

---

# **INEOS Industries Limited**

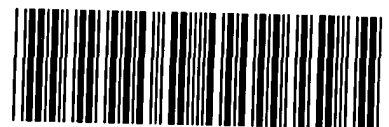
**Annual report and financial statements**

**Registered number 6959146**

**Year ended – 31 December 2018**

---

SATURDAY



\*A8EZD9AZ\*

A42

28/09/2019

#148

COMPANIES HOUSE

## TABLE OF CONTENTS

### SECTION 1 – STRATEGIC REPORT AND DIRECTORS’ REPORT

|   |   |
|---|---|
| Strategic Report for the year ended 31 December 2018 .....  | 4 |
| Directors’ Report for the year ended 31 December 2018 ..... | 6 |

### SECTION 2 – CONSOLIDATED FINANCIAL STATEMENTS

|  |    |
|--|----|
| Independent Auditors’ Report to the members of INEOS Industries Limited .....            | 10 |
| Consolidated Income Statement for the year ended 31 December 2018 .....                  | 12 |
| Consolidated Statement of Comprehensive Income for the year ended 31 December 2018 ..... | 13 |
| Consolidated Balance Sheet as at 31 December 2018 .....                                  | 14 |
| Consolidated Statement of Changes in Equity for the year ended 31 December 2018 .....    | 15 |
| Consolidated Statement of Cash Flows for the year ended 31 December 2018 .....           | 16 |
| Notes to the Consolidated Financial Statements for the year ended 31 December 2018 ..... | 17 |

### SECTION 3 – COMPANY FINANCIAL STATEMENTS

|   |    |
|---|----|
| Independent Auditors’ Report to the members of INEOS Industries Limited .....       | 86 |
| Company Balance Sheet as at 31 December 2018 .....                                  | 88 |
| Company Statement of Changes in Equity for the year ended 31 December 2018 .....    | 89 |
| Notes to the Company Financial Statements for the year ended 31 December 2018 ..... | 90 |

---

## **Section 1 - Strategic Report and Directors' Report**

---

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their strategic report on the Group and Company for the year ended 31 December 2018.

### Results for the year

The results of the Group are set out in the consolidated income statement on page 13 which shows a profit before taxation for the year of €1,012.6 million (2017: profit of €60.5 million).

The position of the Group for the year ended 31 December 2018 is set out in the consolidated balance sheet on page 15, which shows total assets decreased to €8,497.0 million from €8,718.4 million in 2017.

### Review of business and future developments

During 2018 the Group continued to focus on developing its portfolio of businesses, with a particular focus on petrochemicals and oil and gas assets both in the North Sea and onshore in the United Kingdom.

INEOS Styrolution is the leading global styrenics supplier with a focus on styrene monomer, polystyrene, ABS and styrenics specialities. INEOS Styrolution benefitted from solid economic conditions in Europe, the Americas and Asia to deliver another strong performance in 2018. The main growth was in the automotive, healthcare and household industries.

INEOS Grangemouth plc includes the O&P UK business, which produces olefins and related products and a range of polymers based at their site in Grangemouth, Scotland. The business delivered a strong performance in 2018, despite a number of planned and unplanned outages on the polymer assets in the second half of the year. Further planned investment in the Grangemouth site is underway, with the recent announcement to construct a new power station which is required to deliver long term sustainable steam and power for the whole Grangemouth site.

INEOS Upstream operates the Group's onshore and offshore oil and gas activities in the UK and the North Sea. The Group has a portfolio of offshore production, development, exploration and appraisal assets in Denmark, Norway and the UK. The key assets are the Ormen Lange field in Norway, the Laggan-Tormore field situated west of Shetland, the Breagh and Clipper South fields in the UK and the Syd Arne field in Denmark. The financial performance of the Oil & Gas business was strong in 2018, reflecting a reduction in operating costs and higher average realised oil and gas prices compared to 2017. The Group also has a significant number of shale gas licences in North West England, North Yorkshire, the East Midlands and Scotland. The Group is looking to develop this business further over the next few years.

The Group also operates the Forties Pipeline System ('FPS'). FPS is a pipeline network in the North Sea which links oil and gas assets to the UK mainland. FPS vertically integrates the pipeline network with the Group's site in Grangemouth. The financial performance of FPS has been positive in 2018. The Group has recently announced that it intends to invest £500 million in FPS. This improvement programme will extend the life of the pipeline by at least another 20 years, supporting North Sea oil and gas production well into the 2040s and beyond.

The Group's other smaller businesses, including Grangemouth CHP, all performed satisfactorily during 2018.

The Group disposed of its Chlorotoluenes ('ICT') business on 1 January 2018 and its Melamines and Calabrian businesses on 12 April 2018 to INEOS Enterprises Holdings Limited, a related party.

In July 2018 the Group extended the maturity of its Receivable Securitisation Facility for the Styrolution business to July 2021.

The Group's strategy is to develop its portfolio of businesses further with its main focus continuing to be on petrochemicals and the Oil & Gas businesses. The Group will also seek to improve its capital structure wherever possible.

### Subsequent events

In February 2019, the Group paid a dividend of €450.0 million to its immediate parent company, INEOS Holdings AG.

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Effective 1 February 2019, the Group acquired Total S.A.s polystyrene business in China. The acquisition covers the wholly owned Chinese polystyrene business including two production sites in Ningbo and Foshan and two related sales offices in Guangzhou and Shanghai. The transaction includes the purchase of 100% of the equity interests in Total Petrochemical (Foshan) Company Limited and Total Petrochemical (Ningbo) Company Limited. The preliminary purchase price excluding preliminary cash acquired was agreed at approximately \$152 million. The purchase agreement provides for corrections for actual net working capital contributions compared to target.

As at 31 December 2018, €130.7 million (2017: nil) was recognised within prepayments in relation to a non-refundable deposit made to a third party for a potential acquisition opportunity in progress. The acquisition did not complete therefore the entire amount was written off in 2019.

### Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The key business risks affecting the Group are set out below:

- The petrochemical and gas extraction industries are cyclical — changing market demands and prices may negatively affect the Group's operating margins and impair its cash flow which, in turn, could affect its ability to make payments on its debt or to make further investments in the business.
- Raw materials and suppliers — if the Group is unable to pass on increases in raw material prices, or to retain or replace its key suppliers, its results of operations may be negatively affected.
- International operations and currency fluctuations — the Group is exposed to currency fluctuation risks as well as to economic downturns and local business risks in several different countries that could adversely affect its profitability.
- Competition — significant competition in the Group's industries, whether through efforts of new and current competitors or through consolidation of existing customers, may adversely affect its competitive position, sales and overall operations.
- Inability to maximize utilization of assets — the Group may be adversely affected if it is unable to implement its strategy to maximize utilization of assets.
- Synergies — the Group may not realize anticipated revenue and cost synergies, benefit from anticipated business opportunities or experience anticipated growth from any of its acquisitions.

### Key performance indicators ("KPIs")

The main KPI of the business is earnings before interest, taxation, depreciation, amortisation and exceptional items ("EBITDA"). Management closely monitors EBITDA compared to budget and prior year. Another important indicator is the Safety, Health and Environmental (SHE) related metric.

Approved and signed by order of the Board:



Y S Ali  
Company Secretary  
5 June 2019

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their report and audited consolidated and company financial statements of the Group and the Company for the year ended 31 December 2018.

### **Principal activities**

The principal activities of the Group are the manufacture and sale of a range of chemicals used in a variety of applications and the exploration, development and production of natural gas.

### **Future developments**

Future developments are discussed in the Strategic Report.

### **Financial risk management**

The Group's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and interest rate risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group where appropriate. The Group is exposed to commodity price risk as a result of its operations and seeks to mitigate this risk through various purchasing strategies. The Group manages its credit exposures with a set of policies for ongoing credit checks on potential and current customers or counterparties. See Note 25 of the financial statements for information on financial instruments, interest risk, liquidity risk and foreign currency risk.

### **Research and development**

The Group's research and development team develops new applications for its higher margin and less cyclical speciality chemicals, provides support to the Group's customers and seeks to improve the efficiency of the Group's manufacturing processes. The research and development team also leads the Group's efforts with respect to the development and capacity expansions of the plants and maintaining and improving safety and environmental standards. The Group spent approximately €66.9 million (2017: €13.5 million) on research and development during the year.

### **Dividends**

The directors of the Company have proposed and paid a dividend of €120.5 million during the year (2017: €65.6 million).

### **Political and charitable contributions**

As part of its ongoing investment programme, INEOS Industries Limited and its subsidiaries actively support a variety of initiatives in communities in which it operates. Charitable donations made during the year amounted to €0.2 million (2017: €0.2 million) for a variety of charitable purposes. Neither the Company nor its subsidiary undertakings made any donations or subscriptions for political purposes.

### **Directors**

The directors who held office during the year and up to the date of signing of the financial statements were as follows:

Mr G Leask

Mr J Ginns

### **Employees**

The Group has developed voluntary practices and procedures for employee involvement appropriate to their own circumstances and needs. The Group encourages this approach to provide information and consultation and believes that this promotes a better understanding of the issues facing the individual business in which the employee works. The Group places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Group by issuing communications on the Group intranet and holding employee information meetings hosted by the board and operating a bonus scheme linked to the business performance. The Group consults employees or their representatives through the works council on a regular basis so that the views of employees can be taken into account in making decisions that are likely to affect their interests.

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

### **Health and safety**

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, 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.

Our operations are 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.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

### **Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of these financial statements confirms that:

- (i) so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware.
- (ii) each director has taken all the steps that he ought to have taken in his duty as director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they will be reappointed will be proposed at the annual general meeting.

Approved and signed by order of the Board:



Y S Ali  
Company Secretary  
5 June 2019  
Registered number 6959146

---

## **Section 2 - Consolidated Financial Statements**

---

## Report on the audit of the Group financial statements

---

### Opinion

In our opinion, INEOS Industries Limited's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Consolidated Balance Sheet as at 31 December 2018; the Consolidated Income Statement and Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

---

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

---

### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

---

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INEOS INDUSTRIES LIMITED

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

---

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

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.

---

## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

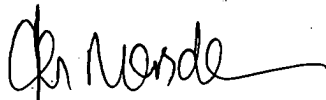
- we have not received all the information and explanations we require for our audit; or
- certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

---

## **Other matter**

We have reported separately on the company financial statements of INEOS Industries Limited for the year ended 31 December 2018.



Ian Marsden (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
5 June 2019

# CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

|   | Note | 2018             | 2017             |
|---|------|------------------|------------------|
|   |      | €m               |                  |
| <b>Revenue</b> .....                            | 2    | <b>8,280.5</b>   | <b>6,746.9</b>   |
| Cost of sales before exceptional items .....    |      | <b>(6,404.6)</b> | <b>(5,361.1)</b> |
| Exceptional cost of sales .....                 | 4    | -                | (14.0)           |
| Total cost of sales .....                       |      | <b>(6,404.6)</b> | <b>(5,375.1)</b> |
| <b>Gross profit</b> .....                       |      | <b>1,875.9</b>   | <b>1,371.8</b>   |
| Distribution costs .....                        |      | <b>(248.8)</b>   | <b>(268.6)</b>   |
| Administrative expenses.....                    |      | <b>(424.3)</b>   | <b>(282.0)</b>   |
| Exceptional administrative expenses.....        | 4    | <b>(20.4)</b>    | <b>(641.8)</b>   |
| Exceptional administrative gains.....           | 4    | <b>7.2</b>       | -                |
| Total administrative expenses .....             |      | <b>(437.5)</b>   | <b>(923.8)</b>   |
| Total expenses .....                            |      | <b>(686.3)</b>   | <b>(1,192.4)</b> |
| <b>Operating profit</b> .....                   | 5    | <b>1,189.6</b>   | <b>179.4</b>     |
| Profit on disposal of business .....            | 8    | -                | 68.7             |
| Profit/(loss) on disposal of fixed assets ..... |      | <b>10.7</b>      | <b>(0.3)</b>     |
| <b>Profit before net finance costs</b> .....    |      | <b>1,200.3</b>   | <b>247.8</b>     |
| Finance income .....                            | 9    | <b>30.8</b>      | <b>6.9</b>       |
| Finance costs .....                             | 9    | <b>(218.5)</b>   | <b>(194.2)</b>   |
| Net finance cost .....                          |      | <b>(187.7)</b>   | <b>(187.3)</b>   |
| <b>Profit before taxation</b> .....             |      | <b>1,012.6</b>   | <b>60.5</b>      |
| <b>Tax charge</b> .....                         | 10   | <b>(500.1)</b>   | <b>(69.1)</b>    |
| <b>Profit/(loss) for the year</b> .....         |      | <b>512.5</b>     | <b>(8.6)</b>     |
| <b>Attributable to:</b>                         |      |                  |                  |
| Owners of parent .....                          |      | <b>512.2</b>     | <b>(38.5)</b>    |
| Non-controlling interest .....                  |      | <b>0.3</b>       | <b>29.9</b>      |
| <b>Profit/(loss) for the year</b> .....         |      | <b>512.5</b>     | <b>(8.6)</b>     |

The notes on pages 17 to 84 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

|  | Note | 2018          | 2017         |
|--|------|---------------|--------------|
|  |      | €m            |              |
| <b>Profit/(loss) for the year .....</b>                                |      | <b>512.5</b>  | <b>(8.6)</b> |
| <b>Other comprehensive income/(expense):</b>                           |      |               |              |
| <b>Items that will not be recycled to profit or loss:</b>              |      |               |              |
| Remeasurements of post employment benefit obligations, net of tax..... | 10   | 17.7          | 72.0         |
| <b>Items that may subsequently be recycled to profit or loss:</b>      |      |               |              |
| Foreign exchange translation differences, net of tax .....             |      | (38.8)        | (8.3)        |
| <b>Other comprehensive income for the year, net of tax.....</b>        |      | <b>(21.1)</b> | <b>63.7</b>  |
| <b>Total comprehensive income for the year .....</b>                   |      | <b>491.4</b>  | <b>55.1</b>  |
| <b>Total comprehensive income for the year is attributable to:</b>     |      |               |              |
| Owners of the parent .....   |      | 492.0         | 25.5         |
| Non-controlling interest .....   |      | (0.6)         | 29.6         |
|  |      | <b>491.4</b>  | <b>55.1</b>  |

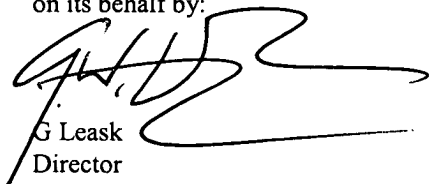
The notes on pages 17 to 84 are an integral part of these consolidated financial statements.

# CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

|  | Note | 2018                  | 2017                  |
|--|------|-----------------------|-----------------------|
|  |      | €m                    |                       |
| <b>Non-current assets</b>                          |      |                       |                       |
| Property, plant and equipment.....                 | 11   | 3,349.4               | 3,667.7               |
| Intangible assets.....                             | 12   | 1,641.0               | 1,848.1               |
| Investments in equity-accounted investees.....     | 13   | 9.5                   | 9.3                   |
| Other financial assets.....                        | 14   | -                     | 2.2                   |
| Trade and other receivables.....                   | 15   | 395.9                 | 344.4                 |
| Deferred tax assets.....                           | 16   | 93.9                  | 113.6                 |
|  |      | <u>5,489.7</u>        | <u>5,985.3</u>        |
| <b>Current assets</b>                              |      |                       |                       |
| Inventories.....                                   | 17   | 674.3                 | 691.7                 |
| Trade and other receivables.....                   | 15   | 1,183.3               | 1,104.6               |
| Tax receivables.....                               |      | 93.3                  | 105.9                 |
| Other financial assets.....                        | 14   | 0.5                   | -                     |
| Cash and cash equivalents.....                     |      | 931.6                 | 749.3                 |
| Restricted cash.....                               |      | 124.3                 | 81.6                  |
|  |      | <u>3,007.3</u>        | <u>2,733.1</u>        |
| <b>Total assets.....</b>                           |      | <u><b>8,497.0</b></u> | <u><b>8,718.4</b></u> |
| <b>Equity attributable to owners of the parent</b> |      |                       |                       |
| Share capital.....                                 | 23   | -                     | -                     |
| Other reserves.....                                |      | 495.6                 | 530.9                 |
| Retained earnings.....                             |      | 1,476.4               | 1,085.2               |
| Total shareholders' funds.....                     |      | <u>1,972.0</u>        | <u>1,616.1</u>        |
| <b>Non-controlling interest.....</b>               |      | <u>8.5</u>            | <u>9.1</u>            |
| <b>Total equity.....</b>                           |      | <u><b>1,980.5</b></u> | <u><b>1,625.2</b></u> |
| <b>Non-current liabilities</b>                     |      |                       |                       |
| Interest-bearing loans and borrowings.....         | 18   | 1,376.1               | 2,040.3               |
| Trade and other payables.....                      | 19   | 796.9                 | 819.0                 |
| Deferred tax liabilities.....                      | 16   | 458.7                 | 542.9                 |
| Employee benefits.....                             | 21   | 98.0                  | 133.3                 |
| Other financial liabilities.....                   | 20   | 0.4                   | -                     |
| Provisions.....                                    | 22   | 1,580.5               | 1,672.2               |
|  |      | <u>4,310.6</u>        | <u>5,207.7</u>        |
| <b>Current liabilities</b>                         |      |                       |                       |
| Interest-bearing loans and borrowings.....         | 18   | 354.5                 | 179.7                 |
| Trade and other payables.....                      | 19   | 1,310.5               | 1,243.6               |
| Tax payable.....                                   |      | 454.8                 | 378.8                 |
| Other financial liabilities.....                   | 20   | 7.2                   | 3.8                   |
| Provisions.....                                    | 22   | 78.9                  | 79.6                  |
|  |      | <u>2,205.9</u>        | <u>1,885.5</u>        |
| <b>Total liabilities.....</b>                      |      | <u><b>6,516.5</b></u> | <u><b>7,093.2</b></u> |
| <b>Total equity and liabilities.....</b>           |      | <u><b>8,497.0</b></u> | <u><b>8,718.4</b></u> |

The notes on pages 17 to 84 are an integral part of these consolidated financial statements.

The financial statements on pages 12 to 84 were approved by the Board of Directors on 5 June 2019 and signed on its behalf by:

  
G Leask  
Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

|   | Share capital | Other reserves | Retained earnings | Total shareholders' funds | Non-controlling interest | Total equity |
|---|---------------|----------------|-------------------|---------------------------|--------------------------|--------------|
|   | €m            |                |                   |                           |                          |              |
| <b>Balance at 1 January 2017</b> .....                                    | -             | 37.3           | 1,189.3           | 1,226.6                   | (20.5)                   | 1,206.1      |
| (Loss)/profit for the year .....  | -             | -              | (38.5)            | (38.5)                    | 29.9                     | (8.6)        |
| Foreign exchange translation differences...                               | -             | (8.0)          | -                 | (8.0)                     | (0.3)                    | (8.3)        |
| Remeasurements of post employment benefit obligations, net of tax.....    | -             | 72.0           | -                 | 72.0                      | -                        | 72.0         |
| <b>Transactions recorded directly in equity:</b>                          |               |                |                   |                           |                          |              |
| Amounts arising on common control transactions .....                      | -             | 429.6          | -                 | 429.6                     | -                        | 429.6        |
| Dividend .....  | -             | -              | (65.6)            | (65.6)                    | -                        | (65.6)       |
| <b>Balance at 31 December 2017</b> .....                                  | -             | 530.9          | 1,085.2           | 1,616.1                   | 9.1                      | 1,625.2      |
| Impact of new accounting standards (see Note 1) .....                     | -             | -              | (0.5)             | (0.5)                     | -                        | (0.5)        |
| <b>Restated total equity at the beginning of the financial year</b> ..... | -             | 530.9          | 1,084.7           | 1,615.6                   | 9.1                      | 1,624.7      |
| Profit for the year .....   | -             | -              | 512.2             | 512.2                     | 0.3                      | 512.5        |
| Foreign exchange translation differences...                               | -             | (38.1)         | -                 | (38.1)                    | (0.7)                    | (38.8)       |
| Remeasurements of post employment benefit obligations, net of tax.....    | -             | 17.7           | -                 | 17.7                      | -                        | 17.7         |
| <b>Transactions recorded directly in equity:</b>                          |               |                |                   |                           |                          |              |
| Amounts arising on common control transactions .....                      | -             | (14.9)         | -                 | (14.9)                    | -                        | (14.9)       |
| Dividend .....  | -             | -              | (120.5)           | (120.5)                   | (0.2)                    | (120.7)      |
| <b>Balance at 31 December 2018</b> .....                                  | -             | 495.6          | 1,476.4           | 1,972.0                   | 8.5                      | 1,980.5      |

**Analysis of Other Reserves:**

|  | Translation reserve | Remeasurement of post employment benefit plans | Merger reserve | Total other reserves |
|--|---------------------|--|----------------|----------------------|
|  | €m                  |  |                |                      |
| <b>Balance at 1 January 2017</b> .....                                 | 46.6                | (9.3)  | -              | 37.3                 |
| Foreign exchange translation differences.....                          | (8.0)               | -  | -              | (8.0)                |
| Remeasurements of post employment benefit obligations, net of tax..... | -                   | 72.0   | -              | 72.0                 |
| Amounts arising on common control transactions .....                   | -                   | -  | 429.6          | 429.6                |
| <b>Balance at 31 December 2017</b> .....                               | 38.6                | 62.7   | 429.6          | 530.9                |
| Foreign exchange translation differences.....                          | (38.1)              | -  | -              | 81.6                 |
| Remeasurements of post employment benefit obligations, net of tax..... | -                   | 17.7   | -              | 17.7                 |
| Amounts arising on common control transactions .....                   | -                   | -  | (14.9)         | (134.5)              |
| <b>Balance at 31 December 2018</b> .....                               | 0.5                 | 80.4   | 414.7          | 495.6                |

The notes on pages 17 to 84 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

|   | Note | 2018           | 2017           |
|---|------|----------------|----------------|
|   |      | €m             |                |
| <b>Cash flows from operating activities</b>                         |      |                |                |
| Profit before taxation .....  |      | 1,012.6        | 60.5           |
| <b>Adjustments for:</b>   |      |                |                |
| Depreciation and impairment .....                                   | 11   | 610.0          | 388.9          |
| Amortisation and impairment .....                                   | 12   | 140.5          | 657.1          |
| Net finance costs .....   | 9    | 187.7          | 187.3          |
| (Profit)/loss on sale of fixed assets .....                         |      | (10.7)         | 0.3            |
| Profit on disposal of business .....                                | 8    | -              | (68.7)         |
| Increase in trade and other receivables .....                       |      | (150.3)        | (17.1)         |
| Decrease/(increase) in inventories .....                            |      | 7.6            | (114.7)        |
| Increase in trade and other payables .....                          |      | 72.2           | 218.3          |
| (Decrease)/increase in provisions and employee benefits .....       |      | (85.0)         | 20.9           |
| Tax paid .....  |      | (448.4)        | (207.9)        |
| <b>Net cash generated from operating activities .....</b>           |      | <b>1,336.2</b> | <b>1,124.9</b> |
| <b>Cash flows from investing activities</b>                         |      |                |                |
| Proceeds from sale of property, plant and equipment .....           |      | 26.3           | 0.1            |
| Proceeds from sales of investments .....                            |      | 2.8            | 2.2            |
| Interest and other finance income received .....                    |      | 10.7           | 9.5            |
| Disposal of businesses, net of cash disposed of .....               | 8    | 110.7          | 0.9            |
| Acquisition of subsidiaries, net of cash acquired .....             | 3    | (51.9)         | (577.5)        |
| Acquisition of property, plant and equipment .....                  |      | (381.2)        | (245.5)        |
| Acquisition of intangible assets .....                              |      | (65.6)         | (47.9)         |
| <b>Net cash used in investing activities .....</b>                  |      | <b>(348.2)</b> | <b>(858.2)</b> |
| <b>Cash flows from financing activities</b>                         |      |                |                |
| Repayment of term loans .....                                       |      | (106.4)        | (4.4)          |
| Proceeds from other loans .....                                     |      | 13.1           | -              |
| Proceeds from RBL facility .....                                    |      | -              | 326.7          |
| Repayment of RBL facility .....                                     |      | (262.0)        | -              |
| Securitisation facility .....                                       |      | (50.0)         | 1.7            |
| Repayment of other borrowings .....                                 |      | (1.2)          | (18.0)         |
| Loans received from related parties .....                           |      | -              | 315.7          |
| Loan repayments to related parties .....                            |      | (105.4)        | (370.7)        |
| Interest paid .....   |      | (133.9)        | (109.6)        |
| Debt issue costs .....  |      | (4.3)          | (13.5)         |
| Capital element of finance lease payments .....                     |      | (1.2)          | (1.4)          |
| Transfer to restricted cash .....                                   |      | (42.7)         | -              |
| Dividend paid to owners of the company .....                        | 24   | (120.5)        | (65.6)         |
| Dividend paid to minority interest .....                            |      | (0.2)          | -              |
| <b>Net cash (used in)/generated from financing activities .....</b> |      | <b>(814.7)</b> | <b>60.9</b>    |
| Net increase in cash and cash equivalents .....                     |      | 173.3          | 327.6          |
| Cash and cash equivalents at 1 January .....                        |      | 749.3          | 435.6          |
| Effect of exchange rate fluctuations on cash held .....             |      | 9.0            | (13.9)         |
| <b>Cash and cash equivalents at 31 December .....</b>               |      | <b>931.6</b>   | <b>749.3</b>   |

The notes on pages 17 to 84 are an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 1. ACCOUNTING POLICIES

#### Overview

INEOS Industries Limited (the "Company") is a private company limited by shares incorporated, registered and domiciled in England, UK. The registered office address is Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG. The principal activities of the Group are the manufacture and sale of a range of chemicals used in a variety of applications and the exploration, development and production of natural gas.

#### 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 on a going concern basis and approved by the directors in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union ("Adopted IFRSs") effective as of 31 December 2018 and with the Companies Act 2006 as applicable to companies using Adopted IFRSs.

The preparation of financial statements in conformity with Adopted IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 32.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these Group financial statements.

