in Antwerp, Belgium and scheduled turnarounds at the KG cracker and Hydrocracker units in Grangemouth, Scotland.

During 2009, construction work at Koln on the overhaul of the two catalytic cracking units was completed and the assets were transferred to other classes of property, plant and equipment. Construction work continued at the KG cracker unit in Grangemouth whilst work on the polypropylene plant in Belgium was halted until a decision to complete the project has been taken.

Additions to assets under constructions during 2009 included investment to meet future regulations with the first phase of construction of a new Sulfur Recovery Unit coupled with a Tail Gas Treatment and a new Waste Water Treatment Plant. Other notable investments include the electrical and hydrocracker substations, new tankage, tank farm fire protection, cross-country pipeline integrity gauging and expansion projects including acid crude processing.

Additions to property, plant and equipment that were treated as assets under construction during 2008 arose from a number of investments. The material ones included: the new furnace constructed for the cracker at the Koln site; the expansion of a polypropylene plant in Belgium; the expansion of feedstock capabilities of the KG cracker unit in Grangemouth, Scotland; and overhaul of the two Fluidised Catalytic Cracking units, Crude distillation unit No.2, Hydrocracker Treatments.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
**(FORMING PART OF THE FINANCIAL STATEMENTS)**

**12. INTANGIBLE ASSETS**

	Intellectual property rights	Customer relationships	Other	Goodwill	Total
	€m				
<b>Cost</b>					
Balance at 1 January 2008 .....	134.2	23.1	8.3	909.6	1,075.2
Acquisitions through business combinations .....	—	—	—	19.1	19.1
Other acquisitions .....	27.3	—	0.7	—	28.0
Disposals .....	—	—	—	(2.6)	(2.6)
Effect of movements in foreign exchange .....	1.9	—	0.1	19.9	21.9
<b>Balance at 31 December 2008 .....</b>	<b>163.4</b>	<b>23.1</b>	<b>9.1</b>	<b>946.0</b>	<b>1,141.6</b>
Additions .....	—	—	—	1.0	1.0
Other additions .....	—	—	1.0	—	1.0
Reclassifications .....	1.7	—	—	—	1.7
Disposals .....	(25.8)	(20.2)	(0.3)	(80.6)	(126.9)
Effect of movements in foreign exchange .....	(0.6)	—	—	(6.1)	(6.7)
<b>Balance at 31 December 2009 .....</b>	<b>138.7</b>	<b>2.9</b>	<b>9.8</b>	<b>860.3</b>	<b>1,011.7</b>
Disposals through business combinations .....	(2.9)	—	(0.4)	(8.8)	(12.1)
Acquisitions through business combinations .....	—	—	—	0.1	0.1
Reclassifications .....	(1.0)	—	—	—	(1.0)
Disposals .....	(0.3)	—	(0.2)	—	(0.5)
Effect of movements in foreign exchange .....	5.9	—	0.4	62.2	68.5
<b>Balance at 31 December 2010 .....</b>	<b>140.4</b>	<b>2.9</b>	<b>9.6</b>	<b>913.8</b>	<b>1,066.7</b>
<b>Accumulated amortisation and impairment</b>					
Balance at 1 January 2008 .....	19.2	4.0	5.7	45.0	73.9
Amortisation for the year .....	14.1	6.7	0.7	—	21.5
Effect of movements in foreign exchange .....	0.2	—	—	(0.6)	(0.4)
<b>Balance at 31 December 2008 .....</b>	<b>33.5</b>	<b>10.7</b>	<b>6.4</b>	<b>44.4</b>	<b>95.0</b>
Amortisation for the year .....	14.5	5.2	0.7	—	20.4
Disposal .....	(3.3)	(13.5)	(0.3)	(34.9)	(52.0)
Effect of movements in foreign exchange .....	(0.3)	—	—	(1.0)	(1.3)
<b>Balance at 31 December 2009 .....</b>	<b>44.4</b>	<b>2.4</b>	<b>6.8</b>	<b>8.5</b>	<b>62.1</b>
Disposals through business combinations .....	(1.4)	—	(0.3)	—	(1.7)
Amortisation for the year .....	11.9	0.1	0.6	—	12.6
Reclassifications .....	(1.3)	—	—	—	(1.3)
Effect of movements in foreign exchange .....	0.8	—	—	0.4	1.2
<b>Balance at 31 December 2010 .....</b>	<b>54.4</b>	<b>2.5</b>	<b>7.1</b>	<b>8.9</b>	<b>72.9</b>
<b>Net book value</b>					
At 1 January 2008 .....	115.0	19.1	2.6	864.6	1,001.3
At 31 December 2008 .....	129.9	12.4	2.7	901.6	1,046.6
At 31 December 2009 .....	94.3	0.5	3.0	851.8	949.6
<b>At 31 December 2010 .....</b>	<b>86.0</b>	<b>0.4</b>	<b>2.5</b>	<b>904.9</b>	<b>993.8</b>

Other intangible assets include non-compete agreements and licence fees.

***Amortisation and impairment charge***

The amortisation charge is recognised in administrative expenses in the consolidated income statement.

## Impairment

Goodwill has been allocated to cash generating units (CGU) or groups of cash generating units as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	€m		
O&P Europe .....	265.9	243.1	245.0
O&P North America .....	252.9	244.8	245.5
Refining .....	305.6	300.6	300.1
Chemical Intermediates .....	80.5	63.3	111.0
<b>Total</b> .....	<b><u>904.9</u></b>	<b><u>851.8</u></b>	<b><u>901.6</u></b>

The Refining segment's recoverable amount has been based upon the irrevocable conditional offer received for 50% of the Refining business of \$1.015 billion which is expected to close on or about 31 May 2011.

For other segments the recoverable amount is based on the value in use of each operating segment before aggregation based on the latest board approved five year plan. The forecasts are based on current performance and management's assumptions regarding the future development of individual parameters including raw material prices and profit margins, utilising available market pricing forecasts. Future assumptions regarding market demand are based on external macroeconomic sources and specific data relevant to the petrochemical industry and management's knowledge of the local markets in which it operates.

The cash flows after the plan period are based on an average of each of the years in the five year plan to take account of the cyclical nature of the industry extrapolated using long term growth rates as set out in the table below.

No impairment charge has been recorded in these accounts as a result of the annual impairment test.

The key assumptions underlying the value in use calculation are shown below:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Period on which management approved forecasts are based .....	5 years	5 years	5 years
Discount rate .....	11.0%	11.0%	10.5%
Growth rate .....	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>

A terminal value is calculated based on the average cash flows over the five year forecasting period assuming compound growth of 3% and is discounted over the expected lives of the assets.

The discount rate is based upon the pre-tax weighted average cost of capital of the group as at each respective period end.

The growth rate used includes inflationary growth across our various markets.

### Sensitivity of recoverable amounts

The following table presents, for each CGU the change in the discount rate for the tests as of 31 December 2010 that would be required in order for the recoverable amount to equal carrying value.

	<u>Applied rate</u>	<u>Change in discount rate in order for the recoverable amount to be equal to carrying value</u>	<u>Required rate</u>
		%	
O&P Europe .....	11.0		15.6
O&P North America .....	11.0		25.9
Chemical Intermediates:			
Nitriles .....	11.0		33.0
Oxide .....	11.0		37.6
Phenol .....	11.0		30.9
Oligomers .....	11.0		33.2

Enterprises .....	11.0	2.5	13.5
Technologies.....	11.0	18.1	29.4

The following table presents, for each CGU the change in the growth rate for the tests as of 31 December 2010 that would be required in order for the recoverable amount to equal carrying value. For all operating segments except Nitriles, Oxide, Phenol and Technologies there would need to be negative growth in order for an impairment to be recognised. For the Nitriles, Oxide, Phenol and Technologies segment growth sensitivity is not relevant as a €nil terminal value would not result in impairment.

	Applied rate	Change in growth rate in order for the recoverable amount to be equal to carrying value	Required rate
		%	
O&P Europe .....	3.0	(10.3)	(7.3)
O&P North America .....	3.0	(71.2)	(68.2)
Chemical Intermediates:			
Nitriles .....	3.0	n/a	n/a
Oxide .....	3.0	n/a	n/a
Phenol .....	3.0	n/a	n/a
Oligomers .....	3.0	(42.4)	(39.4)
Enterprises .....	3.0	(5.0)	(2.0)
Technologies.....	3.0	n/a	n/a

### 13. INVESTMENTS

#### 13.a Investments In Equity—Accounted Investees

	Joint ventures	Associated undertakings	Total
	€m		
At 1 January 2008.....	158.8	0.7	159.5
Transfer from provisions for liabilities .....	32.3	—	32.3
Share of losses retained.....	(60.9)	—	(60.9)
Additions .....	3.9	—	3.9
Share capital repayments .....	(6.7)	—	(6.7)
Loan repayment .....	(6.4)	—	(6.4)
Reclassifications .....	2.7	—	2.7
Dividends received .....	(1.0)	—	(1.0)
Disposals.....	—	(0.5)	(0.5)
Exchange adjustments .....	(7.2)	(0.2)	(7.4)
At 31 December 2008.....	115.5	—	115.5
Share of profits retained.....	5.0	—	5.0
Additions .....	1.4	0.1	1.5
Loan repayment .....	(6.6)	—	(6.6)
Reclassifications .....	(10.3)	—	(10.3)
Dividends received .....	(1.1)	—	(1.1)
Disposals.....	(1.6)	—	(1.6)
Exchange adjustments .....	7.2	—	7.2
At 31 December 2009.....	109.5	0.1	109.6
Share of profits retained.....	4.0	—	4.0
Additions .....	0.6	—	0.6
Loan repayment .....	(6.8)	—	(6.8)
Reclassifications .....	(3.8)	—	(3.8)
Dividends received .....	(0.6)	—	(0.6)
Disposals.....	—	(0.1)	(0.1)
Exchange adjustments .....	2.7	—	2.7
<b>At 31 December 2010.....</b>	<b>105.6</b>	<b>—</b>	<b>105.6</b>



### Joint ventures

During the year ended 31 December 2008, the Group's share of the losses retained on the enlarged Styrenics joint venture resulted in a transfer to provisions as the Group had an obligation to fund future losses of the venture.

In 2009 the Group disposed of its interests in the Nova joint ventures for nil consideration; see Note 3.

The Group has a loan investment with Noretyl AS. At 31 December 2010 the balance was €18.4 million (2009: €19.9 million, 2008: €21.7 million).

Details of investments in joint ventures are set out below:

<u>Company</u>	<u>Class of shares held</u>	<u>Place of business and country of incorporation</u>	<u>Percentage held</u>	<u>Principal activities</u>
Appryl SNC .....	Ordinary	Lavéra, France	50%	Chemicals
Naphthachimie SNC .....	Ordinary	Lavéra, France	50%	Chemicals
Oxochimie SA .....	Ordinary	Lavéra, France	50%	Chemicals
Noretyl AS .....	Ordinary	Rafnes, Norway	50%	Chemicals

Summary aggregated financial information for equity accounted joint ventures—50 per cent of the balances:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
		€m	
Current assets .....	70.1	64.1	285.4
Long-term assets .....	153.6	168.3	299.5
Current liabilities .....	(57.7)	(48.4)	(259.5)
Long-term liabilities .....	(29.1)	(55.4)	(65.0)
Income .....	171.8	844.4	1,551.7
Expenses .....	(170.0)	(831.6)	(1,600.8)

### Associated undertakings

The Group retains interests in associated undertakings in the Bio and Healthcare businesses.

Details of the associated undertakings are set out below:

<u>Company</u>	<u>Class of shares held</u>	<u>Place of business and country of incorporation</u>	<u>Percentage held</u>	<u>Principal activities</u>
Ineos Bio Limited .....	Ordinary	UK	20%	Chemicals
Ineos Bio US LLC .....	Ordinary	USA	20%	Chemicals
Ineos Healthcare Limited.....	Ordinary	UK	20%	Healthcare

The Group has not recognised its share of losses relating to the Ineos Bio or Healthcare businesses of €2.9 million (2009: €0.8 million) and €3.7 million (2009: €2.4 million) respectively since the Group has no obligation in respect of these losses. The Group has adopted IAS 27 (revised 2008) *Consolidated and Separate Financial Statements* and has recognised these investments at their fair value on the date of reorganisation of these businesses, estimated by the Group to be €nil.

Summary aggregated financial information for equity accounted associated undertakings—share of the balances:

	<u>2010</u>	<u>2009</u>
	€m	€m
Total assets .....	9.8	23.7
Total liabilities .....	(12.7)	(26.8)
Income .....	1.3	—
Expenses .....	(7.8)	(3.2)

### 13.b Investments in Subsidiary Undertakings

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length.

The directors believe the carrying value of the investments is supported by the underlying net assets of the subsidiaries.

The following information relates to the principal subsidiary undertakings of the Company.

<u>Company</u>	<u>Country of incorporation and operation</u>	<u>Percentage holding</u>	<u>Principal activity</u>
Ineos Holdings Limited*	England	100%	Holding Company
Ineos European Holdings Limited	England	100%	Holding Company
Ineos US Finance LLC	US	100%	Finance
Ineos Finance Plc	England	100%	Finance
Ineos Oxide Limited	England	100%	Chemicals
Ineos NV	Belgium	100%	Chemicals
Ineos Belgium NV	Belgium	100%	Chemicals
Ineos Phenol Belgium NV	Belgium	100%	Chemicals
Ineos Italia Srl	Italy	100%	Chemicals
Ineos Phenol GmbH	Germany	100%	Chemicals
Ineos Fluor Limited	England	100%	Chemicals
IFJ Korea Limited	Korea	100%	Chemicals
Ineos Fluor Americas LLC	US	100%	Chemicals
Ineos Silicas Limited	England	100%	Chemicals
Ineos Americas LLC	US	100%	Chemicals
Ineos Manufacturing Deutschland GmbH	Germany	100%	Chemicals
Ineos Koln GmbH	Germany	100%	Chemicals
Ineos France SAS	France	100%	Chemicals
Ineos Europe Limited	England	100%	Chemicals
Ineos Manufacturing Belgium NV	Belgium	100%	Chemicals
Ineos Feluy SPRL	Belgium	100%	Chemicals
Ineos Manufacturing Scotland Limited	Scotland	100%	Chemicals
Ineos Sales Belgium NV	Belgium	100%	Chemicals
Ineos Sales Italia s.r.l	Italy	100%	Chemicals
Ineos Manufacturing France SAS	France	100%	Chemicals
Ineos Manufacturing Italia s.p.a.	Italy	100%	Chemicals
Ineos USA LLC	US	100%	Chemicals
Ineos Polymers Inc	US	100%	Chemicals
Ineos Canada Company	Canada	100%	Chemicals
Ineos Canada Partnership	Canada	100%	Chemicals
Ineos Compounds UK Limited	England	100%	Chemicals
Ineos Bamble AS	Norway	100%	Chemicals
Ineos Nitriles (UK) Limited	England	100%	Chemicals
Ineos Manufacturing (Hull) Limited	England	100%	Chemicals
Ineos Fuels Limited	England	100%	Chemicals
Ineos Refining France SAS	France	100%	Chemicals
Ineos Technologies (Vinyls) Limited	England	100%	Chemicals

\* Held directly by the Company

### 14. OTHER INVESTMENTS

	<u>2010</u>	<u>2009</u>	<u>2008</u>
		<u>€m</u>	
At 1 January	129.7	123.5	—
Additions	—	—	105.5

Interest receivable.....	11.0	9.3	4.6
Exchange adjustments .....	11.5	(3.1)	13.4
At 31 December.....	<u>152.2</u>	<u>129.7</u>	<u>123.5</u>

During the year ended 31 December 2008 the Group acquired a preferred partnership interest in Ineos Investments LLP (see Note 3), an entity held under common control by the Group's ultimate shareholders, which owns 40% of the share capital of the PQ Corporation, a silicas business incorporated in the USA. Ineos Investments LLP is a limited liability partnership.