#### Measurement convention

The financial statements are prepared on the historical cost basis except that the derivative financial instrument and financial instruments classified as fair value through profit and 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 primarily generates income, incurs expenditure and has the majority of its assets and liabilities denominated in euros. The exchange rate as at 31 December 2018 was \$1:€0.8746 and £1:€1.1094 (2017: \$1:€0.8377 and £1:€1.1257).

All amounts in the financial statements have been rounded to the nearest €0.1 million.

#### Changes in accounting policies

From January 1, 2018 the Group has applied IFRS 9 and IFRS 15 for the first time along with a number of other new standards, although none have had a material effect on the Group's financial statements.

- **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control at a point in time or over time requires judgement.

The Group has adopted IFRS 15 using the retrospective method with the effect of initially applying the standard recognised at the date of the earliest comparative period (i.e. January 1, 2017). The Group has elected for the following practical expedients available under the retrospective transition method:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. ACCOUNTING POLICIES (continued)**

1. The Group does not restate completed contracts that begin and end within the same annual reporting period or restate contracts that are completed contracts at the beginning of the earliest comparative period presented.
2. The Group uses the transaction price at the date on which the contract was completed, rather than estimating the variable consideration amounts in each comparative reporting period
3. The Group does not separately evaluate the effects of contract modifications before the beginning of the earliest reporting period presented using the contract modifications requirements in the new standard. Instead, the Group has reflected the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented in:
  - (i) identifying the satisfied and unsatisfied performance obligations;
  - (ii) determining the transaction price; and
  - (iii) allocating the transaction price to the satisfied and unsatisfied performance obligations.
4. The Group does not disclose for reporting periods presented before the date of initial application (i.e. January 1, 2018):
  - (i) the amount of the transaction price allocated to the remaining performance obligations; nor
  - (ii) an explanation of when the entity expects to recognise that amount as revenue.

The details and quantitative impact of the changes in accounting policies are disclosed below.

*Shipping and handling activities recognised as separate performance obligation*

The Group previously did not assess shipping and handling activities as separate performance obligations and recognised revenue on transfer of goods to the customer. Under IFRS 15, when shipping and handling activities are performed after the customer obtains control of the goods, they are treated as a separate performance obligation, and therefore a portion of the transaction price is allocated to shipping and handling and revenue is recognised as the shipping and handling performance obligation is satisfied.

*Volume discounts and early payment discounts*

The Group previously recognised revenue for contracts with volume discounts and early payment discounts when a reasonable estimate of the discount could be made, and provided that all other criteria for revenue recognition were met. Under IFRS 15, revenue will only be recognised for these contracts to the extent that it is highly probable that a significant reversal to cumulative revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

*Impact on the financial statements*

The Group concluded that there is no material impact on the timing and amount of revenue recognised.

• **IFRS 9 Financial Instruments**

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Group adopted consequential amendments to IAS 1 Presentation of Financial Statements, which requires impairment of financial assets to be presented in a separate line item in the income statement and OCI.

Additionally, the Group has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018, but have not been generally applied to comparative information.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of retained earnings:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. ACCOUNTING POLICIES (continued)**

|  | <b>Impact of<br/>adopting IFRS<br/>on opening<br/>balance<br/>(€ in millions)</b> |
|--|---|
| <b>Retained earnings</b>                                 |   |
| Recognition of expected credit losses under IFRS 9 ..... | (0.7)   |
| Related deferred tax .....                               | 0.2   |
| <b>Impact at 1 January 2018 .....</b>                    | <b>(0.5)</b>  |

*(i) Classification and measurement of financial assets and financial liabilities*

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

All other financial assets previously classified as loans and receivables under IAS 39 have been reclassified to amortised cost under IFRS 9.

*(ii) Impairment of financial assets*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile; however due to the quality of the Group's trade receivables and its low history of bad debts the application of IFRS 9 has not resulted in a material change to the allowance for impairment in respect of trade receivables (see Note 15).

*(iii) Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. ACCOUNTING POLICIES (continued)**

- The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9, but rather those of IAS 39.
- The new hedge accounting requirements have been applied prospectively.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as FVOCI.

• ***New amendments for 2018***

The Group has applied the following amendments to accounting standards for the first time in 2018 with effect from January 1, 2018:

- IFRIC 22 Foreign Currency Transactions and Advance Consideration mandatory for year commencing on or after 1 January 2018.

IFRIC 22 clarifies the transaction date used to determine the exchange rate for foreign currency transactions involving an advance payment or receipt.

Other amendments to be applied by companies in 2018 that are not applicable for the Group are the amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions; amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts; and the amendments to IAS 40 – Transfers of Investment Property.

**Basis of consolidation**

***Subsidiaries***

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. ACCOUNTING POLICIES (continued)**

Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Acquisitions under common control are accounted for at book value. The difference in the book value of the assets acquired and consideration paid is recognised in the merger reserve.

*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 two SPEs, INEOS Styrolution Receivable Finance Designated Activity Company and Deutsche Bank Mexico F/1787 Styrolution, for an asset securitisation programme. The Group does not have any direct or indirect shareholdings in these SPEs.

INEOS Styrolution Receivable Finance Designated Activity Company is a special-purpose entity formed by the Group to purchase receivables from Group entities for purposes of a securitization of such financial assets and is, in substance, controlled by the Group.

Deutsche Bank Mexico F/1787 Styrolution is a Mexican Trust established by the Group to purchase receivables from Styrolution Mexicana S.A. de C.V. for the purposes of securitization of such assets. INEOS Styrolution Receivable Finance Designated Activity Company is the first beneficiary of this Trust. It is therefore also, in substance, controlled by the Group.

*Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. ACCOUNTING POLICIES (continued)**

between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

*Joint arrangements*

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

**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 balance sheet 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 profit and loss account except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. ACCOUNTING POLICIES (continued)**

**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 tested for classification as per IFRS 9. If the trade receivables satisfy the criteria for cash flow characteristics test and business model test as per IFRS 9, then they are recognised at amortised cost. If they do not qualify for being recognised at amortised cost they are recognised at fair value through profit or loss.

*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 debt securities are measured at amortised cost if they meet both of the following conditions and are not designated as a fair value through profit and loss:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income only if it meets both of the following conditions and is not designated as a fair value through profit and loss:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For investment in equity securities that are not held for trading, the Group may irrevocably elect to present subsequent changes to fair value in other comprehensive income. The Group makes this election on an investment-by-investment basis.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. ACCOUNTING POLICIES (continued)**

All other financial assets, including derivatives, are classified as measured at fair value through profit and loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

*Cash and cash equivalents*

Cash and cash equivalents comprise of cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Groups cash management are included as a component of cash and cash equivalents for the purpose of only 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 IFRS 9. 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 de-recognition, 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 re-measurement 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.

*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 revenue and cost of sales in the same period or periods during which the hedged forecast transaction affects revenue and cost of sales in the consolidated income statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. ACCOUNTING POLICIES (continued)**

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 applied 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 IFRS 9.

Most commonly this means that 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.

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in the income statement. The amount recognised in OCI is reclassified to the income statement as a reclassification adjustment on disposal of the foreign operation.

**Property, plant and equipment**

Property, plant and equipment is stated at historic 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.

Capital work in progress is held as assets under construction until fully commissioned and transferred into active use.

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.

For oil and gas assets the Group uses the successful efforts method of accounting whereby acquisition and development costs are capitalised. Exploration costs are charged to the income statement as incurred. Capitalised development costs for property for which the existence of commercial oil and gas reserves has not been proved are subject to periodic review for impairment.

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. Accounting for lease payments is described within the 'Expenses' accounting policy section.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. ACCOUNTING POLICIES (continued)**

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 machinery, fixtures and fittings and motor vehicles | 3 – 40 years       |
| • Oil and gas properties  | Unit of production |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Depletion and depreciation of the capitalised costs for producing oil and gas properties is provided by the unit-of-production method based upon estimated recoverable oil and gas reserves. The unit-of-production method used by the Group takes the current year's production as a proportion of the sum of the estimated recoverable reserves at the end of the prior year and current year production, and applies this proportion to the undepleted cost to arrive at a charge for the year.

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.

For oil and gas assets the Group performs a ceiling test annually to determine whether the net book value of costs capitalised at the year end is covered by the anticipated future net revenue from oil and gas reserves attributable to the Group's interest in the field. Future net revenues are the estimated reserves from production of commercial oil and gas reserves less operating costs, royalties and future development costs. Any deficiency arising is charged as additional depreciation in the year.

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 year in which the item is derecognised.

**Business combinations, goodwill and intangible assets**

*Business combinations*

All business combinations are accounted for by applying the acquisition method except acquisitions under common control which are outside the scope of IFRS 3. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

*Acquisitions under common control*

Acquisitions under common control are accounted for at book value. The difference in the book value of the assets acquired and consideration paid is recognised in the merger reserve.

*Goodwill*

Goodwill represents amounts arising on acquisition of subsidiaries. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. ACCOUNTING POLICIES (continued)**

*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 the following assets:

- intellectual property rights;
- customer relationships;
- non-compete agreements;
- license fees and
- evaluation and exploration expenditures.

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.

Intangible assets within the oil and gas business represents the cost of acquiring and further costs incurred on exploration licences on sites where no decision has yet been made as to the ultimate commercial viability of the properties.

*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:

- |                                |                       |
|--------------------------------|-----------------------|
| • License fees                 | up to 15 years        |
| • Customer lists               | up to 12 years        |
| • Intellectual property rights | 10 – 15 years         |
| • Non-compete agreements       | life of the agreement |

Amortisation of the capitalised costs for producing oil and gas properties is provided by the unit-of-production method based upon estimated recoverable oil and gas reserves. The unit-of-production method used by the Group takes the current year's production as a proportion of the sum of the estimated recoverable reserves at the end of the prior year and current year production, and applies this proportion to the undepleted cost to arrive at a charge for the year.

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.

The amortisation is recognised in administrative expenses in the consolidated income statement.

**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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. ACCOUNTING POLICIES (continued)**

**Exploration and evaluation activities**

*Exploration and evaluation expenditures*

Shale Gas Exploration costs are accounted for under the successful efforts method by geographical area with an assessment of commercial viability of those areas performed on a periodic basis.

Costs directly associated with an exploration site are initially capitalised as an intangible asset until the evaluation of the site is complete and the results have been evaluated. These costs include topographical, geological, geophysical and geochemical studies, civil costs, exploratory drilling and testing, sampling, trenching, contractor charges, materials and fuels used, manpower and associated overheads. In the case that the expenditure will not be immediately allocated to a site, it will be capitalised against the wider licensed region and then subsequently allocated to the site using an appropriate method of apportionment. Other costs are initially capitalised as property, plant and equipment and these include drillings rigs, seismic equipment and other plant and machinery used in the exploration activity.

Pre-license costs incurred prior to acquiring the legal rights (or a share of the legal rights) to explore an area are expensed to the income statement as they are incurred and are not subsequently capitalised.

*Impairment of exploration and evaluation expenditure*

Exploration and Evaluation expenditure is tested for impairment whenever circumstances suggest that it may be impaired, which includes licences to be relinquished, no substantive plans for further exploration of an area or where there is indication that exploration costs are unlikely to be fully recovered through future development or sale.

**Impairment of financial assets**

*Trade and other receivables*

The Group applies the simplified approach when providing for expected credit losses prescribed by IFRS 9 for its trade receivables and contract assets. This approach requires the Group to recognise the lifetime expected loss provision for all trade receivables taking in consideration historical as well as forward-looking information.

Financial assets which are considered low risk are not provided for impairment by the Group.

An impairment loss in respect of a 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.

*Investments in debt and equity securities*

Impairment of equity securities classified as FVOCI are not tested for impairment under IFRS 9. If the fair value of a debt instrument classified as FVOCI increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through profit or loss.

**Impairment of non-financial assets excluding inventories and deferred tax assets**

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are assessed at the end of the reporting period to determine whether there is any indication of impairment.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. ACCOUNTING POLICIES (continued)**

*Calculation of recoverable amount*

The recoverable amount is the greater of fair value less cost 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 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 the inventory to its present 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 Group'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 that is not 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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. ACCOUNTING POLICIES (continued)**

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 amended or curtailed, the portion of the increased or decreased benefit relating to past service by employees is recognised as an expense immediately in the consolidated income statement.

All actuarial gains and losses as at 1 January 2014, the date of transition to IFRSs, were recognised. In respect of actuarial gains and losses that arise subsequent to 1 January 2014, the Group recognises them in the year 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 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 and administrative expenses;
- net finance costs; and
- in net expense recognised directly in equity, the re-measurements of post-employment benefit obligations.

*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.

**Provisions**

A provision is recognised in the balance sheet where the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

*Restructuring provisions*

Restructuring provisions are recognised when the Group has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring.

The Group can be exposed to environmental liabilities relating to its past operations, principally in respect of soil and groundwater remediation costs. Provision for these costs are made when expenditure on remedial work is probable and the cost can be estimated within a reasonable range of possible outcomes.

*Decommissioning and restoration provisions*

The Group makes full provision for the future costs of the decommissioning and restoration of exploration and evaluation facilities on a discounted basis. The decommissioning and restoration provision relates to the total cost of cementing and plugging the existing wells and any costs associated with returning the sites to their original use.

In respect of the oil and gas business the Group makes full provision for the net present value of the cost of decommissioning and restoration with the resultant liability being recorded on the balance sheet. An offsetting tangible fixed asset is also recognised. The asset is depleted under the same basis as other fixed assets whereby the asset is then amortised through the income statement on the unit-of-production method. The unwinding of

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. ACCOUNTING POLICIES (continued)**

the discount in the net present value of the total expected cost is treated as an interest expense. Changes in estimates are reflected prospectively over the remaining reserves of the field.

**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 and services sold or services provided to third parties net of sales discounts, value added taxes and duties. Contracts for goods and services are analysed to determine the distinct performance obligations against which revenue should be recognised. The amount to be recognised is determined from the standalone selling prices for goods and services, allocated to the performance obligations. Revenue is recognised when (or as) the performance obligations are satisfied by transferring a promised good or service to a customer.

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 dispatched or delivered depending on the relevant delivery terms and point at which the control of the good or service is transferred to the customer.

In the oil and gas business revenue is recognised when (or as) the performance obligations are satisfied by transferring a promised good or service to a customer. For sales resulting from hydrocarbon production, this generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism. Revenue resulting from hydrocarbon production from properties in which the Group has an interest with partners in joint arrangements is recognised on the basis of the Group's volumes lifted and sold. Lifting or offtake arrangements for oil and gas produced in certain of the Group's oil and gas properties are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative volume sold less inventory is an "underlift" or "overlift". Underlift and overlift are valued at market value and included within receivables and payables respectively. Movements during an accounting period are adjusted through cost of sales in the income statement.

Services provided to third parties include administrative and operational services provided to other chemical companies with facilities on our sites and services under tolling arrangements. Under tolling arrangements, customers pay for or provide raw materials to be converted into certain specified products, for which the Group charges a toll fee. The Group only recognises toll fee as revenue earned under such arrangements upon shipment of the converted product to the customer as this is the point at which the control of the service is transferred to the buyer. For all other services, revenue is recognised at a point in time or over-time depending on whether the over-time revenue recognition criteria is met. Other income relating to gas production included in revenue arises from tariffs for third party use of owned pipelines and infrastructure. Tariffs are recognised at the end of the month for pipeline movements during the month and are based on quantity transported through the pipeline.

**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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. ACCOUNTING POLICIES (continued)**

*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.

Finance costs comprise interest payable, finance charges on finance leases, unwinding of the discount on provisions, net fair value losses derivatives, net interest on employee benefit liabilities 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 and from related party loans, 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 Limited.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. ACCOUNTING POLICIES (continued)**

Segment capital expenditure is the total payments made 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.

Emissions allowances purchased from third parties are recognised as an intangible asset based on the cost associated with the purchase. The emission allowances are subject to impairment under the indefinite life intangible asset impairment model. There is no amortisation of these allowances. The costs of the allowances are recognised as a disposal and expensed to the profit and loss as they are used.

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 and the reversal of 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**

A number of new accounting standards are effective for annual periods beginning after January 1, 2019 and earlier application is permitted. However, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The impact of their adoption is being assessed and is not expected to have a material impact on the Group's financial statements in the period of initial application unless otherwise indicated.

**IFRS 16 Leases**

The Group is required to adopt IFRS 16 Leases from January 1, 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on January 1, 2019 may change because:

- The new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.
- The Group's borrowing rate is subject to change until the Group presents its first financial statements that include the date of initial application.
- The Group's latest assessment of whether it will exercise any lease renewal options is subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. ACCOUNTING POLICIES (continued)**

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

*i. Leases in which the Group is a lessee*

The Group will recognise new assets and liabilities for its operating leases, which include vessels, storage and transportation infrastructure. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability.

No significant impact is expected for the Group's finance leases.

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities and right-of-use assets of approximately €200 million as at January 1, 2019. The impact on EBITDA which is the main measure of profit, is expected to be approximately €30 million for the year ended December 31, 2019.

*ii. Leases in which the Group is a lessor*

The Group has reassessed the classification of sub-leases in which the Group is a lessor. No significant impact is expected for leases in which the Group is a lessor.

*iii. Transition*

The Group plans to apply IFRS 16 initially on January 1, 2019, using the modified retrospective approach and measuring the right of use asset equal to the lease liability. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

The Group has a number of arrangements that are not in the legal form of a lease, for which it concluded that the arrangement contains a lease of equipment under IFRIC 4. On transition to IFRS 16, the Group does not plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that the new definition of a lease under IFRS 16 will be applied to all of the contracts in place on transition.

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

- Measure the right-of-use asset as if it had applied IFRS 16 since the commencement date using its incremental borrowing rate at the date of initial application;
- Apply the practical expedient to exclude initial direct costs from the right-of-use asset;
- Apply the practical expedient to apply a single discount rate to a portfolio of leases with similar characteristics; and
- Apply the practical expedient to rely on its assessment that the lease was onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and therefore adjust the right-of-use asset at the date of initial application by the onerous lease provision rather than conduct an impairment test.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. ACCOUNTING POLICIES (continued)**

**Other forthcoming standards and amendments**

The following new or amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 23 Uncertainty over Income Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015-17 Cycle- various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**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 two reportable segments, as described below:

- **Petrochemicals** – This reportable segment is the aggregation, in compliance with IFRS 8, of a number of different business units with similar economic and other characteristics. The Group's petrochemical businesses are exposed to similar key commodities, namely oil and gas. They produce a range of products and services including styrenics, olefins and related products and a broad range of polymers. The petrochemical 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 petrochemicals customer base is similar in that the customers are generally manufacturers of consumer and industrial products in developed markets and mature industrial economies.
- **Oil and gas** – This reportable segment relates to interest in a number of licences for the exploration, development and production of gas in various fields in the North Sea and the exploration and evaluation of land leading to development and ultimately production of shale gas.

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, measured under IFRS ("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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. OPERATING SEGMENTS (continued)**

**Segment information – 2018**

|  | <b>Petrochemicals</b> | <b>Oil and gas</b> | <b>Total of reportable segments</b> | <b>Adjustments</b> | <b>Amounts in financial statements</b> |
|--|-----------------------|--------------------|-------------------------------------|--------------------|--|
|  | <b>€m</b>             | <b>€m</b>          | <b>€m</b>                           | <b>€m</b>          | <b>€m</b>                              |
| Reportable segment revenue .....   | 7,030.9               | 1,757.1            | 8,788.0                             | (507.5)            | 8,280.5                                |
| Reportable segment EBITDA .....  | 921.6                 | 1,031.7            | 1,953.3                             | -                  | 1,953.3                                |
| Depreciation of property, plant and equipment and amortisation and impairment of intangible assets ..... | (276.3)               | (474.2)            | (750.5)                             | -                  | (750.5)                                |
| Exceptional items (excluding items relating to impairment and financing) .....                           | (0.2)                 | (13.0)             | (13.2)                              | -                  | (13.2)                                 |
| Profit on disposal of fixed assets .....   | -                     | 10.7               | 10.7                                | -                  | 10.7                                   |
| Net finance cost .....   |                       |                    |                                     |                    | (187.7)                                |
| Profit before taxation .....   |                       |                    |                                     |                    | 1,012.6                                |
| Payments for capital expenditure .....   | (284.4)               | (96.8)             | (381.2)                             | -                  | (381.2)                                |

Major items in the adjustments column include:

- Reportable segment revenues: the elimination of inter-segmental revenues: 2018: €507.5 million (2017: €368.8 million).

**Segment information – 2017**

|  | <b>Petrochemicals</b> | <b>Oil and gas</b> | <b>Total of reportable segments</b> | <b>Adjustments</b> | <b>Amounts in financial statements</b> |
|--|-----------------------|--------------------|-------------------------------------|--------------------|--|
|  | <b>€m</b>             | <b>€m</b>          | <b>€m</b>                           | <b>€m</b>          | <b>€m</b>                              |
| Reportable segment revenue .....   | 6,567.2               | 548.5              | 7,115.7                             | (368.8)            | 6,746.9                                |
| Reportable segment EBITDA .....  | 1,024.4               | 293.5              | 1,317.9                             | -                  | 1,317.9                                |
| Depreciation of property, plant and equipment and amortisation and impairment of intangible assets ..... | (274.7)               | (771.3)            | (1,046.0)                           | -                  | (1,046.0)                              |
| Exceptional items (excluding items relating to impairment and financing) .....                           | (37.8)                | (54.7)             | (92.5)                              | -                  | (92.5)                                 |
| Profit on disposal of businesses .....   | 68.7                  | -                  | 68.7                                | -                  | 68.7                                   |
| (Loss)/profit on disposal of fixed assets .....  | (0.6)                 | 0.3                | (0.3)                               | -                  | (0.3)                                  |
| Net finance cost .....   |                       |                    |                                     |                    | (187.3)                                |
| Profit before taxation .....   |                       |                    |                                     |                    | 60.5                                   |
| Payments for capital expenditure .....   | (179.9)               | (65.6)             | (245.5)                             | -                  | (245.5)                                |

All revenue is derived from the sale of goods and services.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. OPERATING SEGMENTS (continued)**

**Geographic segments**

|   | 2018           | 2017           |
|---|----------------|----------------|
|   | €m             |                |
| <b>Geographical information by location of customers:</b> |                |                |
| Europe .....  | 4,391.5        | 2,773.6        |
| Americas .....  | 1,951.0        | 2,011.8        |
| Rest of World .....                                       | 1,938.0        | 1,961.5        |
| Total .....   | <u>8,280.5</u> | <u>6,746.9</u> |

**Timing of revenue recognition**

|                          | 2018           | 2017           |
|--------------------------|----------------|----------------|
|                          | €m             |                |
| At a point in time ..... | 8,006.8        | 6,710.0        |
| Over time .....          | 273.7          | 36.9           |
| Total .....              | <u>8,280.5</u> | <u>6,746.9</u> |

In presenting information on the basis of geographic analysis, revenue is based on the geographical location of customers 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.

No contract assets and liabilities have been recognised in the balance sheet of the Group. Its impact, if any, was deemed immaterial. The performed analysis has concluded that the right of payment of the goods and services sold by the Group is unconditional, except for the passage of time. Therefore, all rights of payment have been booked as trade receivables.

No assets related to costs to obtain or fulfil a contract have been recognised. Its impact, if any, was deemed immaterial.

**3. ACQUISITIONS OF SUBSIDIARIES**

**Prior year acquisitions**

**K-Resin**

In March 2017 the Group acquired the global K-Resin® styrene-butadiene copolymers (SBC) business from Chevron Phillips Chemical Company LLC (Chevron Phillips Chemical) and Daelim Industrial Co. Ltd. The transaction includes the purchase of 100% of the equity interests in KR Copolymer Co. Ltd. (KRCC), K-Resin SBC intellectual property, inventories and other assets related to the SBC business. This acquisition allows the Styrolution business to supply its customers from production sites in the Americas, EMEA and Asia Pacific.

The purchase price after adjustments for net working capital contributions was \$121.2 million (€114.2 million). For the ten month period since 1 March 2017, the acquired business contributed revenue of €77.6 million and EBITDA of €7.2 million. EBITDA is reduced because of inventory fair value considerations in the opening balance. If the acquisition had occurred on 1 January 2017, management estimates that consolidated revenue would have been €95.9 million and EBITDA including fair value considerations would have been €10.2 million.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**3. ACQUISITIONS OF SUBSIDIARIES (continued)**

*Effect of acquisition*

| Acquiree's net assets at acquisition date:                     | Final values<br>recognised on<br>acquisition |
|--|--|
|  | €m   |
| Property, plant and equipment.....                             | 14.7   |
| Intangible assets.....   | 65.5   |
| Deferred tax assets.....                                       | 3.3  |
| Inventories.....   | 41.1   |
| Trade debtors and other receivables.....                       | 7.7  |
| Cash and cash equivalents.....                                 | 14.3   |
| Employee benefits.....   | (13.8)                                       |
| Provisions.....  | (0.3)  |
| Trade creditors and other payables.....                        | (14.3)                                       |
| Deferred tax liabilities.....                                  | (19.4)                                       |
| Net identifiable assets and liabilities.....                   | 98.8   |
| Consideration paid:  |  |
| Cash.....  | 114.2  |
| Differences between consideration and net assets acquired..... | 15.4   |

The difference between consideration and net assets acquired has been recognised as goodwill within intangible assets in Note 12.

In 2018 the fair values assigned to the book values of the identifiable assets and liabilities were reviewed and the allocation of the purchase price was finalised without changes to the allocation as of 31 December 2017.

*Acquisition related costs*

The Group incurred acquisition related costs of €1.6 million related to legal fees and professional fees. These costs have been included in administrative expenses in the Group's consolidated income statement.

*Acquired receivables*

The fair value of acquired receivables was €5.5 million. The gross contractual amounts receivable are €5.6 million and, at the acquisition date, €0.1 million of contractual cash flows were not expected to be received.

**DONG E&P A/S**

On 29 September 2017 the Group acquired the entire ordinary share capital of DONG E&P A/S for a combined net consideration of €650.5 million, agreed as a fixed cash amount on completion plus certain elements of deferred and contingent consideration less indemnification assets. DONG E&P A/S, together with its subsidiaries, principally engages in exploration and production activities in the oil and gas sector in Denmark, Norway and the UK.

The Company used a discounted cash flow model to estimate the expected future cash flows of the assets, based on the life-of-field plans. Expected future cash flows are based on estimates of future production and commodity prices, operating costs, and forecast capital expenditures using the life-of-field plan as at the acquisition date.