## 15. OTHER FINANCIAL ASSETS

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	€m		
<b>Non-current</b>			
Financial assets designated as fair value through profit or loss (see Note 26.a).....	—	—	—
Available for sale financial assets (see below and Note 26.a) .....	90.1	82.2	49.0
	<u>90.1</u>	<u>82.2</u>	<u>49.0</u>
<b>Current</b>			
Financial assets designated as fair value through profit or loss .....	—	—	0.3
Derivative commodity contracts designated as fair value through profit or loss (see Note 26.a).....	8.2	2.9	25.4
Derivative commodity contracts designated as cash flow hedges (see Note 26.e) .....	—	—	105.8
Other receivables .....	—	—	27.9
	<u>8.2</u>	<u>2.9</u>	<u>159.4</u>

### *Available for sale financial assets*

Available for sale financial assets relate to a 19.9% investment in Geosel Manosque and a 13.9% investment in Geosud, companies registered in France whose principal activities are the provision of underground storage facilities for liquid hydrocarbons in Southern France; a 16.7% investment in Aethylen Rohrleitungs Gesellschaft ('ARG') mbH and Co. KG, a company registered in Germany whose principal activity is the transportation of ethylene via pipelines in Northern Europe; 10% investment in Seminole Pipeline Company, a company registered in the USA whose principal activity is the provision of pipelines and a 4.08% investment in Exeltium SAS, a company registered in France which is a consortium of high energy users established to obtain a preferential supply of electricity from EDF.

The investment in Geosel Manosque was valued at its aggregate acquisition cost of €23.0 million in 2008. As a result of a partial demerger of the business into Geosel Manosque and Geosud in 2009 further information became available that allowed the valuation of these investments in 2009 to an estimated fair value for Geosel Manosque (€26.0 million) and Geosud (€19.8 million).

Investments in ARG mbH and Co. KG and Seminole Pipeline Company have been classified as available for sale financial assets but are recorded at their acquisition cost. During 2010 the group acquired a 4.08% investment in Exeltium SAS which has also been recorded at its acquisition cost of €7.1 million. These financial instruments comprise shares in private limited companies and partnerships. The carrying amount of these investments was €44.3 million at 31 December 2010 (2009: €36.0 million, 2008: €26.0 million). These shares are not listed and there is no active market. A reliable determination of fair value would only be practicable if there were equity sales transactions on which fair values could be based. A disposal of these investments is not currently anticipated.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

**(FORMING PART OF THE FINANCIAL STATEMENTS)**

**16. OTHER FINANCIAL LIABILITIES**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	<u>€m</u>		
<b>Current</b>			
Financial liabilities designated as fair value through profit or loss.....	—	—	0.2
Derivative commodity contracts designated as fair value through profit or loss (see Note 26.a).....	<u>6.7</u>	<u>6.5</u>	<u>0.3</u>
	<u>6.7</u>	<u>6.5</u>	<u>0.5</u>

**17. DEFERRED TAX ASSETS AND LIABILITIES**

*Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

	<b>2010</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Total</b>
	<b>€m</b>		
Property, plant and equipment .....	—	221.6	221.6
Employee benefits .....	(207.8)	—	(207.8)
Tax value of loss carry-forwards .....	(251.4)	—	(251.4)
Other .....	(63.1)	17.9	(45.2)
Tax (assets)/liabilities .....	(522.3)	239.5	(282.8)
Set off of tax .....	—	—	—
Net tax (assets)/liabilities.....	<u>(522.3)</u>	<u>239.5</u>	<u>(282.8)</u>
	<b>2009</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Total</b>
	<b>€m</b>		
Property, plant and equipment .....	—	189.7	189.7
Employee benefits .....	(239.3)	—	(239.3)
Tax value of loss carry-forwards .....	(216.4)	—	(216.4)
Other .....	(31.8)	—	(31.8)
Tax (assets)/liabilities .....	(487.5)	189.7	(297.8)
Set off of tax .....	28.6	(28.6)	—
Net tax (assets)/liabilities.....	<u>(458.9)</u>	<u>161.1</u>	<u>(297.8)</u>
	<b>2008</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Total</b>
	<b>€m</b>		
Property, plant and equipment .....	—	269.1	269.1
Employee benefits .....	(223.8)	—	(223.8)
Tax value of loss carry-forwards .....	(290.1)	—	(290.1)
Other .....	—	2.1	2.1
Tax (assets)/liabilities .....	(513.9)	271.2	(242.7)
Set off of tax .....	76.1	(76.1)	—
Net tax (assets)/liabilities.....	<u>(437.8)</u>	<u>195.1</u>	<u>(242.7)</u>

## Movement in deferred tax

	Property, plant and equipment	Employee benefits	Tax value of loss carry-forward utilised	Other	Total
			€m		
At 1 January 2008.....	403.9	(147.9)	(45.6)	(40.4)	170.0
Recognised in profit or loss .....	(145.5)	3.8	(244.5)	13.0	(373.2)
Recognised in other comprehensive income.....	—	(79.7)	—	29.5	(50.2)
Acquired in business combinations .....	10.7	—	—	—	10.7
At 31 December 2008.....	269.1	(223.8)	(290.1)	2.1	(242.7)
Recognised in profit or loss .....	(84.8)	(7.3)	73.7	(4.3)	(22.7)
Recognised in other comprehensive income.....	—	(16.8)	—	(29.6)	(46.4)
Acquired in business combinations .....	5.4	8.6	—	—	14.0
At 31 December 2009.....	189.7	(239.3)	(216.4)	(31.8)	(297.8)
Recognised in profit or loss .....	100.9	31.7	(35.0)	(13.4)	84.2
Recognised in other comprehensive income.....	—	(31.7)	—	—	(31.7)
Included in businesses disposed of .....	(69.0)	31.5	—	—	(37.5)
At 31 December 2010.....	221.6	(207.8)	(251.4)	(45.2)	(282.8)

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise gross deductible temporary differences of €308.9 million (2009: €1,039.2 million, 2008: €483.3 million). These all relate to tax losses (2009: €217.9 million depreciation in excess of capital allowances, €707.4 million tax losses; €113.9 million other temporary differences. 2008: €162.3 million depreciation in excess of capital allowances; €321.0 million tax losses) that can be carried forward indefinitely against future taxable income.

The Group has not provided deferred tax in relation to temporary differences on its overseas subsidiaries or joint ventures as the Group can control the timing and realisation of these temporary differences, and it is probable that no material unprovided tax liability would arise.

## 18. INVENTORIES

	2010	2009	2008
		€m	
Raw materials and consumables .....	488.0	418.7	421.0
Work in progress.....	26.7	36.6	39.7
Finished goods.....	1,740.2	1,089.4	1,132.9
	2,254.9	1,544.7	1,593.6

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to € 14,582.0 million (2009: €11,174 million, 2008: €18,100.4 million). The net write-down of inventories to net realisable value amounted to €20.0 million (2009: €46.8 million, 2008: €140.7 million) after the reversal of previous write downs of €14.7 million (2009: €22.8 million, 2008: €25.5 million).

## 19. TRADE AND OTHER RECEIVABLES

	2010	2009	2008
		€m	
<b>Current</b>			
Trade receivables .....	1,894.0	1,536.3	1,574.1
Amounts due from related parties.....	207.5	115.9	100.4
Other receivables .....	176.1	179.4	245.0
Prepayments.....	79.0	86.4	72.4
	2,356.6	1,918.0	1,991.9
<b>Non-current</b>			
Amounts due from related parties.....	44.0	138.2	138.2
Other receivables .....	19.4	15.3	5.9

	2010	2009	2008
		€m	
Prepayments.....	9.9	15.4	24.1
	<u>73.3</u>	<u>168.9</u>	<u>168.2</u>

### *Credit quality of financial assets and impairment losses*

The ageing of trade and other receivables at the end of the reporting period was:

	Trade receivables		Amounts due from related parties		Other receivables	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
	2010	2010	2010	2010	2010	2010
				€m		
Not past due .....	1,916.5	(17.7)	251.5	—	190.3	—
Past due 0-30 days .....	—	—	—	—	1.7	—
Past due 31-90 days .....	2.2	(1.5)	—	—	—	—
More than 90 days .....	9.3	(14.8)	—	—	3.5	—
	<u>1,928.0</u>	<u>(34.0)</u>	<u>251.5</u>	<u>—</u>	<u>195.5</u>	<u>—</u>

	Trade receivables		Amounts due from related parties		Other receivables	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
	2009	2009	2009	2009	2009	2009
				€m		
Not past due .....	1,453.0	(23.1)	254.1	—	190.9	—
Past due 0-30 days .....	101.9	(1.9)	—	—	—	—
Past due 31-90 days .....	7.8	(1.4)	—	—	—	—
More than 90 days .....	22.9	(22.9)	—	—	3.8	—
	<u>1,585.6</u>	<u>(49.3)</u>	<u>254.1</u>	<u>—</u>	<u>194.7</u>	<u>—</u>

	Trade receivables		Amounts due from related parties		Other receivables	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
	2008	2008	2008	2008	2008	2008
				€m		
Not past due .....	1,435.9	(15.3)	238.6	—	249.5	—
Past due 0-30 days .....	138.2	(3.4)	—	—	0.5	—
Past due 31-90 days .....	16.7	(5.8)	—	—	0.8	—
More than 90 days .....	32.3	(24.5)	—	—	0.1	—
	<u>1,623.1</u>	<u>(49.0)</u>	<u>238.6</u>	<u>—</u>	<u>250.9</u>	<u>—</u>

The accounts receivable not yet due after impairment losses as of the end of the reporting period are deemed to be collectible on the basis of established credit management processes such as regular analyses of the credit worthiness of our customers and external credit checks where appropriate for new customers (see Note 26.c). At 31 December 2008, 2009 and 2010 there were no significant trade, related party or other receivable balances not past due that were subsequently impaired.

Due to the global activities and diversified customer structure of the Group, there is no significant concentration of credit risk other than with BP Plc ('BP') which represents approximately 7% of trade receivables (2009: 14%). The concentration of credit risk arises due to the number of commercial agreements that the Group has with BP. The credit risk associated with these receivables is managed through a master bilateral netting agreement where, in the event of termination of commercial agreements, balances owed from BP will be offset against the Group's balances payable to BP. During the normal course of business amounts owed by BP are normally less than the Group's payable to BP in relation to purchases of crude oil, feed stocks and other inputs.

During 2008, 2009 and 2010 there were no significant trade, related party or other receivable balances that were subject to renegotiation of terms. Credit enhancements are held in respect of trade and other receivables in the form of

€233.4 million (2009: €295.7 million, 2008: € 255.5 million) of assets pledged as security against amounts owed to the Group of which €2.6 million (2009: €12.0 million, 2008: € 33.8 million) is in respect of amounts falling overdue.

Trade receivable balances totalling €1,063.6 million (2009: € 1,096.7 million, 2008: €1,118.5 million) have been pledged as security against amounts drawn down under the Receivables Securitisation Facility, described in Note 20, totalling €753.0 million (2009: €605.5 million, 2008: €750.6 million). In accordance with IAS 39 'Financial Instruments: Recognition and Measurement' the trade receivable balances pledged as security do not qualify for derecognition and are included within the trade receivable balances above.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	€m		
Balance at 1 January .....	49.3	49.0	43.7
Impairment loss recognised .....	(15.3)	0.3	5.3
Balance at 31 December .....	<u>34.0</u>	<u>49.3</u>	<u>49.0</u>

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

During the year the Group has not experienced a significant deterioration in the quality of receivable balances due to the current economic conditions. The significant falls in the price of crude oil and related products during 2008 increased the reported level of the allowance for impairment to the total receivable balance in that year due to a consequential deterioration in the creditworthiness of certain customers.

There were no allowances made against amounts due from related parties or other receivables during the years ended 31 December 2010, 2009 and 2008.

## 20. INTEREST-BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 26.f.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	€m		
<b>Non-current liabilities</b>			
Senior Facilities Agreement .....	3,468.2	4,165.8	4,317.3
Senior Secured Notes .....	715.2	—	—
Senior Notes .....	2,017.7	1,969.9	2,088.8
Ineos Vinyls Senior Notes .....	—	159.9	160.4
Securitisation Facility .....	746.1	603.4	748.4
Other bank loans .....	—	—	0.3
Finance lease liabilities .....	6.7	10.1	17.7
Other loans .....	1.0	0.9	0.9
	<u>6,954.9</u>	<u>6,910.0</u>	<u>7,333.8</u>
	<u>2010</u>	<u>2009</u>	<u>2008</u>
	€m		
<b>Current liabilities</b>			
Current portion of borrowings under Senior Facilities Agreement .....	386.8	837.9	612.0
Current portion of other bank loans .....	—	—	0.4
Current portion of finance lease liabilities .....	1.1	1.4	3.2
	<u>387.9</u>	<u>839.3</u>	<u>615.6</u>

## Gross debt and issue costs

	Gross loans and borrowings	Issue costs	Net loans and borrowings
	2010	2010	2010
		€m	
Senior Facilities Agreement.....	3,907.0	(52.0)	3,855.0
Senior Secured Notes.....	733.9	(18.7)	715.2
Senior Notes .....	2,047.9	(30.2)	2,017.7
Securitisation Facility .....	753.0	(6.9)	746.1
Other.....	8.8	—	8.8
<b>Total.....</b>	<b>7,450.6</b>	<b>(107.8)</b>	<b>7,342.8</b>

	Gross loans and borrowings	Issue costs	Net loans and borrowings
	2009	2009	2009
		€m	
Senior Facilities Agreement.....	5,003.7	—	5,003.7
Senior Notes .....	2,005.9	(36.0)	1,969.9
Ineos Vinyls Senior Notes .....	161.2	(1.3)	159.9
Securitisation Facility .....	605.6	(2.2)	603.4
Other.....	12.4	—	12.4
<b>Total.....</b>	<b>7,788.8</b>	<b>(39.5)</b>	<b>7,749.3</b>

	Gross loans and borrowings	Issue costs	Net loans and borrowings
	2008	2008	2008
		€m	
Senior Facilities Agreement.....	5,079.8	(150.5)	4,929.3
Senior Notes .....	2,125.0	(36.2)	2,088.8
Ineos Vinyls Senior Notes .....	161.7	(1.3)	160.4
Securitisation Facility .....	750.6	(2.2)	748.4
Other.....	22.5	—	22.5
<b>Total.....</b>	<b>8,139.6</b>	<b>(190.2)</b>	<b>7,949.4</b>

## Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity
Senior Facilities Agreement.....	\$/€	LIBOR/EURIBOR plus 6.0%-8.0%	2012-2015
Senior Secured Notes.....	\$/€	9.0%/9.25%	2015
Senior Notes .....	\$/€	7.9%-8.5%	2016
Securitisation Facility .....	\$/€/£	Variable	2013
Other.....	€/¥	7.0-9.0%	2010-2016

### Senior Facilities Agreement

The Group has outstanding borrowings under a facilities agreement (the “Senior Facilities Agreement”) which consists 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”). The Term Loans outstanding at 31 December 2010 before issues costs were €3,568.8 million (2009: €4,425.8 million, 2008: €4,699.8 million), of which €63.3 million (2009: €260 million, 2008: €231.9 million) is due within one year. The total amounts outstanding on Term Loan A were €68.1 million (2009: €727.2 million, 2008: €929.0 million), Term Loan B were €1,366.9 million (2009: €1,524.3 million, 2008: €1,545.4 million), Term Loan C were €1,483.8 million (2009: €1,524.3 million, 2008: €1,545.4 million), Term Loan D were €650.0 million (2009: €650.0 million, 2008: €650.0 million). The Revolving Credit Facility outstanding at 31 December 2010 before issues costs was €338.2 million (2009: €577.9 million, 2008: €410.0 million).

As a result of the substantial modification of the existing Senior Facilities Agreement debt on 17 July 2009 (see Note 5), the unamortised issue costs at that date were written off.



Term Loan A is repayable in semi-annual installments ranging from 15.5% to 17.5% of the principal amount of the loan up until the final repayment on December 16, 2012. Term Loan B is repayable in annual installments ranging from 1.0% to 48.5% of the principal amount of the loan up until the final repayment on December 16, 2013. Term Loan C is repayable in annual installments ranging from 1.0% to 48.0% of the principal amount of the loan up until the final repayment on December 16, 2014. Term Loan D is repayable in full on December 16, 2015.

The Term Loans and Revolving Credit Facility bear interest at a rate equal to a margin plus either EURIBOR or LIBOR. The applicable per annum cash margins as at December 31, 2010 are 4.00% per annum for the Term Loan A facility; 4.50% per annum for the Term Loan B facility; 5.00% per annum for the Term Loan C facility; 5.00% per annum for Revolving Credit Facility; and 6.00% per annum for the Term D Loan Facility. With effect from July 17, 2009 the Term Loans are also subject to a Payment in Kind ('PIK') margin of 2.00% per annum.