The revenue included in the consolidated statement of comprehensive income since 1 October 2017 to 31 December 2017 contributed by DONG E&P A/S and its subsidiaries was €288.5 million. DONG E&P A/S Group contributed €38.6 million profit over the same period.

If DONG E&P A/S Group had been consolidated from 1 January 2017, the consolidated statement of income would show pro-forma revenue of €998.1 million and a loss of €123.8 million.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**3. ACQUISITIONS OF SUBSIDIARIES (continued)**

*Effect of acquisition*

|  | Final values<br>recognised on<br>acquisition |
|--|--|
|  | €m   |
| <b>Acquiree's net liabilities at acquisition date:</b>         |  |
| Property, plant and equipment.....                             | 1,434.2                                      |
| Intangible assets.....   | 0.6  |
| Deferred tax assets.....                                       | 60.8   |
| Investments.....   | 1.7  |
| Trade debtors and other receivables.....                       | 239.5  |
| Cash and cash equivalents.....                                 | 177.7  |
| Restricted cash.....   | 27.6   |
| Provisions.....  | (1,273.9)                                    |
| Trade creditors and other payables.....                        | (413.4)                                      |
| Deferred tax liabilities.....                                  | (259.1)                                      |
| Net identifiable assets and liabilities.....                   | (4.3)  |
| Consideration paid:  |  |
| Cash.....  | 635.1  |
| Contingent consideration.....                                  | 6.4  |
| Deferred consideration.....                                    | 311.2  |
| Indemnification assets.....                                    | (302.2)                                      |
| Differences between consideration and net assets acquired..... | 654.8  |

The difference between consideration and net assets acquired has been recognised as goodwill within intangible assets in Note 12.

In 2018 the fair values assigned to the book values of the identifiable assets and liabilities were reviewed and the allocation of the purchase price was finalised without changes to the allocation as of 31 December 2017.

Contingent consideration relates to an obligation to pay an amount, up to \$100.0 million, contingent upon development of, or disposal of the license interest in, the Rosebank field. Subsequent to the 31 December 2017, the Group entered into an agreement to dispose of the Rosebank license interest. Therefore \$7.7 million (€6.4 million) became payable and this amount was recognised as consideration.

Deferred consideration includes loan notes totalling \$250.0 million. The fair value of these loan notes was \$235.0 million (€195.5 million) and they were included within current and non-current liabilities in the consolidated balance sheet. \$150.0 million of the loan notes accrue interest payable annually each September, and are payable over 3 annual instalments of \$50.0 million with the first payment made in 2018. The remaining \$100.0 million of loan notes relates to the Hejre field development. The principal terms of the Hejre loan notes are the repayment at the earlier of 29 September 2020 or the date of the final investment decision on the Hejre development.

The Group also has deferred consideration of \$8.1 million (€6.8 million) in respect of a purchase price adjustment which was paid during 2018.

Deferred consideration also included an obligation of the Group to pay \$150.0 million, in 10 annual instalments of \$15.0 million commencing on 1 April 2019, in connection with the capital cost of the Fredericia Gas Plant. The fair value of this consideration is \$129.7 million (€108.9 million) and was included within non-current liabilities in the consolidated balance sheet. In exchange, the Group benefits from a contractual right to receive sufficient cash to fulfil the obligations to settle actual payments in respect of the historical construction cost of the Fredericia Gas Plant, regardless of amount and timing. Consequently, an

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**3. ACQUISITIONS OF SUBSIDIARIES (continued)**

indemnification asset of \$238.0 million (€199.7 million), equivalent to the fair value of the obligation, has been recognised on acquisition and included within non-current other receivables in the consolidated balance sheet and was treated as a reduction in consideration.

The Group also benefits from an indemnity in respect of uncertain tax liabilities relating to pre-acquisition periods. An indemnification asset of \$122.1 million (€102.5 million), equivalent to the fair value of the underlying estimate of these tax liabilities, was recognised on acquisition and has been included within non-current other receivables in the consolidated balance sheet and was treated as a reduction in consideration.

Total indemnification assets as at 31 December 2017 were \$360.1 million (€302.2 million).

Goodwill of €654.8 million was recognised on 2017 as a result of the acquisition, of which none was expected to be deductible for income tax purposes. Goodwill related to Denmark and UK entities was impaired given the fields are carried at their recoverable amount resulting in an exceptional impairment charge of €550.5 million during the year ended 31 December 2017 (see Note 4). The remaining goodwill relates to Norway in respect of the tax amortisation benefit. Refer to note 12 for details on goodwill.

*Acquisition related costs*

The Group incurred acquisition related costs of €12.8 million related to legal fees and professional fees. These costs were treated as exceptional administrative expenses in the Group's consolidated income statement during the year ended 31 December 2017.

**Forties Pipeline System**

On 31 October 2017 the Group acquired the Forties Pipeline System ('FPS') and associated facilities from BP for a total consideration after purchase price adjustments of €82.7 million. FPS is a pipeline network in the North Sea which links oil and gas assets to the UK mainland. The acquisition of FPS vertically integrates the pipeline network with the Group's site in Grangemouth.

From the acquisition date to 31 December 2017 the FPS business contributed a net loss of €2.9 million to the consolidated net profit for the year.

*Effect of acquisition*

| Acquiree's net assets at acquisition date:                            | Provisional<br>values originally<br>recognised on<br>acquisition in<br>prior year | Adjustments   | Final values<br>retrospectively<br>recognised on<br>acquisition in<br>prior year |
|---|---|---------------|--|
|   | €m  |               | €m   |
| Property, plant and equipment.....                                    | 290.0   | (1.3)         | 288.7  |
| Inventories.....  | 3.6   | -             | 3.6  |
| Trade debtors and other receivables.....                              | 51.9  | 1.9           | 53.8   |
| Provisions.....   | (208.0)   | (11.8)        | (219.8)  |
| Trade creditors and other payables.....                               | (46.5)  | (9.9)         | (56.4)   |
| <b>Net identifiable assets and liabilities .....</b>                  | <b>91.0</b>   | <b>(21.1)</b> | <b>69.9</b>  |
| <b>Consideration paid:</b>  |   |               |  |
| Cash.....   | 81.0  | -             | 81.0   |
| Deferred consideration .....  | 1.7   | -             | 1.7  |
| <b>Differences between consideration and net assets acquired.....</b> | <b>(8.3)</b>  | <b>21.1</b>   | <b>12.8</b>  |

The 2017 comparative information has been restated to decrease the fair value of net assets acquired at the acquisition date by €21.1 million and to recognise positive goodwill of €12.8 million. This

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**3. ACQUISITIONS OF SUBSIDIARIES (continued)**

goodwill was immediately impaired given the fair value of property, plant and equipment had already been recognised at its recoverable amount resulting in a retrospective exceptional impairment charge of €12.8 million being recognised during the year ended 31 December 2017 (see Note 4).

*Acquisition related costs*

The Group incurred acquisition related costs of €12.3 million related to legal fees and professional fees. These costs have been included in exceptional administrative expenses in the Group's consolidated income statement.

*Acquired receivables*

The fair value of acquired receivables was €53.8 million. The gross contractual amounts receivable are €53.8 million and, at the acquisition date all of the contractual cash flows were expected to be received.

**Other acquisitions**

During 2017 a net payment of €0.8 million was paid for other acquisitions resulting in goodwill of €0.8 million.

**Common control transaction**

**O&P UK**

In August 2017 the Group acquired INEOS Grangemouth plc from INEOS Holdings AG, a related party, for nominal consideration. INEOS Grangemouth plc includes the O&P UK business, which produces olefins and related products and a range of polymers based at their site in Grangemouth, Scotland.

From the acquisition date to 31 December 2017 the O&P UK business contributed a net profit of €52.5 million to the consolidated net profit for the year. If the acquisition had occurred on 1 January 2017, the O&P UK business would have contributed a net profit of €125.9 million to the consolidated net profit for the year.

The acquisition had the following effect on the Group's assets and liabilities. Asset and liabilities were transferred at book value as allowable under a common control transaction.

*Effect of acquisition*

| Acquiree's net assets at acquisition date:                            | 2017         |
|---|--------------|
|   | €m           |
| Property, plant and equipment.....                                    | 532.4        |
| Deferred tax assets .....   | 68.3         |
| Inventories.....  | 63.9         |
| Trade debtors and other receivables .....                             | 863.2        |
| Cash and cash equivalents.....  | 61.6         |
| Restricted cash .....   | 54.0         |
| Trade creditors and other payables.....                               | (826.8)      |
| Interest-bearing loans and borrowings .....                           | (284.2)      |
| Employee benefits .....   | (108.6)      |
| <b>Net identifiable assets and liabilities .....</b>                  | <b>423.8</b> |
| <b>Consideration paid:</b>  |              |
| Cash.....   | -            |
| <b>Differences between consideration and net assets acquired.....</b> | <b>423.8</b> |

The difference between consideration and net assets acquired has been recognised directly within the merger reserve.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**4. EXCEPTIONAL ITEMS**

**Exceptional (expenses)/gains**

|   | 2018   | 2017    |
|---|--------|---------|
|   | €m     |         |
| <i>Exceptional cost of sales:</i>             |        |         |
| Seismic data change of control fee .....      | -      | (14.0)  |
| <i>Exceptional administrative expenses:</i>   |        |         |
| Impairment of DONG goodwill .....             | -      | (550.5) |
| Impairment of FPS goodwill .....              | -      | (12.8)  |
| Restructuring of DONG operations .....        | (17.8) | (3.3)   |
| Restructuring of Styrolution operations ..... | -      | (0.9)   |
| Restructuring of Breagh operations .....      | -      | (12.3)  |
| Styrolution purchase price adjustment .....   | -      | (36.9)  |
| Acquisition related costs .....               | (2.4)  | (25.1)  |
| Other exceptional items .....                 | (0.2)  | -       |
|   | (20.4) | (641.8) |
| <i>Exceptional administrative gains:</i>      |        |         |
| Restructuring of Breagh operations .....      | 7.2    | -       |

**Exceptional cost of sales**

In 2017 costs of €14.0 million were incurred in relation to contracts for the licensing of certain subsurface data triggered by the change in ownership arising as a result of the acquisition of the entire oil & gas business from DONG Energy A/S.

**Exceptional administrative expenses and gains**

In 2018 further restructuring costs of €17.8 million (2017: €3.3 million) were charged relating to system integration and redundancies following the acquisition of the entire oil & gas business from DONG Energy A/S.

In 2018 acquisition related costs of €2.4 million were charged in respect of a potential acquisition. During 2017 acquisition related costs of €25.1 million were charged relating to the acquisition of the entire oil & gas business of DONG Energy A/S and the Forties Pipeline System and associated facilities from BP (see Note 3).

In 2017 further costs were provided for in relation to the continued restructuring of the Styrolution operations of €0.9 million. There was also a purchase price adjustment in respect of the Styrolution business of €36.9 million related to a liability recognised to the previous joint venture partner, BASF. The Group will benefit from certain tax deductions as a result of the acquisition which will be transferred to BASF in accordance with the relevant acquisition agreements.

In 2017 further costs of €12.3 million were charged in respect of the restructuring of the Breagh oil and gas business following its acquisition in 2015. These costs mainly related to an onerous operating lease after the Group relocated the Breagh business to a new office while retaining the lease for its previous office. The Group was unable to transfer or surrender its lease and therefore a provision was made to recognise the rental costs and rates for the remaining period of the lease along with restoration costs. In 2018 the onerous lease operating lease provision was released back to consolidated statement of comprehensive income as the lease was surrendered to the landlord during the year at an amount lower than the provision which resulted in an exceptional administrative gain of €7.2 million.

Subsequent to the acquisition of the entire oil & gas business of DONG Energy A/S an impairment test was performed on the goodwill arising on the acquisition and as a result an impairment charge of €550.5 million was charged to the consolidated income statement in 2017.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**4. EXCEPTIONAL ITEMS (continued)**

Subsequent to the acquisition of the Forties Pipeline System and associated facilities from BP an impairment test was performed on the goodwill arising on the acquisition after finalisation of the fair values (see Note 3) which resulted in an exceptional impairment charge of €12.8 million being charged to the consolidated income statement in 2017.

**5. OPERATING PROFIT**

Included in operating profit are the following:

|   | 2018  | 2017  |
|---|-------|-------|
|   | €m    |       |
| Research expenses as incurred .....                           | 66.9  | 13.5  |
| Amortisation of other intangible assets .....                 | 140.5 | 93.8  |
| Impairment of goodwill .....                                  | -     | 563.3 |
| Amortisation of government grants .....                       | (0.9) | (4.0) |
| Depreciation and impairment of property, plant and equipment: |       |       |
| Owned assets .....  | 608.6 | 387.6 |
| Leased assets .....   | 1.4   | 1.3   |
| <b>Operating lease rental charges:</b>                        |       |       |
| Plant, machinery and equipment .....                          | 14.2  | 15.4  |
| Other .....   | 32.3  | 21.4  |

**Auditors' remuneration**

|   | 2018       | 2017       |
|---|------------|------------|
|   | €m         |            |
| Audit of these financial statements .....                                   | 0.1        | 0.1        |
| <b>Amounts receivable by auditors and their associates in respect of:</b>   |            |            |
| Audit of financial statements of subsidiaries pursuant to legislation ..... | 2.5        | 2.8        |
| Other services relating to taxation .....                                   | 1.1        | 0.9        |
| Services relating to corporate finance transactions .....                   | -          | 1.0        |
| All other services .....  | 0.4        | 0.2        |
|   | <b>4.1</b> | <b>5.0</b> |

**6. STAFF NUMBERS AND COSTS**

The average monthly number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

|                                | 2018         | 2017         |
|--------------------------------|--------------|--------------|
|                                | Number       |              |
| Operations .....               | 3,412        | 3,542        |
| Administration .....           | 1,650        | 1,748        |
| Research and development ..... | 121          | 113          |
|                                | <b>5,183</b> | <b>5,403</b> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**6. STAFF NUMBERS AND COSTS (continued)**

The aggregate payroll costs of these persons were as follows:

|  | 2018         | 2017         |
|--|--------------|--------------|
|  | €m           |              |
| Wages and salaries .....                               | 463.3        | 367.7        |
| Social security costs .....                            | 37.3         | 30.6         |
| Other pension costs - defined contribution plans ..... | 30.3         | 25.2         |
| Other pension costs - defined benefit plans .....      | 12.1         | 9.8          |
|  | <u>543.0</u> | <u>433.3</u> |

**7. DIRECTORS' REMUNERATION**

The directors did not receive any emoluments for their services to the Group during the year (2017: €nil).

**8. DISPOSALS**

**Disposals in the current year**

*Enterprises businesses*

The Group disposed of its Chlorotoluenes (ICT) business on 1 January 2018 and its Melamines and Calabrian businesses on 12 April 2018 to INEOS Enterprises Holdings Limited, a related party for €120.0 million consideration resulting in a loss on disposal of €14.9 million. The amount arising on the common control transaction has been recognised directly within the merger reserve.

*Effect of the aggregated disposals on individual assets and liabilities*

|  | ICT             | Calabrian    | Melamines  | Total       |
|--|-----------------|--------------|------------|-------------|
|  | (€ in millions) |              |            |             |
| Property, plant and equipment .....                  | 9.5             | 29.8         | 11.4       | 50.7        |
| Intangible assets .....                              | -               | 139.0        | -          | 139.0       |
| Inventories .....                                    | 5.3             | 1.6          | 13.6       | 20.5        |
| Trade debtors and other receivables .....            | 18.0            | 30.3         | 19.4       | 67.7        |
| Cash and cash equivalents .....                      | 5.2             | 2.1          | 2.0        | 9.3         |
| Trade creditors and other payables .....             | (26.1)          | (30.7)       | (19.7)     | (76.5)      |
| Interest-bearing loans and borrowings .....          | -               | (29.0)       | -          | (29.0)      |
| Tax payable .....                                    | (0.7)           | (6.1)        | (0.2)      | (7.0)       |
| Deferred tax liabilities .....                       | -               | (20.6)       | -          | (20.6)      |
| Employee benefits .....                              | (0.7)           | (0.2)        | (8.6)      | (9.5)       |
| Net assets disposed of .....                         | 10.5            | 116.2        | 17.9       | 144.6       |
| Exchange gains recycled on disposal .....            | 1.2             | 0.8          | 7.7        | 9.7         |
| Proceeds .....                                       | -               | 119.6        | 0.4        | 120.0       |
| Amounts arising on common control transactions ..... | <u>9.3</u>      | <u>(4.2)</u> | <u>9.8</u> | <u>14.9</u> |

**Prior year disposals**

*Bio business*

In April 2017 the Group sold the pilot plants of the Bio business to Jupeng Investment Company, a Chinese company for a total consideration of €1.1 million, resulting in a loss on disposal of €17.9 million. In December 2016 the site at Vero Beach, Florida was fully closed and was subsequently sold to Frankens Energy LLC in December 2017. As part of the agreement to divest the Vero Beach site, the outstanding Bonds due 2031 were waived, resulting in a gain on disposal of €86.6 million.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**8. DISPOSALS (continued)**

*Effect of the aggregated disposals on individual assets and liabilities*

|  | <b>2017</b>            |
|--|------------------------|
|  | <i>(€ in millions)</i> |
| Property, plant and equipment.....         | 3.2                    |
| Inventories.....                           | 1.9                    |
| Trade and other receivables.....           | 16.1                   |
| Provisions.....                            | (0.9)                  |
| Trade and other payables.....              | (44.1)                 |
| Interest-bearing loans and borrowings..... | (43.8)                 |
| Net liabilities disposed of.....           | (67.6)                 |
| Proceeds.....                              | 1.1                    |
| <b>Profit on disposal of business.....</b> | <b>68.7</b>            |

**Ineos Industries Property Limited**

During 2017 the Group disposed of INEOS Industries Property Limited to a related party, INEOS Limited for nil consideration resulting in a gain on disposal of €5.8 million. The amount arising on the common control transaction has been recognised directly within the merger reserve.

*Effect of the aggregated disposals on individual assets and liabilities*

|  | <b>2017</b>            |
|--|------------------------|
|  | <i>(€ in millions)</i> |
| Property, plant and equipment.....                         | 5.7                    |
| Trade and other receivables.....                           | 0.5                    |
| Cash.....  | 0.2                    |
| Trade and other payables.....                              | (12.2)                 |
| Net liabilities disposed of.....                           | (5.8)                  |
| Proceeds.....  | -                      |
| <b>Amounts arising on common control transactions.....</b> | <b>5.8</b>             |

**9. FINANCE INCOME AND COSTS**

**Recognised in profit or loss**

|  | <b>2018</b>  | <b>2017</b>  |
|--|--------------|--------------|
|  | <b>€m</b>    |              |
| <b>Finance income</b>                              |              |              |
| Interest receivable on bank balances.....          | 5.6          | 2.8          |
| Interest receivable on related party balances..... | 2.9          | 0.7          |
| Net fair value gain on derivatives.....            | -            | 1.6          |
| Exchange movements.....                            | 18.9         | -            |
| Other interest receivable.....                     | 3.4          | 1.8          |
| <b>Total finance income.....</b>                   | <b>30.8</b>  | <b>6.9</b>   |
| <b>Finance costs</b>                               |              |              |
| Interest payable on bank loans and overdrafts..... | 36.0         | 44.1         |
| Interest payable on Guaranteed Notes.....          | 7.5          | 2.7          |
| Interest payable on related party balances.....    | 73.3         | 71.6         |
| Interest on employee benefit liabilities.....      | 2.9          | 3.4          |
| Net fair value loss on derivatives.....            | 46.8         | -            |
| Amortisation of debt issue costs.....              | 16.0         | 8.0          |
| Unwind of discount on provisions.....              | 20.3         | 5.9          |
| Other finance charges.....                         | 15.7         | 4.7          |
| Exchange movements.....                            | -            | 53.8         |
| <b>Total finance costs.....</b>                    | <b>218.5</b> | <b>194.2</b> |
| <b>Net finance costs.....</b>                      | <b>187.7</b> | <b>187.3</b> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**10. TAX CHARGE**

**Taxation recognised in the consolidated income statement**

|  | 2018          | 2017           |
|--|---------------|----------------|
|  | €m            |                |
| <b>Current tax expense</b>                             |               |                |
| Current year.....                                      | 3.6           | (0.9)          |
| Adjustments in respect of prior years.....             | 9.4           | 2.4            |
| <b>Total current tax expense .....</b>                 | <b>13.0</b>   | <b>1.5</b>     |
| <b>Foreign tax expense</b>                             |               |                |
| Current year.....                                      | 523.6         | 200.9          |
| Adjustments in respect of prior years.....             | 13.2          | 29.4           |
| <b>Total foreign tax expense .....</b>                 | <b>536.8</b>  | <b>230.3</b>   |
| <b>Deferred tax credit</b>                             |               |                |
| Origination and reversal of temporary differences..... | (41.4)        | (142.7)        |
| Adjustments in respect of prior years.....             | (8.3)         | (20.0)         |
| <b>Deferred tax credit (see Note 16).....</b>          | <b>(49.7)</b> | <b>(162.7)</b> |
| <b>Total tax charge.....</b>                           | <b>500.1</b>  | <b>69.1</b>    |

**Reconciliation of effective tax rate**

|  | 2018           | 2017        |
|--|----------------|-------------|
|  | €m             |             |
| <b>Profit before taxation .....</b>                                  | <b>1,012.6</b> | <b>83.0</b> |
| Tax using the UK corporation tax rates of 19.00% (2017: 19.25%)..... | 192.4          | 16.0        |
| Non-deductible expenses/tax exempt revenues .....                    | 51.1           | 75.9        |
| Effect of tax rates in foreign jurisdictions .....                   | 173.1          | 12.9        |
| Deferred tax not recognised .....                                    | 138.7          | 74.2        |
| Reduction in rates.....  | -              | (67.1)      |
| Tax incentives .....   | (69.5)         | (54.6)      |
| Adjustments in respect of prior years.....                           | 14.3           | 11.8        |
| <b>Total tax charge.....</b>   | <b>500.1</b>   | <b>69.1</b> |

The UK Corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017. The rate will reduce further to 17% from 1 April 2020.

**Taxation recognised in other comprehensive income**

|   | 2018  |       |      | 2017  |        |      |
|---|-------|-------|------|-------|--------|------|
|   | Gross | Tax   | Net  | Gross | Tax    | Net  |
|   | €m    |       |      |       |        |      |
| Remeasurements of post employment benefit obligations ..... | 20.6  | (2.9) | 17.7 | 87.9  | (15.9) | 72.0 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**11. PROPERTY, PLANT AND EQUIPMENT**

|  | Land and<br>buildings | Plant &<br>machinery,<br>fixtures<br>and fittings,<br>and motor<br>vehicles | Oil and<br>gas<br>€m | Assets under<br>construction | Total          |
|--|-----------------------|---|----------------------|------------------------------|----------------|
| <b>Cost</b>                                    |                       |   |                      |                              |                |
| Balance at 1 January 2017 .....                | 208.8                 | 1,194.6   | 665.5                | 185.2                        | 2,254.1        |
| Acquisition through business combinations..... | 6.5                   | 296.8   | 1,433.8              | 1.8                          | 1,738.9        |
| Common control transaction.....                | 21.8                  | 1,269.7   | -                    | 16.2                         | 1,307.7        |
| Additions .....                                | 0.7                   | 30.7  | 20.4                 | 210.2                        | 262.0          |
| Disposal .....                                 | (0.3)                 | (88.0)  | -                    | -                            | (88.3)         |
| Reclassification .....                         | -                     | 99.5  | 24.3                 | (99.5)                       | 24.3           |
| Business disposals.....                        | (7.8)                 | (145.1)   | -                    | -                            | (152.9)        |
| Effect of movements in foreign exchange.....   | (8.8)                 | (42.1)  | (63.4)               | (14.8)                       | (129.1)        |
| Balance at 31 December 2017 .....              | 220.9                 | 2,616.1   | 2,080.6              | 299.1                        | 5,216.7        |
| Common control transaction.....                | (14.0)                | (93.3)  | -                    | (3.9)                        | (111.2)        |
| Additions .....                                | 1.4                   | 53.3  | 139.7                | 189.1                        | 383.5          |
| Disposals.....                                 | -                     | (44.6)  | (23.7)               | -                            | (68.3)         |
| Reclassification .....                         | 6.0                   | 171.9   | (23.2)               | (167.8)                      | (13.1)         |
| Effect of movements in foreign exchange.....   | 1.6                   | (3.1)   | (31.9)               | 4.6                          | (28.8)         |
| <b>Balance at 31 December 2018.....</b>        | <b>215.9</b>          | <b>2,700.3</b>  | <b>2,141.5</b>       | <b>321.1</b>                 | <b>5,378.8</b> |
| <b>Accumulated depreciation and impairment</b> |                       |   |                      |                              |                |
| Balance at 1 January 2017 .....                | 33.8                  | 443.3   | 157.3                | -                            | 634.4          |
| Common control transaction.....                | 2.6                   | 774.0   | -                    | -                            | 776.6          |
| Depreciation charge for the year .....         | 9.6                   | 176.3   | 203.0                | -                            | 388.9          |
| Disposals.....                                 | (0.2)                 | (87.9)  | -                    | -                            | (88.1)         |
| Business disposals.....                        | (6.5)                 | (137.5)   | -                    | -                            | (144.0)        |
| Effect of movements in foreign exchange.....   | (2.2)                 | (7.9)   | (8.7)                | -                            | (18.8)         |
| Balance at 31 December 2017 .....              | 37.1                  | 1,160.3   | 351.6                | -                            | 1,549.0        |
| Common control transaction.....                | (4.4)                 | (56.1)  | -                    | -                            | (60.5)         |
| Depreciation charge for the year .....         | 10.1                  | 215.9   | 384.0                | -                            | 610.0          |
| Disposals.....                                 | -                     | (44.6)  | (8.7)                | -                            | (53.3)         |
| Reclassification .....                         | 0.5                   | (0.5)   | -                    | -                            | -              |
| Effect of movements in foreign exchange.....   | 0.3                   | (3.7)   | (12.4)               | -                            | (15.8)         |
| <b>Balance at 31 December 2018.....</b>        | <b>43.6</b>           | <b>1,271.3</b>  | <b>714.5</b>         | <b>-</b>                     | <b>2,029.4</b> |
| <b>Net book value</b>                          |                       |   |                      |                              |                |
| At 31 December 2017 .....                      | 183.8                 | 1,455.8   | 1,729.0              | 299.1                        | 3,667.7        |
| <b>At 31 December 2018.....</b>                | <b>172.3</b>          | <b>1,429.0</b>  | <b>1,427.0</b>       | <b>321.1</b>                 | <b>3,349.4</b> |