The cash margin on the Revolving Credit Facility is subject to a reduction based on certain financial tests. The PIK margin on the Term Loans is subject to a reduction based upon achieving certain reductions in total leverage, together with achieving certain credit ratings with Moody's and Standard and Poor. On May 18, 2010 Standard and Poor's Ratings Services raised its long-term corporate credit ratings on the Group. On October 28, 2010 Moody's also raised its corporate credit rating for the Group which has resulted in the PIK margin on the Term Loans of 2.00% per annum being reduced to 1.00% per annum.

A US dollar LIBOR floor of 3.00% applies to all US dollar denominated Term Loans and is payable in cash. A EURIBOR floor of 3.00% applies to all Euro denominated Term Loans. The EURIBOR floor is payable in cash with effect from May 12, 2010. Prior to that date, the difference between the actual EURIBOR at the start of each interest period and the floor was accrued over the period and is not payable in cash until the final repayment dates of the applicable loans.

Ineos Holdings Limited and substantially all of its material subsidiaries are guarantors of the Senior Facilities Agreement. Their obligations are secured by fixed and floating charges over all of the assets of Ineos Holdings Limited and substantially all of the assets of those material subsidiaries.

The Senior Facilities Agreement contains numerous customary operating and financial covenants including requirements to maintain minimum coverage of interest expense, minimum coverage of total debt service and a maximum leverage ratio. In addition, the Senior Facilities Agreement includes 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 are stated net of debt issue costs of €52.0 million (2009: €nil million, 2008: €150.5 million). These costs are allocated to the profit and loss account over the term of the Senior Notes in accordance with IAS 39—Financial Instruments: Recognition and Measurement.

### **Senior Secured Notes**

The Senior Secured Notes are listed on the Luxembourg Stock Exchange and comprise €300.0 million (2009 and 2008: €nil million) Senior Secured Notes due 2015 (the "Secured Euro Notes") and \$570.0 million (2009 and 2008: €nil million) Senior Secured Notes due 2015 (the "Secured Dollar Notes"). The Senior Secured Notes bear 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. Unless previously redeemed as noted below, the Senior Secured Notes will be redeemed by the Group at their principal amount on May 15, 2015.

The Senior Secured Notes will be subject to redemption at any time on or after May 15, 2013, 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 May 15, of the years indicated below:

Year	Secured Euro Notes Redemption Price	Secured Dollar Notes Redemption Price
2013 .....	104.625%	104.500%
2014 and thereafter .....	100.000%	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 rank pari passu with the Term Loans under the Senior Facilities Agreement and are structurally senior to the Senior Notes due 2016. The notes are guaranteed by Ineos Group Holdings plc, 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 are stated net of debt issue costs of € 18.7 million (2009 and 2008: €nil million). These costs are allocated to the profit and loss account over the term of the Senior Notes.

### **Senior Notes**

The Senior Notes are listed on the Luxembourg Stock Exchange and comprise €1,532.1 million (2009: €1,532.1 million, 2008: € 1,630 million) Senior Notes due 2016 (the "Euro Notes") and \$677.5 million (2009: \$677.5 million, 2008: \$700 million) Senior Notes due 2016 (the "Dollar Notes"). The Senior Notes bear interest at 7.875% per annum for the Euro Notes and 8.5% 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 will be redeemed by the Group at their principal amount on 15 February 2016.

In July 2009 the Group finalised the settlement of a legal claim against a third party. The defendant agreed to acquire Senior Notes issued by the Group and to then transfer them to the Group by way of settlement. The total settlement value was \$35 million (€25.1 million) and the Group received Senior Notes with a book value of €114.1 million. The transaction resulted in a gain of €89.0 million which has been accounted for as exceptional finance income (see Note 5).

The Senior Notes will be subject to redemption at any time on or after 15 February 2011, 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:

<u>Year</u>	<u>Euro Notes redemption price</u>	<u>Dollar Notes redemption price</u>
2011 .....	103.938%	104.250%
2012 .....	102.625%	102.833%
2013 .....	101.313%	101.417%
2014 and thereafter .....	<u>100.0%</u>	<u>100.0%</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 are secured by junior pledges of all of the shares of Ineos Group Holdings plc. The Senior Notes are guaranteed by Ineos Group Holdings plc 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 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 are stated net of debt issue costs of €30.2 million (2009: €36.0 million, 2008: €36.2 million). These costs are allocated to the profit and loss account over the term of the Senior Notes in accordance with IAS 39—Financial Instruments: Recognition and Measurement.

### **Ineos Vinyls Senior Notes**

The Ineos Vinyls Senior Notes bear interest at 9.125% per annum, payable semi-annually in arrears on September 1 and December 1 of each year. As part of the disposal of ChlorVinyls, the Group transferred the Ineos Vinyls Senior Notes to Kerling plc in January 2010. The Notes were subsequently redeemed on March 1, 2010.

### **Receivables Securitisation Facility**

The Company has entered into a €1,200 million receivables securitisation facilities agreement (“Receivables Securitisation Facility”) which matures in July 2013. The total amount outstanding at 31 December 2010 was €753.0 million (2009: €605.6 million, 2008: € 750.6 million).

The Receivables Securitisation Facility is stated net of debt issue costs of €6.9 million (2009: €2.2million, 2008: €2.2 million).

### **Finance lease liabilities**

Finance lease liabilities are payable as follows:

	<b>Minimum lease payments</b>	<b>Interest</b>	<b>Principal</b>
	<b>2010</b>		
	<b>€m</b>		
Less than one year .....	1.7	(0.2)	1.5
Between one and five years .....	6.5	(6.1)	0.4
More than five years .....	8.3	(2.4)	5.9
	<b>16.5</b>	<b>(8.7)</b>	<b>7.8</b>
	<b>2009</b>		
	<b>€m</b>		
Less than one year .....	1.6	(0.2)	1.4
Between one and five years .....	6.9	(6.3)	0.6
More than five years .....	10.6	(1.1)	9.5
	<b>19.1</b>	<b>(7.6)</b>	<b>11.5</b>
	<b>2008</b>		
	<b>€m</b>		
Less than one year .....	4.8	(1.6)	3.2
Between one and five years .....	15.7	(11.0)	4.7
More than five years .....	14.8	(1.8)	13.0
	<b>35.3</b>	<b>(14.4)</b>	<b>20.9</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
**(FORMING PART OF THE FINANCIAL STATEMENTS)**

**21. TRADE AND OTHER PAYABLES**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	€m		
<b>Current</b>			
Trade payables .....	1,054.9	896.3	707.0
Amounts due to related parties .....	106.0	161.9	104.7
Other payables .....	591.4	672.5	572.2
Deferred consideration.....	32.7	30.3	30.8
Accruals and deferred income .....	1,681.3	970.5	1,036.9
	<u>3,466.3</u>	<u>2,731.5</u>	<u>2,451.6</u>
<b>Non-current</b>			
Amounts due to related parties .....	4.2	4.0	3.6
Other payables .....	64.1	30.3	69.5
Accruals and deferred income .....	22.9	43.9	29.5
	<u>91.2</u>	<u>78.2</u>	<u>102.6</u>

**22. EMPLOYEE BENEFITS**

*Pension plans*

The Group operates a number of pension plans throughout the world, devised in accordance with local conditions and practices. The plans are generally of the defined benefit type and are funded by payments to separately administered funds or insurance companies. The principal funded plans are in the United Kingdom, North America, Belgium and Norway.

The Group also operates a number of unfunded defined benefit pension schemes in Germany and France.

The most recent full valuations of the significant defined benefit plans were carried out as follows:

<u>Plan</u>	<u>Country</u>	<u>Valuation date</u>
Innovene .....	United Kingdom	31 December 2008
All Plans .....	North America	1 January 2010
All Plans .....	Belgium	31 December 2010
Borealis.....	Norway	31 December 2010
All plans.....	France	31 December 2010
All Plans .....	Germany	31 December 2010

These valuations have been updated where appropriate to 31 December 2010 by independent qualified actuaries.

The Group's pension schemes have been disclosed on a geographical basis as those schemes in the United Kingdom, North America and Other European. Other European principally includes the Group's pension plans in Germany, Belgium, Norway and France.

*Pension plan assumptions*

The principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

<u>United Kingdom</u>			<u>North America</u>			<u>Other European</u>		
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
%								

**Major assumptions**

	United Kingdom			North America			Other European		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
	%								
Rate of general increase in salaries .....	4.6	4.6	4.6	3.5	3.5	4.0	2.7-5.0	2.7-5.0	2.8-4.5
Rate of increase to pension in payment .....	3.5	3.5	3.1	0.0	0.0	0.0	0.8-2.0	1.0-2.0	1.0-4.3
Discount rate for scheme liabilities .....	5.5	5.7	6.1	5.5	6.0	5.8	4.0-5.0	4.5-5.8	4.0-6.0
Inflation .....	3.6	3.6	3.1	2.5	2.5	2.5	2.0-2.3	2.0-2.3	2.0-2.5

The assumptions relating to longevity underlying the pension liabilities at the reporting date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

	United Kingdom			North America			Other European		
	2010 years	2009 years	2008 years	2010 years	2009 years	2008 years	2010 years	2009 years	2008 years
Longevity at age 65 for current pensioners .....	20.3-21.2	19.1-21.1	18.9-20.9	18.1-19.5	18.1-19.5	18.1-19.5	18.0-23.4	18.0-23.2	17.0-23.0

Expected long-term rate of return is as follows:

	United Kingdom			North America			Other European			
	2010	2009	2008	2010	2009	2008	2010	2009	2008	
	%									
Equities .....		8.1	8.1	8.2	8.6	8.8	9.6	7.0	7.0-7.8	7.3-7.8
Bonds .....		4.8	5.1	5.2	4.2	4.4	5.7	4.3	4.0-4.5	5.0-5.5
Property .....		7.5	8.1	8.2	7.0	7.2	6.6	7.0	6.5-7.0	6.5
Other .....		4.2-8.1	4.3	4.0	N/A	N/A	N/A	3.0-4.5	3.0-5.6	3.5-5.9

#### Post-retirement health care plans

The Group also operates a number of post retirement healthcare plans in the United States, which provide employees with other post-employment benefits in respect of health care. The plans are unfunded and the liability in respect of these benefits is included in provisions. The liability is assessed by qualified independent actuaries under the projected unit method, assuming the following rates:

Rate	Country	2010	2009	2008
		%		
Liability discount rate .....	USA	5.5	6.0	5.8
Liability discount rate .....	Europe	N/A	N/A	5.8
Long-term healthcare trend rate .....	USA	5.0	5.0	5.0
Long-term healthcare trend rate .....	Europe	N/A	N/A	2.8

#### History of plans

The Group has taken the exemption in IFRS 1 that permits it to elect to provide disclosures prospectively from the date of transition to IFRS of 1 January 2007.

The history of the plans for the current and prior periods is as follows:

#### Consolidated balance sheet

	2010	2009	2008
	€m		
Present value of the defined benefit obligation in respect of pension plans .....	(1,453.2)	(1,733.4)	(1,512.6)

	2010	2009	2008
	€m		
Present value of obligations in respect of post retirement health care plan .....	(57.8)	(37.8)	(48.2)
Unrecognised past service cost .....	6.2	5.7	—
Fair value of plan assets .....	817.6	941.4	778.7
<b>Deficit</b> .....	<b>(687.2)</b>	<b>(824.1)</b>	<b>(782.1)</b>

The Group's net liability in respect of defined benefit obligations is as follows:

	2010	2009	2008
	€m		
Obligations in respect of pension plans			
United Kingdom .....	202.9	388.2	290.3
North America .....	41.3	66.7	56.9
Other European .....	391.4	337.1	386.7
	635.6	792.0	733.9
Obligations in respect of post-retirement health care plans .....	57.8	37.8	48.2
Unrecognised past service cost .....	(6.2)	(5.7)	—
<b>Recognised liability for defined benefit obligations</b> .....	<b>687.2</b>	<b>824.1</b>	<b>782.1</b>

### Experience adjustments

	2010	2009	2008
	€m/%		
Experience adjustments (loss)/gain on plan liabilities .....	(9.9)	(12.9)	(51.2)
Experience adjustments as a percentage of plan liabilities .....	(0.7)%	(0.7)%	(3.4)%
Experience adjustments gain/(loss) on plan assets .....	20.6	84.9	(379.8)
Experience adjustments as a percentage of plan assets .....	3.2%	9.0%	(48.8)%

The Group expects to contribute approximately €64.3million to its funded defined benefit plans in the next financial year. This excludes direct company benefit payments and payments in relation to unfunded defined benefit plan schemes.

### Expense recognised in the consolidated income statement

	Pension Plan								
	United Kingdom			North America			Other European		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
	€m								
Current service cost .....	29.2	31.5	47.9	8.2	9.0	9.0	19.6	23.2	23.2
Past service cost .....	0.9	0.5	—	—	(0.2)	—	—	—	4.7
Losses/(gains) on curtailments and settlements .....	(6.0)	2.3	(7.6)	(0.2)	23.1	(3.2)	0.5	8.9	(9.7)
Interest on obligation .....	39.0	57.0	61.2	8.7	9.7	10.0	23.0	24.3	22.5
Expected return on plan assets .....	(35.0)	(45.2)	(66.6)	(6.5)	(8.0)	(12.6)	(4.7)	(5.3)	(6.4)
	<b>28.1</b>	<b>46.1</b>	<b>34.9</b>	<b>10.2</b>	<b>33.6</b>	<b>3.2</b>	<b>38.4</b>	<b>51.1</b>	<b>34.3</b>

	Post retirement health care plans					
	2010			2009		
	2010	2009	2008	2010	2009	2008
	€m					
Current service cost .....	2.2	2.3	2.4	59.2	66.0	82.5
Past service cost .....	—	0.7	0.3	0.9	1.0	5.0
Losses/(gains) on curtailments and settlements .....	(1.2)	—	(5.7)	(6.9)	34.3	(26.2)
Interest on obligation .....	2.5	2.4	2.5	73.2	93.4	96.2
Expected return on plan assets .....	—	—	—	(46.2)	(58.5)	(85.6)
	<b>3.5</b>	<b>5.4</b>	<b>(0.5)</b>	<b>80.2</b>	<b>136.2</b>	<b>71.9</b>

The expense is recognised in the following line items in the consolidated income statement:

	2010	2009	2008
	€m		
Cost of sales.....	53.2	101.3	61.3
Finance income.....	(46.2)	(58.5)	(85.6)
Finance cost.....	73.2	93.4	96.2
	<b>80.2</b>	<b>136.2</b>	<b>71.9</b>

Actuarial gains and losses, before tax, recognised directly in equity in the statement of comprehensive income since 1 January 2008, the transition date to IFRSs:

	2010	2009	2008
	€m		
Cumulative amount at 1 January.....	(289.8)	(270.9)	50.3
(Loss)/gain recognised in the year.....	(94.8)	(18.9)	(321.2)
<b>Cumulative amount at 31 December.....</b>	<b>(384.6)</b>	<b>(289.8)</b>	<b>(270.9)</b>

### Pension plans

	United Kingdom			North America		
	2010	2009	2008	2010	2009	2008
	€m					
Present value of funded obligations.....	787.9	1,152.1	855.1	170.6	140.8	185.3
Present value of unfunded obligations.....	—	—	—	—	—	—
	787.9	1,152.1	855.1	170.6	140.8	185.3
Fair value of plan assets.....	(585.1)	(763.9)	(564.8)	(129.3)	(74.1)	(128.4)
<b>Deficit.....</b>	<b>202.8</b>	<b>388.2</b>	<b>290.3</b>	<b>41.3</b>	<b>66.7</b>	<b>56.9</b>

	Other European			Total		
	2010	2009	2008	2010	2009	2008
	€m					
Present value of funded obligations.....	130.0	139.7	162.0	1,088.5	1,432.6	1,202.4
Present value of unfunded obligations.....	364.7	300.8	310.2	364.7	300.8	310.2
	494.7	440.5	472.2	1,453.2	1,733.4	1,512.6
Fair value of plan assets.....	(103.2)	(103.4)	(85.5)	(817.6)	(941.4)	(778.7)
<b>Deficit.....</b>	<b>391.5</b>	<b>337.1</b>	<b>386.7</b>	<b>635.6</b>	<b>792.0</b>	<b>733.9</b>

Movements in present value of defined benefit obligation:

	United Kingdom			North America		
	2010	2009	2008	2010	2009	2008
	€m					
At 1 January.....	1,152.1	855.1	1,166.9	140.8	185.3	166.2
Interest cost.....	39.0	57.0	61.2	8.7	9.7	10.0
Current service cost.....	29.2	31.5	47.9	8.2	9.0	9.0
Special termination cost and past service cost.....	3.2	3.1	—	—	(0.2)	—
Member contributions.....	2.1	4.5	5.6	—	—	—
Curtailments.....	(8.2)	(0.1)	(7.6)	(0.2)	(0.2)	(0.2)
Settlements.....	—	(0.4)	—	—	(45.2)	(3.0)
Benefits paid.....	(18.8)	(20.2)	(12.7)	(4.7)	(2.1)	(16.7)
Reclassifications.....	—	—	(0.4)	—	—	(1.7)
Acquisitions.....	—	2.7	2.4	—	—	2.3
Disposals.....	(489.7)	—	—	(0.6)	(14.8)	(6.4)
Actuarial loss/(gain).....	46.6	136.4	(117.2)	5.9	0.6	20.2
Exchange.....	32.4	82.5	(291.0)	12.5	(1.3)	5.6

At 31 December .....	787.9	1,152.1	855.1	170.6	140.8	185.3
	Other European			Total		
	2010	2009	2008	2010	2009	2008
	€m					
At 1 January .....	440.5	472.2	425.2	1,733.4	1,512.6	1,758.3
Interest cost .....	23.0	24.3	22.5	70.7	91.0	93.7
Current service cost .....	19.6	23.2	23.2	57.0	63.7	80.1
Special termination cost and past service cost .....	0.4	8.9	4.7	3.6	11.8	4.7
Member contributions .....	—	—	—	2.1	4.5	5.6
Curtailments .....	—	—	(5.7)	(8.4)	(0.3)	(13.5)
Settlements .....	—	—	(4.0)	—	(45.6)	(7.0)
Benefits paid .....	(28.4)	(29.4)	(26.6)	(51.9)	(51.7)	(56.0)
Reclassifications .....	—	(27.9)	(5.6)	—	(27.9)	(7.7)
Acquisitions .....	—	—	10.7	—	2.7	15.4
Disposals .....	(11.2)	(9.8)	—	(501.5)	(24.6)	(6.4)
Actuarial loss/(gain) .....	48.9	(29.7)	36.8	101.4	107.3	(60.2)
Exchange .....	1.9	8.7	(9.0)	46.8	89.9	(294.4)
<b>At 31 December .....</b>	<b>494.7</b>	<b>440.5</b>	<b>472.2</b>	<b>1,453.2</b>	<b>1,733.4</b>	<b>1,512.6</b>

Movements in fair value of plan assets:

	United Kingdom			North America		
	2010	2009	2008	2010	2009	2008
	€m					
At 1 January .....	763.9	564.8	971.0	74.1	128.4	165.2
Benefit payments .....	(18.8)	(20.2)	(12.7)	(4.7)	(2.1)	(16.7)
Group contributions .....	56.2	45.5	35.5	43.3	12.7	28.7
Member contributions .....	2.1	4.5	5.6	—	—	—
Expected return on plan assets .....	35.0	45.2	66.6	6.5	8.0	12.6
Actuarial gain/(loss) .....	26.8	67.1	(293.5)	3.9	5.1	(58.9)
Acquisitions .....	—	2.7	2.4	—	—	2.3
Disposals .....	(302.8)	—	—	(0.5)	(9.3)	(5.7)
Settlements .....	—	(0.3)	—	—	(68.5)	(2.3)
Reclassifications .....	—	—	—	—	—	—
Exchange movements .....	22.7	54.6	(210.1)	6.7	(0.2)	3.2
<b>At 31 December .....</b>	<b>585.1</b>	<b>763.9</b>	<b>564.8</b>	<b>129.3</b>	<b>74.1</b>	<b>128.4</b>

	Other European			Total		
	2010	2009	2008	2010	2009	2008
	€m					
At 1 January .....	103.4	85.5	101.6	941.4	778.7	1,237.8
Benefit payments .....	(28.4)	(29.4)	(26.6)	(51.9)	(51.7)	(56.0)
Group contributions .....	27.4	28.3	31.5	126.9	86.5	95.7
Member contributions .....	—	—	—	2.1	4.5	5.6
Expected return on plan assets .....	4.7	5.3	6.4	46.2	58.5	85.6
Actuarial gain/(loss) .....	(10.1)	12.7	(27.4)	20.6	84.9	(379.8)
Acquisitions .....	—	—	10.7	—	2.7	15.4
Disposals .....	(0.6)	—	—	(303.9)	(9.3)	(5.7)
Settlements .....	—	—	(4.0)	—	(68.8)	(6.3)
Reclassifications .....	5.1	(4.7)	—	5.1	(4.7)	—
Exchange movements .....	1.7	5.7	(6.7)	31.1	60.1	(213.6)
<b>At 31 December .....</b>	<b>103.2</b>	<b>103.4</b>	<b>85.5</b>	<b>817.6</b>	<b>941.4</b>	<b>778.7</b>

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.



The fair value of the plan assets and the return on those assets were as follows:

	United Kingdom			North America		
	2010	2009	2008	2010	2009	2008
	€m					
Equities .....	414.3	574.2	397.6	58.4	47.0	79.7
Corporate bonds.....	133.5	174.5	144.6	62.1	20.3	37.8
Property .....	6.6	4.3	7.4	8.8	6.8	10.9
Other .....	30.7	10.9	15.2	—	—	—
<b>Total plan assets.....</b>	<b>585.1</b>	<b>763.9</b>	<b>564.8</b>	<b>129.3</b>	<b>74.1</b>	<b>128.4</b>
<b>Actual return on plan assets .....</b>	<b>61.9</b>	<b>112.3</b>	<b>(226.9)</b>	<b>10.4</b>	<b>13.1</b>	<b>(46.3)</b>

	Other European			Total		
	2010	2009	2008	2010	2009	2008
	€m					
Equities .....	51.0	43.8	27.2	523.7	665.0	504.5
Corporate bonds.....	17.7	19.2	26.3	213.3	214.0	208.7
Property .....	2.5	1.9	1.2	17.9	13.0	19.5
Other.....	32.0	38.5	30.8	62.7	49.4	46.0
<b>Total plan assets.....</b>	<b>103.2</b>	<b>103.4</b>	<b>85.5</b>	<b>817.6</b>	<b>941.4</b>	<b>778.7</b>
<b>Actual return on plan assets .....</b>	<b>3.5</b>	<b>18.0</b>	<b>(21.0)</b>	<b>75.8</b>	<b>143.4</b>	<b>(294.2)</b>

#### Post-retirement health care plans

Reconciliation of present value of scheme liabilities:

	2010	2009	2008
	€m		
At 1 January.....	37.8	48.2	32.7
Current service cost .....	2.2	2.3	2.4
Past service cost / (credit).....	(0.2)	6.5	0.3
Curtailement/settlement.....	(1.2)	—	(5.7)
Contributions .....	(0.5)	(0.3)	(0.4)
Interest cost.....	2.5	2.5	2.5
Actuarial (gain)/loss.....	14.0	(3.5)	1.6
(Disposals)/acquisitions.....	(0.1)	(14.1)	13.2
Reclassifications .....	—	(3.2)	—
Exchange adjustments .....	3.3	(0.6)	1.6
<b>At 31 December.....</b>	<b>57.8</b>	<b>37.8</b>	<b>48.2</b>

The post-retirement healthcare plans do not hold any assets.

The sensitivity of the present value of scheme liabilities and aggregate of service and interest cost to changes in the medical trend rate is set out below:

	2010		2009		2008	
	Sensitivity to a change in medical trend rate		Sensitivity to a change in medical trend rate		Sensitivity to a change in medical trend rate	
	Increase of 1%	Increase of 1%	Decrease of 1%	Increase of 1%	Decrease of 1%	Decrease of 1%
Impact on scheme liabilities .....	(7.2)	8.9	(4.4)	5.3	(4.4)	(4.1)
Impact on aggregate of service and interest cost .....	(0.5)	0.6	(0.5)	0.6	(0.5)	(0.9)

## 23. PROVISIONS

	Severance and restructuring costs	Remediation	Joint ventures	Other	Total
	€m				
At 1 January 2010.....	32.0	37.2	—	18.7	87.9
Reclassifications .....	6.9	(0.4)	—	11.9	18.4
Disposals through business combinations.....	(0.1)	—	—	(0.3)	(0.4)
Charged to the consolidated income statement.....	1.1	1.5	—	8.8	11.4
Discount unwinding.....		3.3	—	—	3.3
Utilised in the year.....	(14.0)	(16.3)	—	(10.2)	(40.5)
Released in the year .....	(3.1)	(0.1)	—	(4.2)	(7.4)
Exchange adjustments .....	0.8	0.7	—	1.0	2.5
At 31 December 2010.....	<u>23.6</u>	<u>25.9</u>	<u>—</u>	<u>25.7</u>	<u>75.2</u>
Non-current.....	22.5	41.3	32.3	67.3	163.4
Current.....	29.6	5.6	—	17.8	53.0
Balance at 31 December 2008 .....	<u>52.1</u>	<u>46.9</u>	<u>32.3</u>	<u>85.1</u>	<u>216.4</u>
Non-current.....	23.3	24.1	—	8.0	55.4
Current.....	8.7	13.1	—	10.7	32.5
Balance at 31 December 2009 .....	<u>32.0</u>	<u>37.2</u>	<u>—</u>	<u>18.7</u>	<u>87.9</u>
Non-current.....	20.1	12.6	—	13.8	46.5
Current.....	3.5	13.3	—	11.9	28.7
<b>Balance at 31 December 2010 .....</b>	<b><u>23.6</u></b>	<b><u>25.9</u></b>	<b><u>—</u></b>	<b><u>25.7</u></b>	<b><u>75.2</u></b>

### *Severance and restructuring costs*

As described in Note 5, the Group has implemented a restructuring programme of the Innovene business. The restructuring costs largely relate to severance and early retirement costs and the programme is expected to continue for another 2 years.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
**(FORMING PART OF THE FINANCIAL STATEMENTS)**

**23. PROVISIONS**

Other restructuring charged in 2010 primarily relate to costs relating to the disposal of the Fluor business.

***Remediation costs***

The Group has provided for the cost of remediation works where there is a legal or constructive obligation for such work to be carried out. The provision was established to meet the clean up costs of contaminated soil and groundwater, the removal of potentially hazardous substances and rectification work required to ensure compliance with license to operate obligations. These costs relate mainly to the Group's production facilities at the Runcorn, Warrington, Cologne, Grangemouth, Lavéra, Chocolate Bayou, Green Lake, Lima and Texas City sites. The provision only covers items of specific work for which a reasonable estimate can be determined. The required work is expected to be completed within the next four year period. The interest rate used to determine the obligation in the balance sheet at 31 December 2010 was 8.0% (2009: 9.0%, 2008: 8.0%). By their nature the amounts and timing of any outflows in respect of remediation costs are difficult to predict.

***Other provisions***

At 31 December 2008 other provisions included an amount in respect of expected losses on an onerous raw material supply contract. This contract was with the ABS business in Germany for the period until the end of the contract in 2012. The ABS business was sold in 2009. Other provisions also include a number of provisions for other loss making contracts and commercial disputes and a provision for costs related to the Fluor disposal made in 2010.

**24. SHARE CAPITAL**

	2010	2009	2008
	€m		
<b>Fully paid</b>			
11,500,231 (2009: 11,500,231, 2008: 11,500,231) Ordinary shares of £1 each .....	17.7	17.7	17.7

As the reporting currency of the Company is in euro, share capital has been converted to euro at the effective rate of exchange ruling at the date of issuance.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

**25. DIVIDENDS**

The following dividends were recognised during the year:

	2010	2009	2008
	€m		
€nil (2009: €nil, 2008: €nil) per ordinary share.....	—	—	—

## **26. FINANCIAL INSTRUMENTS**

### **26.a Fair value of financial instruments**

#### ***Investments in debt and equity securities***

The fair value of other investments shown as loans and receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Available for sale financial assets are accounted for at fair value based on the present value of future cash flows where such information is readily available based on the present value of future cash flows estimated from financial information made available during the year as a result of a recent transaction in the investment. However, as explained in Note 15, the Group's available for sale financial assets include certain equity interests which are not quoted and for which there is no active market. In these circumstances, in the absence of reliable information, the Group considers that a reliable determination of fair value is not practicable and such investments are recorded at their acquisition cost. The fair value has therefore been presented as the equivalent to the carrying value at the reporting date.

#### ***Trade and other receivables***

The carrying amount of trade and other receivables generally approximates to fair value due to their short maturities. Where settlement is not due in the short term and where the effect is material, fair value is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

#### ***Trade and other payables***

The carrying amount of trade and other payables generally approximates to fair value due to their short maturities. Where settlement is not due in the short term and where the effect is material, fair value is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date.

#### ***Cash and cash equivalents***

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

#### ***Interest-bearing borrowings***

The fair value of the Senior Facilities Agreement and Senior Notes are based on the prices of recent transactions on the bankers' OTC market and Luxembourg Stock Exchange respectively. The fair value of other interest-bearing borrowings, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Market discount rates applied range from 5% to 10% (2009: 5% to 10%, 2008: 6% to 9%). The fair value of finance leases is determined by reference to market rates for similar lease agreements. The significant decline in the fair value of these financial liabilities at 31 December 2008 was as a result of the impact of the global financial crisis on the markets that the Group's debt is traded within and the impact on the wider economy resulting in significant declines in commodity prices.

#### ***Derivative financial instruments***

The fair value of forward exchange contracts is based on market quotes where they are available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps and commodity contracts are based on market or broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. The interest rates used to discount estimated cash flows were between 1.6% and 3.6% (2009: 1.6% to 3.6%, 2008: 3.7% to 5.7%).

## Fair values

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the consolidated balance sheet are as follows:

	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	2010		2009		2008	
	€m					
<b>Financial assets held for trading at fair value through profit or loss:</b>						
Derivative Commodity contracts .....	8.2	8.2	2.9	2.9	25.4	25.4
Forward exchange contracts .....	—	—	—	—	0.3	0.3
	<u>8.2</u>	<u>8.2</u>	<u>2.9</u>	<u>2.9</u>	<u>25.7</u>	<u>25.7</u>
<b>Derivative commodity contracts designated as cash flow hedges:</b>						
Carried at fair value .....	—	—	—	—	105.8	105.8
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>105.8</u>	<u>105.8</u>
<b>Available for sale equity investments:</b>						
Carried at fair value .....	45.8	45.8	45.8	45.8	—	—
Carried at cost .....	44.3	44.3	36.4	36.4	49.0	49.0
<b>Total available for sale equity investments.....</b>	<u>90.1</u>	<u>90.1</u>	<u>82.2</u>	<u>82.2</u>	<u>49.0</u>	<u>49.0</u>
<b>Loans and receivables carried at amortised cost:</b>						
Trade receivables .....	1,894.0	1,894.0	1,536.3	1,536.3	1,574.1	1,574.1
Amounts due from related parties .....	251.5	251.5	254.1	254.1	238.6	238.6
Other receivables .....	195.5	195.5	194.7	194.7	250.9	250.9
Other investments .....	152.2	135.8	129.7	124.8	123.5	122.1
Loans and receivables .....	2,493.2	2,476.8	2,114.8	2,109.9	2,187.1	2,185.7
Cash and cash equivalents .....	599.2	599.2	662.1	662.1	651.8	651.8
	<u>3,092.4</u>	<u>3,076.0</u>	<u>2,776.9</u>	<u>2,772.0</u>	<u>2,838.9</u>	<u>2,837.5</u>
<b>Total financial assets.....</b>	<u><b>3,190.7</b></u>	<u><b>3,174.3</b></u>	<u><b>2,862.0</b></u>	<u><b>2,857.1</b></u>	<u><b>3,019.4</b></u>	<u><b>3,018.0</b></u>
<b>Financial liabilities held for trading at fair value through profit and loss:</b>						
Derivative Commodity contracts .....	6.7	6.7	6.5	6.5	0.3	0.3
Forward exchange contracts .....	—	—	—	—	0.2	0.2
	<u>6.7</u>	<u>6.7</u>	<u>6.5</u>	<u>6.5</u>	<u>0.5</u>	<u>0.5</u>
<b>Financial liabilities carried at amortised cost:</b>						
Senior Facilities Agreement.....	3,855.0	4,342.5	5,003.7	5,003.7	4,929.3	2,467.2
Senior Secured Notes.....	715.2	780.0	—	—	—	—
Senior Notes .....	2,017.7	1,902.8	1,969.9	1,084.9	2,088.8	268.8
Ineos Vinyls Senior Notes .....	—	—	159.9	139.4	160.4	16.2
Securitisation Facility .....	746.1	746.1	603.4	603.4	748.4	748.4
Other bank loans .....	1.0	1.0	0.9	0.9	1.6	1.6
Finance lease liabilities .....	7.8	7.8	11.5	11.5	20.9	20.9
Trade payables .....	1,054.9	1,054.9	896.3	896.3	707.0	707.0
Amounts due to related parties .....	110.2	110.2	165.9	165.9	108.3	108.3
Other payables .....	655.5	655.5	702.8	702.8	641.2	641.2
	<u>9,163.4</u>	<u>9,600.8</u>	<u>9,514.3</u>	<u>8,608.8</u>	<u>9,405.9</u>	<u>4,979.6</u>
<b>Total financial liabilities.....</b>	<u><b>9,170.1</b></u>	<u><b>9,607.5</b></u>	<u><b>9,520.8</b></u>	<u><b>8,615.3</b></u>	<u><b>9,406.4</b></u>	<u><b>4,980.1</b></u>

The fair value of the Senior Facilities Agreement has been determined using a level 3 valuation technique and non-observable consensus prices for interbank transactions (2009 non-observable inputs for the discount rate of equivalent debt). The movement in the fair value during the year not recognised in these accounts includes an increase of €148.1 million (2009: increase of €2,768.5 million, 2008: decrease of €2,176.3 million). The improvement in the level of the fair value is

due to the improving performance of the business and credit rating upgrades for the Group in 2010 by Moody's and Standard and Poors.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels, determined in accordance with IFRS 7 "Financial Instruments: Disclosure", have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
	2010				2009				2008			
<b>Financial assets held for trading at fair value through profit or loss:</b>												
Derivative Commodity contracts .....	8.2	—	8.2	—	2.9	—	2.9	—	25.4	—	25.4	—
Interest rate swaps .....	—	—	—	—	—	—	—	—	—	—	—	—
Forward exchange contracts ....	—	—	—	—	—	—	—	—	0.3	—	0.3	—
<b>Derivative commodity contracts designated as cash flow hedges carried at fair value.....</b>	—	—	—	—	—	—	—	—	105.8	—	105.8	—
<b>Available for sale equity investments carried at fair value.....</b>	45.8	—	—	45.8	45.8	—	—	45.8	—	—	—	—
<b>Financial liabilities held for trading at fair value through profit and loss:</b>												
Derivative Commodity contracts .....	(6.7)	—	(6.7)	—	(6.5)	—	(6.5)	—	(0.3)	—	(0.3)	—
Forward exchange contracts ....	—	—	—	—	—	—	—	—	(0.2)	—	(0.2)	—
<b>Total financial assets and liabilities held at fair value.....</b>	<b>1.5</b>	<b>—</b>	<b>1.5</b>	<b>—</b>	<b>42.2</b>	<b>—</b>	<b>(3.6)</b>	<b>45.8</b>	<b>131.0</b>	<b>—</b>	<b>131.0</b>	<b>—</b>

There have been no transfers from Level 2 to Level 1 in 2010 (2009: no transfers from Level 2 to Level 1).

## 26.b Net gains and losses from financial instruments

Net gains and losses from financial instruments comprise the results of valuations, the amortisation of discounts, the recognition and derecognition of impairment losses, results from the translation of foreign currencies, interest, dividends and all effects on profit or loss of financial instruments.

Net gains from receivables and loans relate primarily to recognition and derecognition of impairment losses, results from the translation of foreign currencies and interest income.

Net losses from financial liabilities measured at amortised cost relate primarily to amortisation of discounts, results from the translation of foreign currencies, interest expense and other financing related expenses.

The item 'financial instruments at fair value through profit or loss' comprise valuation gains and losses, and only includes gains and losses from instruments which are not designated as hedging instruments as defined by IAS 39.

No gains or losses on items measured at fair value have been recognised in the income statement in respect of fair values determined based on a level 3 valuation technique using non-observable inputs. Gains totalling €nil million (2009: €33.2 million, 2008: €nil million) on available for sale equity investments have been recognised in the Statement of Comprehensive Income for the year ended 31 December 2010 based on a level 3 valuation technique using non-observable inputs. There have been no other movements in financial assets and liabilities held at fair value based on a level 3 valuation technique so a reconciliation table has not been presented.

	Loans and receivables			Available for sale financial assets		
	2010	2009	2008	2010	2009	2008
	€m					
Interest income.....	14.9	13.3	39.9	—	—	—
Dividend income.....	—	—	—	9.1	7.3	3.9
Foreign exchange gains/(losses).....	(0.1)	34.7	16.4	—	—	—
<b>Net result</b> .....	<b>14.8</b>	<b>48.0</b>	<b>56.3</b>	<b>9.1</b>	<b>7.3</b>	<b>3.9</b>
<b>Carrying value at 31 December</b> .....	<b>3,092.4</b>	<b>2,776.9</b>	<b>2,838.9</b>	<b>90.1</b>	<b>82.2</b>	<b>49.0</b>

	Liabilities measured at amortised cost			Financial instruments at fair value through profit or loss		
	2010	2009	2008	2010	2009	2008
	€m					
Redemption premium on early settlement of Senior Bonds .....	—	89.0	—	—	—	—
Interest cost.....	(742.9)	(715.8)	(681.7)	—	—	—
Loss on extinguishment of Senior Facilities Agreement Debt.....	—	(209.2)	—	—	—	—
Other finance cost.....	(23.5)	(11.2)	(7.8)	—	—	—
Net fair value gains/(losses) on derivatives .....	—	—	—	5.5	(23.2)	12.9
Foreign exchange gains/(losses).....	(53.0)	(31.1)	(142.8)	—	—	—
<b>Net result</b> .....	<b>(819.4)</b>	<b>(878.3)</b>	<b>(832.3)</b>	<b>5.5</b>	<b>(23.2)</b>	<b>12.9</b>
<b>Carrying value at 31 December</b> .....	<b>(9,163.4)</b>	<b>(9,514.3)</b>	<b>(9,405.9)</b>	<b>1.5</b>	<b>(3.6)</b>	<b>131.0</b>

## 26.c Credit risk

### *Financial risk management*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, deposits with financial institutions and derivatives.

Group Treasury policy and objectives in relation to credit risk is to minimise the likelihood that the Group will experience financial loss due to counterparty failure and to ensure that in the event of a single loss, the failure of any single counterparty would not materially impact the financial wellbeing of the Group.

### *Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. Management considers that there is no geographical concentration of credit risk.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered or are adjusted accordingly. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

### *Investments, cash and cash equivalent*

Surplus cash investments are only made with banks with which the Group has a relationship. Occasionally deposits are made with banking counterparties that provide financing arrangements, reducing the credit exposure of the Group.

## Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At 31 December 2010 no guarantees were outstanding (2009: none, 2008: none).

## Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the reporting date was the carrying amount of financial assets. Further details on the Group's exposure to credit risk are given in Note 19.

## 26.d Liquidity risk

### Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group. The Group's exposure to liquidity risk is limited by the fact that it operates with significant cash resources, and it maintains the most appropriate mix of short, medium and long-term borrowings from the Group's lenders.

The Group is reliant on committed funding from a variety of sources at Group and subsidiary company level to meet the anticipated needs of the Group for the period covered by the Group's budget.

The Group forecasts on a regular basis the expected cash flows that will occur on a weekly and monthly basis. This information is used in conjunction with the weekly reporting of actual cash balances at bank in order to calculate the level of funding that will be required in the short and medium term. On a monthly basis the level of headroom on existing facilities is reported and forecast forward until the end of the financial period. In addition, the Group maintains the following lines of credit:

- Senior Facilities Agreement—€2,943.4 million (2009: €3,915.8 million, 2008: €3,926.4 million) and \$1,265.8 million (2009: \$1,555.8 million, 2008: \$1,629.2 million) facility that is secured. Interest is payable at rates of EURIBOR and \$LIBOR plus 6-8% (2009: EURIBOR and \$LIBOR plus 6-8%, 2008: EURIBOR and \$LIBOR plus 4-6%).
- Receivables Securitisation Facility—€1,200 million (2009: €1,200 million, 2008: €1,500 million) that can be drawn down to meet short-term financing needs. The facility renews automatically at the option of the Group and expires in July 2013. Interest is payable at a variable rate and the margin is linked to the credit rating of the receivables included in the securitisation.<sup>26</sup>

The maturity profile of the Group's undrawn committed facilities at 31 December 2010, 2009 and 2008 was as follows:

	2010 Undrawn facilities	2009 Undrawn facilities	2008 Undrawn facilities
		€m	
In one year .....	—	—	—
In more than one year, but not more than two years .....	—	—	—
In more than two years, but not more than five years .....	262.6	8.7	66.0
In more than five years .....	—	—	—
	<b>262.6</b>	<b>8.7</b>	<b>66.0</b>

The undrawn committed facilities are in respect of unused committed Revolving Credit Facilities of €262.6 million (2009: €8.7 million, 2008: €66.0 million).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

(FORMING PART OF THE FINANCIAL STATEMENTS)

26. FINANCIAL INSTRUMENTS

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	2010					
	Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
	€m					
<b>Non-derivative financial liabilities</b>						
Senior Facilities Agreement.....	3,855.0	(5,120.8)	(375.1)	(711.1)	(4,034.6)	—
Senior Secured Notes.....	715.2	(1,067.9)	(66.8)	(66.8)	(934.3)	—
Senior Notes .....	2,017.7	(2,870.3)	(164.5)	(164.5)	(493.5)	(2,047.8)
Securitisation Facility .....	746.1	(865.9)	(37.6)	(37.6)	(790.6)	—
Other loans.....	1.0	(36.5)	(16.6)	(18.9)	(1.0)	—
Finance lease liabilities .....	7.8	(16.4)	(0.4)	(4.0)	(8.6)	(3.5)
Trade payables .....	1,054.9	(1,054.9)	(1,054.9)	—	—	—
Amounts due to related parties .....	110.2	(118.0)	(107.3)	(5.5)	(3.9)	(1.3)
Other payables .....	655.5	(651.8)	(591.4)	(60.4)	—	—
<b>Derivative financial liabilities</b>						
Forward exchange contracts .....	6.7	(6.7)	(6.7)	—	—	—
	<b>9,170.1</b>	<b>(11,809.2)</b>	<b>(2,421.3)</b>	<b>(1,068.8)</b>	<b>(6,266.4)</b>	<b>(2,052.6)</b>

	2009					
	Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
	€m					
<b>Non-derivative financial liabilities</b>						
Senior Facilities Agreement.....	5,003.7	(7,059.8)	(1,171.3)	(603.9)	(4,407.0)	(877.6)
Senior Notes .....	1,969.9	(3,025.8)	(170.0)	(170.0)	(509.9)	(2,175.9)
Ineos Vinyls Senior Notes .....	159.9	(189.2)	(14.6)	(174.6)	—	—
Securitisation Facility .....	603.4	(635.2)	(24.9)	(610.3)	—	—
Other loans.....	0.9	(40.8)	(13.5)	(13.3)	(14.0)	—
Finance lease liabilities .....	11.5	(26.7)	(1.8)	(5.0)	(8.2)	(11.7)
Trade payables.....	896.3	(901.4)	(901.4)	—	—	—
Amounts due to related parties .....	165.9	(178.5)	(164.0)	(6.1)	(6.3)	(2.1)
Other payables .....	702.8	(702.8)	(646.8)	(56.0)	—	—
<b>Derivative financial liabilities</b>						
Forward exchange contracts .....	6.5	(6.5)	(6.5)	—	—	—
	<b>9,520.8</b>	<b>(12,766.7)</b>	<b>(3,114.8)</b>	<b>(1,639.2)</b>	<b>(4,945.4)</b>	<b>(3,067.3)</b>

	2008					
	Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
	€m					
<b>Non-derivative financial liabilities</b>						
Senior Facilities Agreement.....	4,929.3	(6,810.9)	(995.4)	(599.1)	(1,422.0)	(3,794.4)
Senior Notes .....	2,088.8	(3,318.0)	(170.4)	(170.4)	(511.3)	(2,465.9)
Ineos Vinyls Senior Notes .....	160.4	(205.5)	(14.6)	(14.6)	(176.3)	—
Securitisation Facility .....	748.4	(839.4)	(35.5)	(35.5)	(768.4)	—
Other loans.....	1.6	(1.6)	(0.4)	(0.2)	—	(1.0)
Finance lease liabilities .....	20.9	(49.7)	(6.4)	(8.9)	(17.8)	(16.6)
Trade payables.....	707.0	(707.0)	(707.0)	—	—	—

Amounts due to related parties .....	108.3	(144.3)	(110.7)	(9.6)	(18.0)	(6.0)
Other payables .....	641.2	(641.2)	(571.7)	(69.5)	—	—
<b>Derivative financial liabilities</b>						
Forward exchange contracts .....	0.5	(0.5)	(0.5)	—	—	—
	<b>9,406.4</b>	<b>(12,718.1)</b>	<b>(2,612.6)</b>	<b>(907.8)</b>	<b>(2,913.8)</b>	<b>(6,283.9)</b>

## 26.e Net investment and cash flow hedges

The Group has derivative commodity contracts that qualify as cash flow hedges at 31 December 2010 with a carrying value of €nil (2009: €nil, 2008: €105.8 million). No gains or losses were taken to the hedge reserve in respect of these contracts during 2010 €nil (2009: €nil, 2008: gain of €105.8 million). The amount of gains recycled from the hedge reserve during the year totalled €nil million before tax or €nil million net of tax (2009: €105.8, 2008: €nil). The cash flow hedges were used to manage the price risk in respect of certain forecast purchases of raw materials and sales of petrochemical-based products from the Group's refining activities. The forecast purchases and sales are hedged using forward and swap contracts linked to the oil price. The cash flows associated with cash flow hedging instruments are all expected to occur and impact on the profit or loss within less than one year.

The Group has US\$ and Sterling financial liabilities in respect of the Senior Facilities Agreement and Securitisation Facility that are designated net investment hedges of US\$ and Sterling operations in accordance with the requirements of IAS 21 "The effects of changes in Foreign Exchange Rates". The US\$ and Sterling net investment hedges had a carrying value and fair value as follows:

	Carrying amounts 2010	Fair value 2010	Carrying amounts 2009	Fair value 2009	Carrying amounts 2008	Fair value 2008
			€m			
US\$ .....	(1,243.8)	(1,250.1)	(699.5)	(485.9)	(777.9)	(317.8)
Sterling .....	(64.4)	(64.4)	(40.8)	(40.6)	(47.2)	(47.1)
	<b>(1,308.2)</b>	<b>(1,314.5)</b>	<b>(740.3)</b>	<b>(526.5)</b>	<b>(825.1)</b>	<b>(364.9)</b>

For the year ended 31 December 2010 losses totalling €73.8 million were taken directly to reserves and reported in the Statement of Comprehensive Income for the year then ended (2009: gains €13.9 million, 2008: losses €40.0 million). There was no ineffectiveness recognised in the income statement for the year ended 31 December 2010 (2009: €nil, 2008: €nil).

## 26.f Market risk

### Financial risk management

Market risk reflects the possibility that changes in market prices, such as crude oil, feedstock refined products, chemicals or currency exchange rates or changes in interest rates will adversely affect the value of the Group's assets, liabilities or expected future cash flows. The Group holds interest rate swaps, forward foreign exchange contracts, currency swaps and commodity contracts in order to manage market risk. The use of derivative instruments is confined to specialist teams that have the appropriate skills, experience, supervision, control and reporting systems.

#### (i) Market risk—Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Sterling.

Foreign exchange risk arises from net investments in foreign operations, future commercial transactions, and recognised assets and liabilities.

The Group applies hedge accounting to foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item is considered to form part of a net investment in a foreign operation and changes in the fair value are recognised directly within equity.

A substantial portion of the Group's revenue is generated in, or linked to, the US dollar and the euro. In the refining business the prices of finished products and of the underlying raw materials are primarily denominated in US dollars, while the costs are largely denominated in euros and sterling. In the European petrochemical business, product prices, certain feedstock costs and most other costs are denominated in euro and sterling. In the US petrochemical and specialty chemicals businesses, product prices, raw materials costs and most other costs are primarily denominated in US dollars.