Included within land and buildings are buildings held under finance leases with a net book value of €6.9 million (2017: €7.7 million). Included in plant & machinery are assets held under hire purchase and finance leases with a net book value of €2.6 million (2017: €3.2 million).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**12. INTANGIBLE ASSETS**

|   | Licence<br>fees | Customer<br>lists | Intellectual<br>property<br>rights | Environmental<br>certificates | Non compete<br>agreements | Evaluation<br>and<br>exploration<br>cost | Goodwill       | Total          |
|---|-----------------|-------------------|------------------------------------|-------------------------------|---------------------------|--|----------------|----------------|
|   | €m              |                   |                                    |                               |                           |  |                |                |
| <b>Cost</b>                                     |                 |                   |                                    |                               |                           |  |                |                |
| Balance at 1 January 2017.....                  | 26.1            | 818.5             | 257.0                              | -                             | 41.9                      | 81.2                                     | 822.1          | 2,046.8        |
| Additions .....                                 | -               | -                 | -                                  | 6.6                           | 1.3                       | 41.9                                     | -              | 49.8           |
| Disposals .....                                 | (0.3)           | -                 | -                                  | (3.1)                         | (0.2)                     | -  | -              | (3.6)          |
| Acquisition through business combinations ..... | 2.1             | 55.8              | 7.9                                | -                             | 0.3                       | -  | 684.4          | 750.5          |
| Reclassifications .....                         | -               | -                 | (3.1)                              | -                             | -                         | (11.0)                                   | -              | (14.1)         |
| Effect of movements in foreign exchange .....   | 1.7             | (36.1)            | (14.1)                             | -                             | (1.0)                     | (3.1)                                    | (53.5)         | (106.1)        |
| Balance at 31 December 2017 .....               | 29.6            | 838.2             | 247.7                              | 3.5                           | 42.3                      | 109.0                                    | 1,453.0        | 2,723.3        |
| Additions .....                                 | -               | -                 | 1.7                                | 10.9                          | -                         | 50.9                                     | -              | 63.5           |
| Disposals .....                                 | -               | (0.4)             | -                                  | (5.7)                         | -                         | (0.6)                                    | -              | (6.7)          |
| Common control transaction .....                | -               | (21.6)            | (60.5)                             | -                             | -                         | -  | (66.5)         | (148.6)        |
| Reclassifications .....                         | 7.7             | -                 | 34.6                               | -                             | (42.3)                    | 1.1                                      | -              | 1.1            |
| Effect of movements in foreign exchange .....   | 0.6             | 5.6               | 2.0                                | 0.2                           | -                         | (2.6)                                    | 12.0           | 17.8           |
| <b>Balance at 31 December 2018 .....</b>        | <b>37.9</b>     | <b>821.8</b>      | <b>225.5</b>                       | <b>8.9</b>                    | <b>-</b>                  | <b>157.8</b>                             | <b>1,398.5</b> | <b>2,650.4</b> |
| <b>Accumulated amortisation and impairment</b>  |                 |                   |                                    |                               |                           |  |                |                |
| Balance at 1 January 2017 .....                 | 3.0             | 179.1             | 21.4                               | -                             | 22.6                      | -  | -              | 226.1          |
| Amortisation for the year .....                 | 1.6             | 63.9              | 16.7                               | -                             | 11.6                      | -  | -              | 93.8           |
| Exceptional impairment charge .....             | -               | -                 | -                                  | -                             | -                         | -  | 563.3          | 563.3          |
| Disposals .....                                 | (0.1)           | -                 | -                                  | -                             | (0.2)                     | -  | -              | (0.3)          |
| Effect of movements in foreign exchange .....   | (0.1)           | (6.5)             | (1.0)                              | -                             | (0.1)                     | -  | -              | (7.7)          |
| Balance at 31 December 2017 .....               | 4.4             | 236.5             | 37.1                               | -                             | 33.9                      | -  | 563.3          | 875.2          |
| Amortisation for the year .....                 | 3.0             | 61.3              | 10.8                               | -                             | -                         | 65.4                                     | -              | 140.5          |
| Reclassifications .....                         | 5.3             | -                 | 28.6                               | -                             | (33.9)                    | -  | -              | -              |
| Disposals .....                                 | -               | (0.4)             | -                                  | -                             | -                         | -  | -              | (0.4)          |
| Common control transaction .....                | -               | (4.0)             | (5.6)                              | -                             | -                         | -  | -              | (9.6)          |
| Effect of movements in foreign exchange .....   | -               | 3.4               | 1.1                                | -                             | -                         | (0.8)                                    | -              | 3.7            |
| <b>Balance at 31 December 2018 .....</b>        | <b>12.7</b>     | <b>296.8</b>      | <b>72.0</b>                        | <b>-</b>                      | <b>-</b>                  | <b>64.6</b>                              | <b>563.3</b>   | <b>1,009.4</b> |
| <b>Net book value</b>                           |                 |                   |                                    |                               |                           |  |                |                |
| At 31 December 2017 .....                       | 25.2            | 601.7             | 210.6                              | 3.5                           | 8.4                       | 109.0                                    | 889.7          | 1,848.1        |
| <b>At 31 December 2018 .....</b>                | <b>25.2</b>     | <b>525.0</b>      | <b>153.5</b>                       | <b>8.9</b>                    | <b>-</b>                  | <b>93.2</b>                              | <b>835.2</b>   | <b>1,641.0</b> |

**Amortisation and exceptional impairment charge**

The amortisation charge for 2018 and 2017 is recognised in administrative expenses in the consolidated income statement. The impairment charge for 2017 is recognised in exceptional administrative expenses in the consolidated income statement (see Note 4).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**12. INTANGIBLE ASSETS (continued)**

**Impairment**

Goodwill has been allocated to cash generating units (CGU) or groups of cash generating units as follows:

|                        | 2018         | 2017         |
|------------------------|--------------|--------------|
|                        | €m           |              |
| Polymers EMEA .....    | 252.2        | 252.2        |
| Polymers Asia .....    | 95.4         | 96.5         |
| Polymers America ..... | 182.9        | 175.2        |
| Styrene Monomer .....  | 176.9        | 171.7        |
| Oil and gas .....      | 127.0        | 124.3        |
| Calabrian .....        | -            | 68.9         |
| Other .....            | 0.8          | 0.9          |
| Total .....            | <u>835.2</u> | <u>889.7</u> |

For the Polymers and Styrene CGUs the Group determined the recoverable amount based on value in use. The recoverable amount is calculated on a long-term business plan for the cash generating units with a detailed planning period of between three years and a consistent terminal growth rate of 0.5 percent for each unit for the period thereafter. Key assumption on which the management based its cash flow projection is the EBITDA over the detailed planning period which is seen as the most important performance indicator and the basis for cash flow estimates used to determine the value in use. The assumption is based on detailed project plans to increase revenues and profitability. The main assumptions for the preparation of the three-year-business plan are the economic growth developments in the main customer regions and industries of the Company. These assumptions are based on external market data as well as internal assessments. The expected demand that is derived from the growth assumptions is compared with the supply balance of its product groups. INEOS Styrolution expects its Specialties and ABS Standards products groups to continue to grow, especially in its key focus industries. The Group has also announced to invest in these product groups and is increasing capacity to meet the growing demand. Polystyrene demand is expected to slightly decline in line with demand especially from the packaging industry. Styrene Monomer capacities are fully utilised and total volumes will remain stable. Gross margin levels are expected to sustain at upper to mid-cycle levels. For the main foreign currencies a fixed exchange rate is expected. This means that profitability and cash flows are not materially affected by exchange rate changes.

For the oil and gas CGU the recoverable amount has been determined based on higher of value-in-use and fair value less cost to sell. These calculations use cash flow projections over the life of the fields based on commercial and production forecasts. Assumptions for long term oil and gas prices are based on a consensus from a pool of oil and gas analysts and discount rates are determined by geographical region of the fields adjusted for country specific risks. In 2017 an exceptional impairment charge of €550.5 million was recorded in these financial statements as a result of the annual impairment test of the oil and gas business in Denmark and the UK following a review in the underlying oil and gas properties of the acquired entities post acquisition (See Notes 3 and 4). No class of asset other than goodwill was impaired.

The following pre-tax discount rates were applied per cash generating unit to determine the cash flow projection after taxes:

|                     | Polymers<br>EMEA | Polymers<br>America | Polymers<br>Asia | Styrene<br>Monomer | Oil<br>and gas |
|---------------------|------------------|---------------------|------------------|--------------------|----------------|
| Discount rate ..... | 10.85%           | 12.55%              | 13.14%           | 11.77%             | 9.20%          |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**12. INTANGIBLE ASSETS (continued)**

The estimated recoverable amount exceeded the carrying amount for all cash generating units.

|   | <b>Polymers<br/>EMEA</b> | <b>Polymer<br/>America</b> | <b>Polymers<br/>Asia</b> | <b>Styrene<br/>Monomer</b> | <b>Oil<br/>and gas</b> |
|---|--------------------------|----------------------------|--------------------------|----------------------------|------------------------|
|   | <b>€m</b>                |                            |                          |                            |                        |
| Excess recoverable amount<br>over carrying amount ..... | 858                      | 787                        | 81                       | 644                        | 569                    |

**13. INVESTMENTS**

**13a. Investments in Equity-Accounted Investees**

Details of the associated undertakings are set out below:

|                             | <b>Country of<br/>incorporation</b> | <b>Class of<br/>shares held</b>                    | <b>Ownership</b> |             |
|-----------------------------|-------------------------------------|--|------------------|-------------|
|                             |                                     |  | <b>2018</b>      | <b>2017</b> |
| Fluxel SAS.....             | France                              | Ordinary<br>Registered JV<br>(no shares<br>issued) | 20%              | 20%         |
| Ormen Lange Ejendom DA..... | Norway                              |  | 14%              | 14%         |

|   | <b>Joint<br/>ventures</b> | <b>Associated<br/>undertakings</b> | <b>Total</b> |
|---|---------------------------|------------------------------------|--------------|
|   | <b>€m</b>                 |                                    |              |
| At 1 January 2017 .....                         | -                         | 7.6                                | 7.6          |
| Acquisition through business combinations ..... | 1.7                       | -                                  | 1.7          |
| Effect of movements in foreign exchange .....   | (0.2)                     | 0.2                                | -            |
| At 31 December 2017 .....                       | 1.5                       | 7.8                                | 9.3          |
| Effect of movements in foreign exchange .....   | -                         | 0.2                                | 0.2          |
| <b>At 31 December 2018 .....</b>                | <b>1.5</b>                | <b>8.0</b>                         | <b>9.5</b>   |

All of the associated undertakings have December year ends.

Summary aggregated financial information on associated undertakings:

|                           | <b>2018</b> | <b>2017</b> |
|---------------------------|-------------|-------------|
|                           | <b>€m</b>   |             |
| Assets .....              | 68.7        | 73.2        |
| Liabilities .....         | 36.5        | 35.1        |
| Revenues .....            | 36.6        | 36.6        |
| Profit for the year ..... | (2.2)       | 1.1         |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**13. INVESTMENTS (continued)**