The Group generally does not enter into foreign currency exchange instruments to hedge foreign currency transaction exposure, although the Group has done so in the past and may do so in the future. The Group benefits from natural hedging, to the extent that currencies in which net cash flows are generated from the Group's operations, are matched against long-term indebtedness.

The foreign currency exposure where the Group's financial assets / (liabilities) are not denominated in the functional currency of the operating unit involved is shown below. Foreign exchange differences on retranslation of these assets and liabilities are taken to the income statement of the Group.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
		€m	
Euros.....	226.9	223.3	36.8
US Dollars .....	(1,331.2)	(570.6)	(634.7)
Sterling.....	(109.4)	(586.8)	(215.5)
Other.....	61.4	2.7	2.4
	<u>(1,152.3)</u>	<u>(931.4)</u>	<u>(811.0)</u>

#### *Sensitivity analysis*

A 10% percent weakening of the following currencies at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for the comparative period.

	<u>Equity</u>			<u>Profit or loss</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
				€m		
Euros.....	130.8	74.0	71.9	(15.6)	19.1	9.2
US Dollars .....	124.4	70.0	67.2	8.7	(12.9)	(3.7)
Sterling.....	6.4	4.1	4.7	4.5	54.6	16.8
Other.....	—	—	—	(6.1)	(0.3)	(0.2)

A 10% percent strengthening of the above currencies against the euro at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### **(ii) Market risk—Interest rate risk**

##### *Profile*

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
		€m	
<b>Carrying amount—asset / (liability)</b>			
<b>Fixed rate instruments</b>			
Financial assets .....	242.3	211.9	172.5
Financial liabilities.....	(2,741.7)	(2,142.2)	(2,271.7)
	<u>(2,499.4)</u>	<u>(1,930.3)</u>	<u>(2,099.2)</u>

##### **Variable rate instruments**

Financial assets .....	599.2	662.1	651.8
Financial liabilities.....	(4,601.1)	(5,607.1)	(5,677.7)
	<u>(4,001.9)</u>	<u>(4,945.0)</u>	<u>(5,025.9)</u>

### Sensitivity analysis

A change of 1% in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for 2010, 2009 and 2008.

	2010	2009	2008
	€m		
<b>Equity</b>			
Increase.....	—	—	—
Decrease.....	—	—	—
<b>Profit or loss</b>			
Increase in interest rates by 1% .....	(40.6)	(49.4)	(51.8)
Decrease in interest rates by 1% .....	40.6	49.4	51.8

### (iii) Market risk—Commodity price risk

The Group is exposed to commodity price risk through fluctuations in raw material prices and sales of products. The raw material exposures result primarily from the price of crude oil and base chemicals linked to the price of crude. The sales price exposures are primarily related to petrochemicals where prices are in general linked to the market price of crude oil.

The Group enters into contracts to supply or acquire physical volumes of commodities at future dates during the normal course of business that may be considered derivative contracts. Where such contracts exist and are in respect of the normal purchase or sale of products to fulfil the Group's requirements, the own use exemption from derivative accounting is applied.

The Group manages commodity price exposures through trading crude oil, refined products and chemical feedstock and using commodity swaps, options and futures as a means of managing price and timing risks. The Group operates within procedures and policies designed to ensure that risks, including those relating to the default of counterparties, are minimised. At 31 December 2010 the Group had swap and option contracts with a nominal exposure to purchase 4.8 million barrels of crude oil and other commodities (2009: 1.4 million barrels, 2008: 19.8 million barrels) and no nominal exposure to sell the refined product generated from those barrels of crude oil (2009: 1.4 million barrels, 2008: 19.8 million barrels).

A 10 percent increase/decrease in commodity prices at the reporting date would have decreased/increased the loss for the year by:

	2010	2009	2008
	€m		
<b>Equity</b>			
Increase in commodity prices by 10% .....	—	—	6.3
Decrease in commodity prices by 10% .....	—	—	(6.3)
<b>Profit or loss</b>			
Increase in commodity prices by 10% .....	(18.2)	(25.3)	(16.7)
Decrease in commodity prices by 10% .....	14.4	25.3	16.7

Management consider that a change of 10 percent gives an appropriate benchmark to assess the risks that the Group might reasonably be exposed to. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular foreign currency rates,

remain constant. The analysis is performed on the same basis for 31 December 2008, 31 December 2009 and 31 December 2010.

**(iv) Market risk—Equity price risk**

The Group’s exposure to equity price risk arises from its investment in equity securities which are classified as available for sale financial assets and are shown on the consolidated balance sheet as other financial assets. Available for sale financial assets are accounted for at fair value based on the present value of future cash flows where such information is readily available. However, as explained in Note 15, the Group’s available for sale financial assets include certain equity interests which are not quoted and for which there is no active market. In these circumstances, in the absence of reliable information, the Group considers that a reliable determination of fair value is not practicable and such investments are recorded at their acquisition cost. The fair value has therefore been presented as the equivalent to the carrying value at the reporting date. The remainder of available for sale financial assets are valued at fair value based on the present value of future cash flows estimated from financial information made available during the year as a result of a recent transaction in the investment.

For the available for sale investments carried at fair value a 10 percent increase and decrease in transaction prices at the reporting date would have decreased and increased the loss for the year by €4.6 million (2009: €46 million). Management consider that a change of 10 percent gives an appropriate benchmark to assess the risks that the Ineos Group is expected to be exposed to. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

**26.g Capital management**

The Group’s objectives for managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines its capital employed of €6,306.9million (2009: €6,517.1 million, 2008: €7,351.7 million) as shareholders’ equity of €(436.7) million (2009: €(50.1) million, 2008: €54.1 million) and net debt (net of debt issue costs) of €6,743.6 million (2009: €7,087.2 million, 2008: €297.6 million).

The principal sources of debt available to the Group at 31 December 2010 include the Senior Facilities Agreement, Senior Secured Notes, Senior Notes and Receivables Securitisation Facility and are described in Note 20 along with the key operating and financial covenants that apply to these facilities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt or sell assets to reduce debt. The ability of the Group to pay dividends and provide appropriate facilities to the Group is restricted by the terms of principal financing agreements to which members of the Group are party.

**27. OPERATING LEASES**

Non-cancellable operating lease rentals are payable as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	€m		
Less than one year .....	83.1	81.3	116.3
Between one and five years .....	353.3	295.3	369.5
More than five years .....	74.1	255.3	220.0
	<u>510.5</u>	<u>631.9</u>	<u>705.8</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

**(FORMING PART OF THE FINANCIAL STATEMENTS)**

**27. OPERATING LEASES**

The Group has certain operating lease arrangements in respect of manufacturing facilities and combined heat and power plants where the Group has the option to acquire at fair value or depreciated cost to the lessor in certain circumstances either during the life of the lease or at the end of the lease term.

**28. CAPITAL COMMITMENTS**

Outstanding capital expenditure authorised by the Board and for which contracts had been placed as at 31 December 2010 by the Group amounted to approximately €6.5 million (2009: €98.4 million, 2008: €60.9 million).

**29. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2010	2009	2008
	€m		
Increase/(decrease) in cash and cash equivalents in the year.....	(70.1)	20.2	(295.8)
Cash outflow from change in debt financing.....	342.7	212.8	325.0
Change in net debt resulting from cash flows.....	272.6	233.0	29.2
Ineos Vinyls Senior Notes disposed of with subsidiary.....	161.2	—	—
Finance leases acquired/disposed of with subsidiary.....	3.9	7.1	—
Other net non-cash transactions.....	(162.4)	121.0	(59.2)
<b>Movement in net debt in year .....</b>	<b>275.3</b>	<b>361.1</b>	<b>(30.0)</b>

	1 Jan 2008	Cash Flow	Other Non Cash Changes	31 Dec 2008
	€m			
Cash at bank and in hand.....	951.4	(295.8)	(3.8)	651.8
Debt due within one year.....	(225.1)	(410.0)	(7.2)	(642.3)
Debt due after more than one year.....	(8,160.0)	732.2	(48.6)	(7,476.4)
Finance leases.....	(24.1)	2.8	0.4	(20.9)
	(8,409.2)	325.0	(55.4)	(8,139.6)
<b>Net debt.....</b>	<b>(7,457.8)</b>	<b>29.2</b>	<b>(59.2)</b>	<b>(7,487.8)</b>

	1 Jan 2009	Cash Flow	Disposals	Other Non Cash Changes	31 Dec 2009
	€m				
Cash at bank and in hand.....	651.8	20.2	—	(9.9)	662.1
Debt due within one year.....	(642.3)	(167.7)	—	(27.8)	(837.8)
Debt due after more than one year.....	(7,476.4)	378.9	—	158.0	(6,939.5)
Finance leases.....	(20.9)	1.6	7.1	0.7	(11.5)
	(8,139.6)	212.8	7.1	130.9	(7,788.8)
<b>Net debt.....</b>	<b>(7,487.8)</b>	<b>233.0</b>	<b>7.1</b>	<b>121.0</b>	<b>(7,126.7)</b>

	1 Jan 2010	Cash Flow	Disposals	Other Non Cash Changes	31 Dec 2010
	€m				
Cash at bank and in hand.....	662.1	(70.1)	—	7.2	599.2
Debt due within one year.....	(837.8)	239.8	—	196.5	(401.5)
Debt due after more than one year.....	(6,939.5)	102.7	161.2	(365.7)	(7,041.3)

	1 Jan 2010	Cash Flow	Disposals	Other Non Cash Changes	31 Dec 2010
Finance leases .....	(11.5)	0.2	3.9	(0.4)	(7.8)
	<u>(7,788.8)</u>	<u>342.7</u>	<u>165.1</u>	<u>(169.6)</u>	<u>(7,450.6)</u>
<b>Net debt.....</b>	<b><u>(7,126.7)</u></b>	<b><u>272.6</u></b>	<b><u>165.1</u></b>	<b><u>(162.4)</u></b>	<b><u>(6,851.4)</u></b>

### 30. RELATED PARTIES

#### *Identity of related parties with which the Group has transacted*

##### *Related parties comprise:*

- Parent entities and their subsidiaries not included within the Ineos Group Holdings plc group;
- Entities controlled by the shareholders of Ineos AG, the ultimate parent company of Ineos Group Holdings plc; and
- Key management personnel

Mr JA Ratcliffe, Mr AC Currie and Mr J Reece are partners in Ineos Capital Partners. Ineos Capital Partners provides operational management services to the Group through a management services agreement. The management services agreement was novated from Ineos Capital Partners to Ineos AG in April 2010. Ineos AG (previously Ineos Capital Partners) management fees of €67.4 million (2009: €65.8 million, 2008: €79.9 million) were charged to the income statement during the year. The Group recovered costs of €nil million (2009: €0.2 million, 2008: €1.2 million). At 31 December 2010 amounts owed to Ineos AG (previously Ineos Capital Partners) were €54.1 million (2009: €4.1 million, 2008: €21.9 million). Amounts due from Ineos AG were €6.8 million (2009: €nil, 2008: €44.1 million).

Ineos AG owns and controls Kerling plc. The Group has made sales to the Kerling Group of €16.9 million (2009: €47.4 million), recovered costs of €7.5 million (2009: €nil million) and made purchases of €0.9 million (2009: €nil million). €2.0 million (2009: €18.1 million) was owed by and €15.5 million (2009: €12.9 million) was owed to the Kerling Group.

Ineos AG owns and controls Ineos Industries Limited. The Group has made sales to the Ineos Industries Group of €424.4 million (2009: €71.1 million), recovered costs of €11.1 million (2009: €2.7 million) and made purchases of €14.1 million (2009: €6.2 million). €8.0 million (2009: €200.0 million) was owed by and €52.9 million (2009: €84.5 million) was owed to the Ineos Industries Group.

The Group has entered into a number of leases for office space with Ineos Capital Limited on terms no less favourable to us than what we would expect to negotiate with disinterested third parties. The Group currently pay rent and service charges of approximately €2.1 million per year.

There were a number of transactions with joint ventures, all of which arose in the normal course of business. The Group has made sales to joint ventures of €157.8 million (2009: €162.9 million, 2008: €383.3 million) recovered costs of €13.7 million (2009: €38.7 million, 2008: €35.1 million) and made purchases of €111.7 million (2009: €429.4 million, 2008: €29.6 million). At 31 December, 2010 €32.4 million (2009: €32.5 million, 2008: €46.4 million) was owed by joint ventures and €33.6 million (2009: €43.7 million, 2008: €36.3 million) was owed to joint ventures.

#### *Compensation to key management personnel (including directors)*

The Group defines key management as the directors of the Company. Details of Directors' remuneration are given in Note 8.

#### *Other transactions with related parties*

Ineos Limited and its subsidiaries operate certain benefits for designated employees for which no charge is made to Ineos Group Holdings plc. No charge is made in the financial statements for these transactions:

1. The Group operates a number of pension plans throughout the world. Further details of the schemes are given in Note 22.
2. The Group operates an incentive plan (refer Note 1) for certain employees. Directors are excluded from this scheme. The Directors have determined that any charge calculated in accordance with IFRS 2 (revised) would be immaterial.

### **31. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent undertaking is Ineos Group Limited. The ultimate parent undertaking at 31 December 2010 was Ineos AG, a company registered in Switzerland. The ultimate controlling party is Mr JA Ratcliffe, director and majority shareholder of the ultimate parent undertaking.

### **32. SUBSEQUENT EVENTS**

On 31 January 2011 the Group received an irrevocable offer from PetroChina of \$1,015 million for a 50% share of the Refining business. The transaction is expected to close on 31 May 2011 after a period of employee consultation and the required regulatory approvals have been obtained.

In January 2011 the Group completed a further internal restructuring to incorporate further holding and operating companies in Luxembourg and Switzerland. As part of this reorganisation the obligations of the Company as Issuer of the Senior Notes Due 2016 were transferred to Ineos Group Holdings S.A., a company registered in Luxembourg. On 10 February 2011 the Company re-registered as a Limited company.

### **33. ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Group prepares its consolidated financial statements in accordance with IFRSs, which require management to make judgements, estimates and assumptions which affect the application of the accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates change and in any future periods.

The following areas are considered to involve a significant degree of judgement or estimation:

#### ***Fair value measurement on business combination***

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets and liabilities acquired. The determination of the fair value of the acquired assets and liabilities is to a considerable extent based upon management's judgement, and estimates and assumptions made.

Allocation of the purchase price affects the results of the Group as intangible assets are amortised over their estimated useful lives, whereas goodwill, is not amortised. This could lead to differing amortisation charges based on the allocation to indefinite and finite lived intangible assets.

On acquisition of a business, the identifiable intangible assets may include customer contracts, customer relationships and preferential supply contracts. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset. The use of different estimates and assumptions for the expectations of future cash flows and the discount rate would change the valuation of these intangible assets.

The carrying amount of intangibles is disclosed in Note 12.

#### ***Taxation***

Management is required to estimate the tax payable in each of the jurisdictions in which the Group operates. This involves estimating the actual current tax charge or credit together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which may be included on the consolidated balance sheet of the Group. Management have performed an assessment as to the



extent to which future taxable profits will allow the deferred asset to be recovered. The calculation of the Group's total tax charge necessarily involves a significant degree of estimation in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority, or, as appropriate, through a formal legal process.

The Group has, from time to time, contingent tax liabilities arising from trading and corporate transactions in the UK and overseas jurisdictions. After appropriate consideration, management makes provision for these liabilities based on the probable level of economic loss that may be incurred and which is reliably measurable.

The breadth of the Group's structure with operations in many geographic locations makes the use of estimates and assumptions more challenging. The resolution of issues is not always within the control of the Group and can be reliant upon the efficiency of the legal processes in the relevant jurisdictions in which the Group operates, and as a result, issues can, and often do take many years to resolve.

Details of amounts recognised with regard to taxation are disclosed in Notes 10 and 17.

### ***Post-retirement benefits***

The Group operates a number of defined benefit post employment schemes. Under IAS 19 Employee Benefits, management is required to estimate the present value of the future defined benefit obligation of each of the defined benefit schemes. The costs and year end obligations under defined benefit schemes are determined using actuarial valuations. The actuarial valuations involve making numerous assumptions, including:

- Future rate of increase in salaries;
- Inflation rate projections
- Discount rate for scheme liabilities;
- Expected rates of return on the scheme assets.

Details of post-retirement benefits are set out in Note 22.

### ***Provisions***

Provisions are recognised for the cost of remediation works where there is a legal or constructive obligation for such work to be carried out. Where the estimated obligation arises upon initial recognition of the related asset, the corresponding debit is treated as part of the cost of the related asset and depreciated over its estimated useful life.

Other provisions are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events that can be reasonably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances, which can be subject to change.

Estimates of the amounts of provisions recognised are based on current legal and constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

In relation to remediation costs, the estimated interest rate used in discounting the cash flows is reviewed at least annually. The interest rate used to determine the obligation in the balance sheet at 31 December 2010 was 8% (2009: 9%, 2008: 8.0%) .

The nature and amount of provisions included within the financial statements are detailed in Note 23.

### ***Impairment reviews***

IFRSs require management to test for impairment of goodwill and other intangible assets with indefinite lives, on an annual basis, and of tangible and intangible assets with finite lives if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

An impairment test requires an assessment as to whether the carrying value of assets can be supported by its recoverable amount. Management calculates the recoverable amount based on the net present value of the future cash flows derived from the relevant assets, using cash flow projections which have been discounted at an appropriate discount rate.

In calculating the net present value of the future cash flows, certain assumptions and estimates are required to be made in respect of highly uncertain matters, including management's expectations of:

- Growth rates of various revenue streams;
- Long term growth rates;
- Future margins;
- The selection of an appropriately risk adjusted discount rate; and
- The determination of terminal values.

Changing the assumptions selected by management, in particular the discount rate used in the present value calculation, could significantly affect the Group's impairment evaluation and results.

The Group has property, plant and equipment with a carrying value of €4,402.3 million (2009: €5,093.2million, 2008: €5,440.6 million) as disclosed in Note 11 and intangible assets with a carrying value of €993.8million (2009: €949.6 million, 2008: €1,046.6 million) as disclosed in Note 12. All of these assets are assessed annually for impairment as described above.

For the purpose of impairment testing (when required), to assess whether any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. Actual outcomes could vary significantly from such estimates of discounted future cash flows. Factors such as changes in the planned use of buildings, plant or equipment, or closure of facilities, the presence or absence of competition, lower than expected asset utilisation from events such as unplanned outages, strikes and hurricanes, technical obsolescence or lower than anticipated sales of products with capitalised intellectual property rights could result in shortened useful lives or impairment. Changes in the discount rates used could also lead to impairments.

Further details on the impairment review performed on the goodwill and intangible assets are provided in Note 12, including sensitivity analysis in relation to key assumptions.

### ***Segment aggregation***

IFRS 8 "Operating Segments" permits two or more operating segments to be aggregated into one for disclosure purposes when individual segments have characteristics so similar that they can be expected to have essentially the same future prospects. Management apply this judgement when aggregating the businesses within the Chemical Intermediates segment. In doing so they take into account that the businesses all have similar economic characteristics, similar products, services and types of customer and similar past cyclical financial performance.

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

	<b>Three-Month Period</b>	
	<b>Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
	<i>(€ in millions)</i>	
<b>Revenue</b> .....	<b>4,468.8</b>	<b>4,704.6</b>
Cost of sales .....	(4,030.2)	(4,222.2)
<b>Gross profit</b> .....	<b>438.6</b>	<b>482.4</b>
Distribution costs .....	(59.5)	(67.9)
Administrative expenses before exceptional items .....	(58.5)	(59.3)
<b>Operating profit</b> .....	<b>320.6</b>	<b>355.2</b>
Share of profit / (loss) of associates and jointly controlled entities using the equity accounting method .....	6.5	21.7
<b>Profit before net finance costs</b> .....	<b>327.1</b>	<b>376.9</b>
Finance income .....	9.9	6.1
Finance costs .....	(157.5)	(147.6)
<b>Profit before tax</b> .....	<b>179.5</b>	<b>235.4</b>
Tax charge.....	(86.5)	(70.7)
<b>Profit for the period</b> .....	<b>93.0</b>	<b>164.7</b>

The notes on the following pages are an integral part of this consolidated financial information.

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

	<b>Three-Month Period Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
	<i>(€ in millions)</i>	
<b>Profit for the period .....</b>	93.0	164.7
<b>Other comprehensive income:</b>		
Foreign exchange translation differences net of tax.....	(85.0)	39.9
Net gain/(loss) on hedge of net investment in foreign operations net of tax .....	32.5	(35.6)
<b>Other comprehensive income for the period net of tax.....</b>	<b>(52.5)</b>	<b>4.3</b>
<b>Total comprehensive income for the period.....</b>	<b>40.5</b>	<b>169.0</b>

The notes on the following pages are an integral part of this consolidated financial information.

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

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
	<b>(Unaudited)</b>	
	<i>(€ in millions)</i>	
<b>Non-current assets</b>		
Property, plant and equipment.....	3,195.2	3,093.8
Intangible assets.....	689.4	673.2
Investments in equity-accounted investees.....	427.4	423.2
Other investments.....	185.5	175.9
Other financial assets.....	51.2	51.0
Other receivables.....	211.7	164.8
Deferred tax assets.....	505.9	507.4
	<u>5,266.3</u>	<u>5,089.3</u>
<b>Current assets</b>		
Inventories.....	1,528.7	1,392.2
Trade and other receivables.....	2,091.5	1,908.7
Other financial assets.....	0.5	0.5
Cash and cash equivalents.....	1,034.3	1,235.4
	<u>4,655.0</u>	<u>4,536.8</u>
<b>Total assets.....</b>	<b><u>9,921.3</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.....	(1,479.7)	(1,427.2)
Retained earnings.....	(18.1)	(111.1)
<b>Total equity.....</b>	<b><u>(717.5)</u></b>	<b><u>(758.0)</u></b>
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings.....	7,418.9	7,272.2
Trade and other payables.....	124.5	120.3
Employee benefits.....	698.2	702.5
Provisions.....	18.3	19.4
Deferred tax liabilities.....	179.7	170.8
	<u>8,439.6</u>	<u>8,285.2</u>
<b>Current liabilities</b>		
Interest-bearing loans and borrowings.....	17.1	16.7
Trade and other payables.....	1,942.0	1,909.0
Tax payable.....	223.0	157.4
Other financial liabilities.....	1.6	0.3
Provisions.....	15.5	15.5
	<u>2,199.2</u>	<u>2,098.9</u>
<b>Total liabilities.....</b>	<b><u>10,638.8</u></b>	<b><u>10,384.1</u></b>
<b>Total equity and liabilities.....</b>	<b><u>9,921.3</u></b>	<b><u>9,626.1</u></b>

The notes on the following pages are an integral part of this consolidated financial information.

**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 .....	-	-	-	93.0	93.0
<b>Other comprehensive income:</b>					
Foreign exchange translation differences .....	-	-	(85.0)	-	(85.0)
Net gain on hedge of net investment in foreign operations.....	-	-	32.5	-	32.5
<b>Balance at 31 March 2013 .....</b>	<b>0.9</b>	<b>779.4</b>	<b>(1,479.7)</b>	<b>(18.1)</b>	<b>(717.5)</b>
	<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 .....	-	-	-	164.7	164.7
<b>Other comprehensive income:</b>					
Foreign exchange translation differences .....	-	-	39.9	-	39.9
Net loss on hedge of net investment in foreign operations.....	-	-	(35.6)	-	(35.6)
<b>Balance at 31 March 2012 .....</b>	<b>0.9</b>	<b>779.4</b>	<b>(1,298.9)</b>	<b>365.1</b>	<b>(153.5)</b>

The notes on the following pages are an integral part of this consolidated financial information.

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

	<b>Three-Month Period</b>	
	<b>Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
	<i>(€ in millions)</i>	
<b>Cash flows from operating activities</b>		
Profit for the period .....	93.0	164.7
Adjustments for:		
Depreciation and impairment .....	94.5	110.1
Net finance costs.....	147.6	141.5
Share of (profits)/losses of equity-accounted investees .....	(6.5)	(21.7)
Tax charge/(credit) .....	86.5	70.7
(Increase)/decrease in trade and other receivables .....	(199.6)	(323.4)
(Increase)/decrease in inventories .....	(119.9)	(251.7)
Increase/(decrease) in trade and other payables .....	63.0	349.0
(Decrease)/increase in provisions and employee benefits .....	(7.4)	(13.6)
Tax received/(paid).....	(14.5)	(11.0)
<b>Net cash from operating activities .....</b>	<b>136.7</b>	<b>214.6</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment.....	-	-
Interest and other finance income received .....	2.1	1.9
Dividends received .....	-	-
Disposal of businesses, net of cash disposed of .....	-	-
Acquisition of subsidiaries, net of cash acquired .....	-	-
Acquisition of property, plant and equipment .....	(159.8)	(104.8)
Acquisition of other investments .....	(0.2)	-
<b>Net cash used in investing activities.....</b>	<b>(157.9)</b>	<b>(102.9)</b>
<b>Cash flows from financing activities</b>		
Securitisation Facility.....	-	50.6
Revolving Credit Facility.....	-	136.0
Proceeds from new Senior Secured Notes .....	-	1,262.5
Proceeds from new Senior Secured Term Loans .....	-	-
Redemption of Senior Facilities Agreement.....	-	(1,231.2)
Issue costs .....	-	(35.5)
Interest paid.....	(167.9)	(204.2)
Repayment of loans .....	(5.8)	-
Capital element of finance lease payment .....	(0.5)	-
<b>Net cash used in financing activities .....</b>	<b>(174.2)</b>	<b>(21.8)</b>
Net increase/(decrease) in cash and cash equivalents .....	(195.4)	89.9
Cash and cash equivalents at 1 January .....	1,235.4	582.4
Effect of exchange rate fluctuations on cash held .....	(5.7)	(2.0)
<b>Cash and cash equivalents at March 31.....</b>	<b>1,034.3</b>	<b>670.3</b>

The notes on the following pages are an integral part of this consolidated financial information.

**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 March 31, 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.

**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,	
	2013	2012
	<i>(€ in millions)</i>	
<i>Revenue</i>		
O&P North America	866.2	917.0
O&P Europe	2,024.2	2,064.3
Chemical Intermediates	2,235.4	2,693.4
Eliminations	(657.0)	(970.1)
	4,468.8	4,704.6
 <i>EBITDA before exceptionals</i>		
O&P North America	247.8	175.3
O&P Europe	22.3	56.6
Chemical Intermediates	145.0	233.4
	415.1	465.3

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,	
	2013	2012
	<i>(€ in millions)</i>	
EBITDA before exceptionals	415.1	465.3
Depreciation and amortisation	(94.5)	(110.1)



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

Operating profit	320.6	355.2
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**4. FINANCE COSTS**

	Three-Month Period Ended March 31,	
	2013	2012
<i>(€ in millions)</i>		
Interest payable on senior notes	92.1	70.4
Interest payable on bank loans and overdrafts	37.1	52.1
Interest payable on securitisation	4.6	5.9
Amortisation of issue costs	6.7	15.8
Other finance charges	8.8	16.6
Net fair value loss/(gain) on derivatives	1.3	(12.7)
Finance costs before exchange movements	150.6	148.1
Exchange movements	6.9	(0.5)
<b>Total finance costs</b>	<b>157.5</b>	<b>147.6</b>

**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 losses from the share of associates and jointly controlled entities the effective tax rate of approximately 50% for the first three 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 33% which reflected the anticipated tax rate for the full year.

**6. INVENTORIES**

	March 31, 2013	December 31, 2012
<i>(€ in millions)</i>		
Raw materials and consumables	502.0	497.4
Work in progress	30.0	28.4
Finished products	996.7	866.4
	1,528.7	1,392.2

**7. BORROWINGS**

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

	March 31, 2013	December 31, 2012
<i>(€ in millions)</i>		
<b>Non-current liabilities</b>		
Senior Secured Term Loans .....	2,282.3	2,225.1
Senior Secured Notes due 2015 .....	737.2	721.3
Senior Secured Notes due 2019 .....	1,252.8	1,225.3
Senior Secured Notes due 2020 .....	596.3	575.6
Senior Notes .....	2,045.4	2,026.2
Securitisation Facility .....	496.5	490.0
Finance lease liabilities .....	7.3	7.6
Other loans .....	1.1	1.1
	7,418.9	7,272.2

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

**BORROWINGS (Continued)**

	March 31, 2013	December 31, 2012
<b>Current liabilities</b>		
Current portion of borrowings under Senior Secured Term Loans .....	15.2	14.7
Current portion of finance lease liabilities.....	1.9	2.0
	<u>17.1</u>	<u>16.7</u>

	March 31, 2013		
	Gross loans and borrowings	Issue costs	Net loans and borrowings
	<i>(€ in millions)</i>		
Senior Secured Term Loans .....	2,334.6	(37.1)	2,297.5
Senior Secured Notes due 2015.....	746.0	(8.8)	737.2
Senior Secured Notes due 2019.....	1,282.4	(29.6)	1,252.8
Senior Secured Notes due 2020.....	606.4	(10.1)	596.3
Senior Notes .....	2,062.2	(16.8)	2,045.4
Securitisation Facility.....	498.0	(1.5)	496.5
Other.....	10.3	-	10.3
	<u>7,539.9</u>	<u>(103.9)</u>	<u>7,436.0</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 .....	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
		LIBOR / EURIBOR	
Senior Secured Term Loans .....	\$/€	plus 4.25%-5.5%	2015-2018
Senior Secured Notes .....	\$/€	7.5%-9.25%	2015-2020
Floating Rate Senior Secured Notes .....	€	EURIBOR plus 6%	2019
Senior Notes.....	\$/€	7.9%-8.5%	2016
Securitisation Facility .....	\$/€/£	Variable	2014
Other .....	€/¥	7.0 – 9.0%	2012-2016

**Senior Secured Term Loans**

The Company has borrowings under a new senior facilities agreement (the “Senior Secured Term Loans”) which consists 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”). The Senior Secured Term Loans outstanding at March 31, 2013 before issue costs were €2,334.6 million, of which €15.2 million is due within one year. The total amounts outstanding on the Short-Dated Dollar Term Loans were €290.4 million, Euro Term Loans were €495.0 million and Dollar Term Loans were €1,549.2 million

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

**7. 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 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 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 1.25% 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 1.25% per annum) plus the Applicable Margin.

The Applicable Margin for the Euro Term Loans is 5.50%, the Short-Dated Dollar Term Loans is 4.25% and the Dollar Term Loans is 5.25%. In May 2013 the margins on the Term Loans were revised (see note 10).

The Senior Secured Term Loans rank pari passu with the Senior Secured Notes due 2015, the Senior Secured Notes due 2019, the Senior Secured Notes due 2020 and are structurally senior to the Senior Notes. 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 term loans are stated net of debt issue costs of €37.1 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 \$1,000m Senior Secured Notes due 2019 and €500m 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.

**7. BORROWINGS (Continued)**

***Senior Secured Notes due 2015***

The Senior Secured Notes due 2015 are listed on the Luxembourg Stock Exchange and comprise €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 bear 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. Unless previously redeemed as noted below, the Senior Secured Notes due 2015 will be redeemed by the Group at their principal amount on May 15, 2015.

The Senior Secured Notes due 2015 will be subject to redemption at any time on or after May 15, 2013, 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 May 15, of the years indicated below:

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

<b>Year</b>	<b>Secured Euro Notes Redemption Price</b>	<b>Secured Dollar Notes Redemption Price</b>
2013 .....	104.625%	104.500%
2014 and thereafter .....	100.000%	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 2015 were redeemed in full on May 15, 2013 (see note 10).

The Senior Secured Notes due 2015 rank pari passu with the Term Loans under the Senior Facilities Agreement and the Senior Secured Notes due 2019 and are structurally senior to the Senior Notes. 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 2015 are stated net of debt issue costs of €8.8 million (December 31, 2012: €9.8 million). These costs are allocated to the profit and loss account over the term of the Senior Secured Notes due 2015.

**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.

**7. BORROWINGS (Continued)**

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>
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**INEOS GROUP HOLDINGS**  
**NOTES TO THE FINANCIAL STATEMENTS (Unaudited)**

2015 .....	106.281%
2016 .....	104.188%
2017 .....	102.094%
2018 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 2019 rank pari passu with the Term Loans under the Senior Facilities Agreement and the Senior Secured Notes due 2015 and are structurally senior to the Senior Notes. 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 €29.6 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.

**7. BORROWINGS (Continued)**

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 .....	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 2020 rank pari passu with the Senior Secured Term Loans, the Senior Secured Notes due 2015 and the Senior Secured Notes due 2019 and are structurally senior to the Senior Notes. 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 2020 are stated net of debt issue costs of €10.1 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**

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

The Senior Notes are listed on the Luxembourg Stock Exchange and comprise €1,532.1 million (December 31, 2012: €1,532.1 million) Senior Notes due 2016 (the “EuroNotes”) and \$677.5 million (December 31, 2012: \$677.5 million) Senior Notes due 2016 (the “Dollar Notes”). The Senior Notes bear interest at 7.875% per annum for the Euro Notes and 8.5% 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 will be redeemed by the Group at their principal amount on 15 February 2016.

The Senior Notes are subject to redemption at the option of the Group, in whole or in part, at the following redemption prices (expressed as percentages of the principal amount), if redeemed during the 12-month period beginning 15 February of the years indicated below:

<b>Year</b>	<b>Euro Notes redemption price</b>	<b>Dollar Notes redemption price</b>
2012 .....	102.625%	102.833%
2013 .....	101.313%	101.417%
2014 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 Dollar Notes were redeemed in full on May 15, 2013 (see note 10).

**7. BORROWINGS (Continued)**

The Senior Notes are secured by junior pledges of all of the shares of INEOS Holdings Limited. The Senior Notes 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 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 are stated net of debt issue costs of €16.8 million (December 31, 2012: €18.3 million). These costs are allocated to the profit and loss account over the term of the Senior Notes in accordance with IAS 39 – Financial Instruments: Recognition and Measurement.

**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 March 31, 2013 was €498.0million (December 31, 2012: €492.0 million).

The Receivables Securitisation Facility is stated net of debt issue costs of €1.5 million (December 31, 2012: €2.0 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**

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 €18.6 million (March 31, 2011: €18.4 million) were charged to the income statement during the three month period ended March 31, 2013. As at March 31, 2013 amounts owed to INEOS AG were €23.8 million (March 31, 2012: €57.0 million). Amounts due from INEOS Group AG, a wholly owned subsidiary of INEOS AG, were €5.8 million (March 31, 2012: €nil million).

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

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 March 31, 2013 the Group has made sales to these subsidiaries of €95.6 million (March 31, 2012: €123.9 million), recovered costs of €92.3 million (March 31, 2012: €17.0 million) and made purchases of €27.5 million (March 31, 2012: €23.5 million). At March 31, 2013, €201.4 million (March 31, 2012: €214.4 million) was owed by and €11.2 million (March 31, 2012: €6.8 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.

The Refining joint ventures are between PetroChina and INEOS Investments (Jersey) Limited, a related party. During the three month period ended March 31, 2013 the Group has made sales to the Refining joint ventures of €590 million (March 31, 2012: €97.5 million), recovered costs of €100.1 million (March 31, 2012: €0.1 million) and made purchases of €72.5 million (March 31, 2012: €10.8 million).

**9. RELATED PARTIES (Continued)**

As at March 31, 2013, €33.9 million (March 31, 2012: €65.9 million) was owed by the Refining joint ventures and €87.3 million (March 31, 2012: €212.0 million) was owed to the Refining joint ventures.

Styrolution is a joint venture between INEOS and BASF. During the three month period ended March 31, 2013 the Group has made sales to the Styrolution joint venture of €67.5 million (March 31, 2012: €104.3 million), recovered costs of €12.8 million (March 31, 2012: €3.5 million) and made purchases of €2.9 million (March 31, 2012: €29.2 million). As at March 31, 2013, €60.1 million (March 31, 2012: €54.0 million) was owed by the Styrolution joint venture and €0.5 million (March 31, 2012: €0.1 million) was owed to the Styrolution joint venture.

During the three month period ended March 31, 2013 the Group has made sales to other joint ventures of €0.0 million (March 31, 2012: €2.5 million), recovered costs of €2.5 million (March 31, 2012: €0.3 million) and made purchases of €35.5 million (March 31, 2012: €21.8 million). As at March 31, 2013, €81.7 million (March 31, 2012: €29.0 million) was owed by other joint ventures and €26.7 million (March 31, 2012: €0.2 million) was owed to other joint ventures.

**10. SUBSEQUENT EVENTS**

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 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. These proceeds were used to reduce the cost of borrowing on the Group's existing senior secured term loans. In addition, proceeds from the €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 Group reduced the cost of its existing \$371 million, two-year facility to LIBOR+2.00% (previously 4.25%). The existing \$1.977 billion, five-year facility, along with the \$640 million add-on, priced at LIBOR+3.00% (previously, for the existing facility, 5.25%), with a 1 percent LIBOR floor (previously, for the existing facility, 1.25%). This also includes a step-down to LIBOR+2.75% when the Group's net leverage hits 3.75 times. The existing €494 million, five-year facility, and €350 million add-on priced at EURIBOR+3.25% (previously, for the existing facility, 5.50%), with a 1 percent floor (previously, for the existing facility, 1.25%), with a step-down to EURIBOR+3.00% when net leverage drops to 3.75 times.

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 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).

In connection with the recently announced proposed business combination of our affiliate, Kerling plc, with Solvay S.A., the Group intends to purchase from Kerling its 50% interest in our Rafnes cracker in Norway, giving us 100% ownership of that cracker. We expect the purchase price for the interest to be between €200 million and €250 million, which we intend to fund using cash on hand. The purchase of the interest in the cracker is subject to successful completion of the transaction by Kerling, which is itself subject to various conditions, including competition approvals.

## GLOSSARY OF SELECTED TERMS

Term	Definition
Acetone.....	Byproduct of the production of phenol. Is used in the production of methylmethacrylate, polymethylmethacrylate, acrylate and Bisphenol A and acetone-based solvents.
Acetonitrile.....	Co-produced in the manufacture of acrylonitrile and is largely used in solvents.
Acrylic acid.....	Produced from propylene and used in manufacturing absorbent polymers, coatings and adhesives/sealants.
Acrylonitrile.....	A commodity used in a wide variety of consumer applications. Used in the production of acrylic fiber, acrylonitrile butadiene styrene and styrene acrylonitrile. Is manufactured from propylene, ammonia and air with the use of a catalyst.
Acrylonitrile-butadiene styrene (ABS).....	A tough thermoplastic that has a variety of consumer appliance and automotive component uses. Made from acrylonitrile, butadiene and styrene.
Additive.....	An ingredient added to a chemical reaction, usually in polymerization reactions, to impart additional performance properties on the resulting product.
Alpha olefins (AO).....	See “Linear alpha olefins” and “Poly alpha olefins.”
Ammonia.....	Used in the manufacture of acrylonitrile, although its largest end use is in the manufacture of fertilizers. Made from nitrogen and hydrogen with the use of a catalyst.
Aromatics.....	Hydrocarbons that are in a ring formation instead of a linear formation. The major products comprising this group are: benzene, toluene, mixed xylenes, ortho-xylene and para-xylene.
Barrel or bbl.....	Barrel of crude oil, 159 liters by volume.
Benzene.....	A building block for styrene and is also used to make cumene and nylon. Mainly produced from refinery processes or as a co-product of steam cracker operations.
Bisphenol A.....	An intermediate product produced from acetone and phenol used to produce polycarbonate and epoxy-resins.
BTX Extraction.....	The separation of benzene, toluene and xylenes by fractionation.
Butadiene.....	A gas, one of the co-products of the steam cracking process and is used primarily in the production of polymers, principally synthetic rubbers, such as styrene butadiene rubber, which is used to manufacture tires and other rubber products.
Catalyst.....	An ingredient added to facilitate a chemical reaction, but which does not itself get consumed during the reaction process.
Comonomer.....	An additional monomer used in a polymerization reaction to offer additional properties to a polymer.
Copolymer.....	A polymer created by the polymerization of one or more additional monomers (comonomers) to offer additional properties to the resulting polymer.
Cracker.....	See “Olefins cracker.”
Cracking.....	The conversion of large hydrocarbon molecules into smaller ones. Carried out either at high temperatures (thermal cracking), or with the aid of a catalyst and high pressure (catalytic cracking and hydrocracking). The cracking process enables greater quantities of saturated hydrocarbons suitable for gasoline and other light hydrocarbon fractions to be recovered from crude oil.
Cumene.....	Produced from benzene and propylene and is used as a feedstock for producing phenol/acetone, which have a large number of uses in the manufacture of plastics and resins.
Ethanolamine.....	An ethylene oxide derivative. Major applications are herbicides, surfactants (used in personal care products and detergent formulations), cement additives, textile chemicals and pigments.
Ethylbenzene.....	An intermediate made from benzene and ethylene and used to make styrene. Virtually all worldwide ethylbenzene production is consumed in the manufacture of styrene.
Ethylene.....	A flammable gas obtained in a process called steam cracking. Itself has no consumer applications, but is the basic feedstock for a large number of industrial uses, including the manufacture of polyethylene. Is a key building block for polyethylene, polystyrene, ethylene oxide and other derivatives.
Ethylene glycol (EG).....	An industrial chemical, primarily used in the manufacture of polyesters and antifreeze/coolants. Produced from ethylene oxide.



Ethylene oxide (EO) .....	A commodity monomer used as a building block for the manufacture of a wide range of products and intermediates in the chemical industry. Mainly used to produce ethylene glycol and industrial detergents. The products derived from ethylene oxide have many familiar applications and coolants for auto engines, polyester fibers and film. Manufactured from ethylene and oxygen.
Ethylidene norbornene (ENB) monomer .....	Made by reacting butadiene with dicyclopentadiene and is used as a comonomer in ethylene propylene diene monomer rubber.
Feedstocks .....	Crude oil and other hydrocarbons used as basic materials in a refining or manufacturing process.
Forties blend .....	Means the blend of crude oil supplied to Cruden Bay, Aberdeenshire, via the Forties Pipeline System.
Forties Pipeline System .....	The pipeline that carries crude oil from a variety of oil fields in the North Sea to the mainland.
Fractionator .....	Splits gas into its components ethane, propane, butane and other natural gas liquids.
Gas .....	Includes methane, ethane, butane and propane.
Glycol ethers.....	Used as solvents in paints, inks and cleaning fluids and are derivatives of ethylene oxide.
High-density polyethylene .....	A type of polyethylene and is a relatively tough thermoplastic. Most common household use is container plastics. Also commonly used for molding, pipe and thin film applications.
Homopolymers .....	Polymers that are created by the polymerization of a single monomer.
Hydrocarbons.....	All compounds that consist of hydrogen and carbon. These include crude oil, natural gas, gas, olefins and their derivatives.
Hydrogen cyanide.....	Manufactured as a co-product of acrylonitrile. Is an extremely hazardous gas used mainly to produce polymers, coatings and nylon, and for chemicals used in gold extraction.
hta .....	Kilotonnes per annum.
Kinneil Gas (KG) cracker .....	The gas cracker at our Grangemouth site using mainly ethane and propane as its raw materials.
Linear alpha olefins (LAO).....	Hydrocarbons in a straight chain formation which have physical characteristics and commercial uses that vary according to the length of the hydrocarbon chain. Are comonomers for certain types of polyethylene. They also have applications as surfactant intermediates, base oil for synthetic lubricants and drilling fluids. They are made from ethylene.
Linear low-density polyethylene.....	A type of polyethylene and has basic properties similar to low-density polyethylene. Low-density polyethylene and linear low-density polyethylene are to a certain extent substitutes. The most significant end use for linear low-density polyethylene is film.
Liquefied petroleum gas (LPG) .....	A mixture of gases, usually propane and butane, used as fuel in heating appliances and vehicles and also as a petrochemical feedstock.
Low-density polyethylene (LDPE).....	The first type of polyethylene invented. Its most common household use is in plastic bags.
Methylmethacrylate .....	Produced from acetone and is used to manufacture polymethylmethacrylate resins.
Monomer .....	Feedstock material for the manufacture of polymers and derivative products.
Mothballed.....	Describes a facility that is not used for production but is maintained so that production may be resumed quickly.
Naphtha.....	A refinery product that is used as a gasoline component, but also serves as feedstock for petrochemical plants.
Natural gas liquids .....	Generally comprise a mixture of ethane, propane, butanes and smaller amounts of other lighter hydrocarbons.
Nitriles .....	Used to describe acrylonitrile, its co-products and other products produced from ammonia feedstock.
NPS.....	The NATO pipeline system (NPS) is 11,500 km of pipeline linking 13 NATO countries to enable delivery of fuel and lubricants to military storage locations.
Olefins .....	Including ethylene and propylene, are the key building blocks of the petrochemical industry and produce a large range of derivative products.
Olefins cracker.....	Breaks down naphtha or other gas feedstocks into olefins, principally ethylene and propylene.
Organoleptic products.....	Impart no taste or odor to the contents of the container and include caps and closures made from polyethylene.

Oxo-alcohols.....	A feedstock for intermediates which are used in many soft plastic products and solvent applications. They are largely produced from propylene feedstock.
Ppm.....	Parts per million.
Phenol .....	Produced from cumene, and is used in the production of Bisphenol A, as well as phenolic resins and caprolactam.
Poly alpha olefins (PAO).....	Made by polymerizing, or merging, several linear alpha olefins together and are used in a large number of automotive and industrial applications (mainly as synthetic lubricants).
Polyethylene .....	The world's most used thermoplastic (including high-density polyethylene, low-density polyethylene and linear low-density polyethylene). Manufactured by the polymerization of ethylene and co-monomers. Used primarily to produce films for packaging, agricultural applications, molded products, pipes and coatings.
Polyethylene terephthalate (PET) .....	Made by the combination of ethylene glycol and terephthalic acid. Typical end uses include films for packaging and fibers.
Polyisobutylene.....	A synthetic polymer available in a wide variety of viscosities for use in a broad range of industrial applications, including lubricants, sealants, cling film, cables and adhesives.
Polymer.....	A chemical compound usually made up of a large number of identical components linked together into long molecular chains.
Polymethylmethacrylate resins .....	Used in a wide range of architectural and industrial applications, ranging from point of sale retail displays to glazing and decorative light panels, and compounds for molding and extrusion.
Polypropylene .....	The world's second most widely used thermoplastic after polyethylene. It is manufactured by the polymerization of propylene. It is used mainly for molding, filaments, fibers and films and is the most significant thermoplastic material used in molded containers and automotive applications.
Polyvinyl chloride (PVC) .....	The world's third most widely used thermoplastic after polyethylene and polypropylene. It is produced by the polymerization of the vinyl chloride monomer. It is used mainly in the construction industry in the form of pipes and insulation on electric cables.
Propane .....	A gaseous hydrocarbon in its natural state but can be easily liquefied. Its major end uses are as a fuel and as a feedstock for petrochemicals.
Propylene .....	A flammable gas which is largely derived either as a co-product of the refinery fluid catalytic cracker process used to make gasoline or as a co-product of the steam cracking process used to make ethylene. Has virtually no independent end use, but is an important input for a significant number of industrial products, and is the main feedstock used to make polypropylene and acrylonitrile.
Propylene glycols.....	An industrial chemical, mainly used to produce polyester, paints and coatings, airplane de-icers, antifreeze and industrial coolants, made from propylene oxide.
Propylene oxide .....	Used in manufacture of polyurethane foams and to make propylene glycols. Primarily made from propylene feedstock.
Pygas.....	A by-product of olefins production from steam crackers and is used by refineries as a liquid gasoline blending component.
Solvents .....	Used to dissolve solids and keep them in liquid form.
SPMR pipeline.....	The Société du Pipeline Méditerranée Rhône pipeline system in France.
SPSE pipeline .....	La Société du Pipeline Sud-Européen: south European pipeline system connecting refineries and petrochemicals facilities along the route from Fos to Karlsruhe.
Spot market.....	A term used to describe the international trade in one-off cargoes or shipments of commodities, such as crude oil, in which prices closely follow demand and availability.
Synthetic ethanol .....	A solvent used in personal care products, inks, household chemicals and industrial applications, as well as in the manufacture of other chemical products.
Thermoplastic .....	A plastic which softens when heated and hardens again when cooled. Includes polyethylene, polypropylene and polystyrene.
Turnaround .....	Temporary shutdown of a refinery or petrochemical production facility for required maintenance. Can be scheduled (planned, routine maintenance, inspections and tests to comply with industry regulations) or unscheduled (in response to an unexpected outage or plant failure).



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**INEOS Group Holdings S.A.**

**\$678,000,000 6<sup>1</sup>/<sub>8</sub>% Senior Notes due 2018**

**€500,000,000 6<sup>1</sup>/<sub>2</sub>% Senior Notes due 2018**

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OFFERING MEMORANDUM

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June 14, 2013

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