**13b. Investments in subsidiaries**

|   | Registered<br>Office | Country of<br>Incorporation | Class of<br>shares<br>held | Ownership |      |
|---|----------------------|-----------------------------|----------------------------|-----------|------|
|   |                      |                             |                            | 2018      | 2017 |
| INEOS Industries Holdings Limited*      | 1                    | UK                          | Ordinary                   | 100%      | 100% |
| Grangemouth CHP Limited                 | 2                    | UK                          | Ordinary                   | 100%      | 100% |
| Grangemouth Energy Company Limited      | 1                    | UK                          | Ordinary                   | 74%       | N/A  |
| Grangemouth Holdings Limited            | 1                    | UK                          | Ordinary                   | 100%      | 100% |
| Grangemouth Properties Limited          | 1                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS 120 Energy Limited                | 1                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS 120 Exploration Limited           | 1                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS 120 Power Limited                 | 1                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS ABS (UK) Limited                  | 1                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS ABS (USA) LLC                     | 3                    | United States               | Ordinary                   | 100%      | 100% |
| INEOS Automotive Limited                | 1                    | UK                          | Ordinary                   | 100%      | N/A  |
| INEOS Automotive Research Limited       | 1                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS Aviation Limited                  | 1                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS Bio USA LLC                       | 4                    | United States               | Ordinary                   | 100%      | 100% |
| INEOS Calabrian Corporation             | 3                    | United States               | Ordinary                   | N/A       | 100% |
| INEOS Calabrian Corporation Canada Inc  | 5                    | Canada                      | Ordinary                   | N/A       | 100% |
| INEOS Calabrian Holdings Corporation    | 3                    | United States               | Ordinary                   | N/A       | 100% |
| INEOS Calabrian Holdings Limited        | 7                    | UK                          | Ordinary                   | N/A       | 100% |
| INEOS Calabrian Canada Holdings Limited | 7                    | UK                          | Ordinary                   | N/A       | 100% |
| INEOS Chemicals Grangemouth Limited     | 1                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS ChloroToluenes Belgium NV         | 6                    | Belgium                     | Ordinary                   | N/A       | 100% |
| INEOS ChloroToluenes Limited            | 7                    | UK                          | Ordinary                   | N/A       | 100% |
| INEOS Clipper South B Limited           | 8                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS Clipper South C Limited           | 8                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS Commercial Services Limited       | 1                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS E&P A/S                           | 48                   | Denmark                     | Ordinary                   | 100%      | 100% |
| INEOS E&P DK A/S                        | 48                   | Denmark                     | Ordinary                   | 100%      | 100% |
| INEOS E&P Grønland A/S                  | 49                   | Greenland                   | Ordinary                   | 100%      | 100% |
| INEOS E&P Føroyar P/F                   | 50                   | Faroe Islands               | Ordinary                   | 100%      | 100% |
| INEOS E&P Norg A/S                      | 51                   | Norway                      | Ordinary                   | 100%      | 100% |
| INEOS E&P (UK) Limited                  | 8                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS E&P Services (UK) Limited         | 8                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS E&P (Siri) UK Limited             | 8                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS Enterprises US Newco LLC          | 3                    | United States               | Ordinary                   | N/A       | 100% |
| INEOS Energy Trading Limited            | 1                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS Films Italia S.r.l.               | 9                    | Italy                       | Ordinary                   | 100%      | 100% |
| INEOS FPS Limited                       | 1                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS Grangemouth Plc                   | 1                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS Healthcare Holdings Limited       | 1                    | UK                          | Ordinary                   | 80%       | 80%  |
| INEOS Healthcare Limited                | 1                    | UK                          | Ordinary                   | 80%       | 80%  |
| INEOS Industries America I LLC          | 3                    | United States               | Ordinary                   | 100%      | 100% |
| INEOS Industries America II LLC         | 3                    | United States               | Ordinary                   | 100%      | 100% |
| INEOS Maastricht BV                     | 10                   | Netherlands                 | Ordinary                   | N/A       | 100% |
| INEOS Melamines GmbH                    | 11                   | Germany                     | Ordinary                   | N/A       | 100% |
| INEOS Melamines LLC                     | 12                   | United States               | Ordinary                   | N/A       | 100% |
| INEOS Melamines Pte Limited             | 13                   | Singapore                   | Ordinary                   | N/A       | 100% |
| INEOS Mexico S de RL de CV              | 14                   | Mexico                      | Ordinary                   | N/A       | 100% |
| INEOS New Planet BioEnergy LLC          | 15                   | United States               | Ordinary                   | 80%       | 80%  |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**13. INVESTMENTS (continued)**

**13b. Investments in subsidiaries (continued)**

|  | Registered<br>Office | Country of<br>Incorporation | Class of<br>shares<br>held | Ownership |      |
|--|----------------------|-----------------------------|----------------------------|-----------|------|
|  |                      |                             |                            | 2018      | 2017 |
| INEOS Offshore BCS Limited.....  | 8                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS Racing Limited.....  | 1                    | UK                          | Ordinary                   | 100%      | N/A  |
| INEOS Shipping Limited.....  | 1                    | UK                          | Ordinary                   | 100%      | N/A  |
| INEOS Styrenics Germany GmbH.....  | 16                   | Germany                     | Ordinary                   | 100%      | 100% |
| INEOS Styrenics GmbH.....  | 16                   | Germany                     | Ordinary                   | 100%      | 100% |
| INEOS Styrenics International S.A.....   | 17                   | Switzerland                 | Ordinary                   | 100%      | 100% |
| INEOS Styrenics Manufacturing GmbH.....  | 16                   | Germany                     | Ordinary                   | 100%      | 100% |
| INEOS Styrenics UK Limited.....  | 7                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS Styrenics US LLC.....  | 4                    | United States               | Ordinary                   | 100%      | 100% |
| INEOS Styrolution (Thailand) Co., Ltd. ....                                      | 18                   | Thailand                    | Ordinary                   | 100%      | 100% |
| INEOS Styrolution America LLC.....   | 3                    | United States               | Ordinary                   | 100%      | 100% |
| INEOS Styrolution APAC Pte. Ltd, Japan Branch.....                               | 19                   | Japan                       | Ordinary                   | 100%      | 100% |
| INEOS Styrolution APAC Pte. Ltd. ....  | 20                   | Singapore                   | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Belgium N.V.....   | 21                   | Belgium                     | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Belgium Services bvba .....                                    | 22                   | Belgium                     | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Beteiligungs GmbH.....   | 23                   | Germany                     | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Canada Limited .....   | 25                   | Canada                      | Ordinary                   | 100%      | 100% |
| INEOS Styrolution do Brasil Polimeros Ltda. ....                                 | 26                   | Brazil                      | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Europe GmbH.....   | 23                   | Germany                     | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Financing Limited.....   | 1                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS Styrolution France SAS .....   | 27                   | France                      | Ordinary                   | 100%      | 100% |
| INEOS Styrolution France Services SAS .....                                      | 28                   | France                      | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Group GmbH.....  | 23                   | Germany                     | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Holding GmbH.....  | 23                   | Germany                     | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Holding Limited.....   | 1                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Hong Kong Company Limited .....                                | 29                   | China                       | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Iberia S.L. ....   | 30                   | Spain                       | Ordinary                   | 100%      | 100% |
| INEOS Styrolution India Limited.....   | 31                   | India                       | Ordinary                   | 75%       | 75%  |
| INEOS Styrolution Investment GmbH.....   | 23                   | Germany                     | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Italia S.r.L.....  | 32                   | Italy                       | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Kimyasal Ürünler Ticaret<br>Limited Şirketi.....               | 33                   | Turkey                      | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Köln GmbH.....   | 34                   | Germany                     | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Korea Ltd.....   | 35                   | Korea                       | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Ludwigshafen GmbH.....   | 23                   | Germany                     | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Mexicana, S.A. de C.V.....                                     | 36                   | Mexico                      | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Netherlands B.V. ....  | 24                   | Netherlands                 | Ordinary                   | 100%      | 100% |
| INEOS Styrolution OOO.....   | 37                   | Russian<br>Federation       | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Poland Sp. z o.o.....  | 38                   | Poland                      | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Polymers (Shanghai) Company<br>Limited.....                    | 39                   | China                       | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Polymers (Shanghai) Company<br>Limited - Guangzhou Branch..... | 40                   | China                       | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Schwarzeheide GmbH.....  | 41                   | Germany                     | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Servicios, S.A. de C. V.....                                   | 36                   | Mexico                      | Ordinary                   | 100%      | 100% |
| INEOS Styrolution (Shanghai) Management<br>Company Limited .....                 | 45                   | China                       | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Switzerland S.A.....   | 17                   | Switzerland                 | Ordinary                   | 100%      | 100% |
| INEOS Styrolution (Thailand) Company Limited .....                               | 46                   | Thailand                    | Ordinary                   | 100%      | 100% |
| INEOS Styrolution UK Limited.....  | 42                   | UK                          | Ordinary                   | 100%      | 100% |
| INEOS Styrolution US Holding LLC .....   | 3                    | United States               | Ordinary                   | 100%      | 100% |
| INEOS Styrolution Verwaltungsgesellschaft mbH.....                               | 23                   | Germany                     | Ordinary                   | 100%      | 100% |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**13. INVESTMENTS (continued)**

**13b. Investments in subsidiaries (continued)**

|  | Registered Office | Country of Incorporation | Class of shares held | Ownership 2018 | Ownership 2017 |
|--|-------------------|--------------------------|----------------------|----------------|----------------|
| INEOS Styrolution Vietnam Co., Ltd. .... | 43                | Vietnam                  | Ordinary             | 100%           | 100%           |
| INEOS UK E&P Holdings Limited .....      | 44                | UK                       | Ordinary             | 100%           | 100%           |
| INEOS UK SNS Limited .....               | 8                 | UK                       | Ordinary             | 100%           | 100%           |
| INEOS Upstream Limited .....             | 1                 | UK                       | Ordinary             | 100%           | 100%           |
| INEOS Upstream Holdings Limited .....    | 8                 | UK                       | Ordinary             | 100%           | 100%           |
| INEOS Upstream Services Limited .....    | 8                 | UK                       | Ordinary             | 100%           | 100%           |
| INEOS Vinyls Holdings Italia S.r.l. .... | 9                 | Italy                    | Ordinary             | 100%           | 100%           |
| KR Copolymer Company Limited .....       | 47                | Korea                    | Ordinary             | 100%           | 100%           |

\* Held directly by the Company as at 31 December 2018.

**Registered Office Address**

|    |   |
|----|---|
| 1  | Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG, United Kingdom   |
| 2  | Utilities Control Bulding, East Office, PO Box 30, Bo'Ness Road, Grangemouth, Scotland, FK3 9XQ, United Kingdom           |
| 3  | Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States  |
| 4  | 2600 South Shore Boulevard, League City TX 77573, United States   |
| 5  | Suite 6000, 100 King Street West, Toronto ON M5X 1E2, Canada  |
| 6  | Heilig Hartlaan 21 3980 Tessenderlo, Belgium  |
| 7  | Enterprise House, South Parade, P.O. Box 9, Runcorn, Cheshire, England and Wales, WA7 4JE, United Kingdom                 |
| 8  | Anchor House, 15-19 Britten Street, London, England, SW3 3TY, United Kingdom.   |
| 9  | Via XXIV Maggio, 1, 21043, Castiglione Olona, Varese, Italy   |
| 10 | Ankerkade 111, 6222 NI Maastricht, Netherlands  |
| 11 | Alt Fechenheim 34, 60386, Frankfurt am Main, Germany  |
| 12 | 730 B Worcester Street, Springfield MD MA 01151, United States  |
| 13 | Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore, 048623,        |
| 14 | Camino del Lago #4740, Colonia Cortijo del Rio, Monterrey Nuevo, Leon, Mexico   |
| 15 | 3030 Warrenville Road Suite 650, Lisle IL 60532, United States  |
| 16 | Paul-Baumann-Strasse 1, D-45764 MARL, Germany   |
| 17 | Avenue des Uttins, 3, CH-1180, Rolle, Vaud, Switzerland   |
| 18 | No. 4/2, I-8 Road, T. Map Ta Phut, A Muang, Rayong, 21150, Thailand   |
| 19 | Nishishinjuku 1-25-1, Shinjuku-ku, Tokyo-to, Japan  |
| 20 | 111 Somerset Road, #08-01/02 TripleOne Somerset, Singapore, 238164, Singapore   |
| 21 | Haven 725, Scheldelaan 600, 2040 Antwerpen 4, Belgium   |
| 22 | 2070 Zwijndrecht, Nieuwe Weg 1, 1053 Haven, Belgium   |
| 23 | Mainzer Landstrasse 50, 60325, Frankfurt, Germany   |
| 24 | Strawinskylaan 411, NL-1077XX, Amsterdam, Netherlands   |
| 25 | 872 Tashmoo Avenue, Samia ON N7T 8A3, Canada  |
| 26 | Rua Arandu, 57, anterior 1544, conjuntos 111 and 112, Room A-1, Brooklin Paulista, São Paulo, 04562-910, Brazil           |
| 27 | rue Albert Duplat, F-62410, Wingles, France   |
| 28 | 95 rue la Boétie, F-75008, Paris, France  |
| 29 | Room 905, 9/F, OfficePlus@Sheung Wan, 93-103 Wing Lok Street, Sheung Wan, Hong Kong, China                                |
| 30 | Ronda General Mitre 28-30, 08017, Barcelona, Spain  |
| 31 | 6th Floor, ABS Towers, Old Padra Road, Vadodara, 390007, India  |
| 32 | Via Caldera 21, 20153, Milano, Italy  |
| 33 | Büyükdere Cad. Meydan Sok., Spring Giz Plaza K. 13 N.11, Maslak Sariyer, Istanbul, Turkey                                 |
| 34 | Alte Straße 201, 50769, Cologne, Germany  |
| 35 | Sanggae-ro 143 (Sanggae-dong), Nam-gu, Ulsan, South Korea   |
| 36 | Avenida Insurgentes Sur No. 863, Piso 6, Colonia Nápoles, Delegación Benito Juárez, C.P., Distrito Federal, 03810, Mexico |
| 37 | Bldg. 3, 18 Pyatnitskaya St., 115035, Moscow, Russian Federation  |
| 38 | ul. Woloska 9, 02-583, Warszawa, Poland   |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**13. INVESTMENTS (continued)**

**13b. Investments in subsidiaries (continued)**

|    | Registered Office Address  |
|----|--|
| 39 | Suite 2304, Central Towers, 567 Langao Road, Putuo District, Shanghai 200333, China                      |
| 40 | Suite 3406, Teem Tower, No. 208, Tianhe Road, Tianhe District, Guangzhou 510620 Shanghai, China          |
| 41 | Schiplauer Straße 1, 01987, Schwarzheide, Germany  |
| 42 | c/o DWF LLP, 1 Scott Place, 2 Hardman Street, Manchester, England, M3 3AA, United Kingdom                |
| 43 | 11th Floor, Lotte Center Hanoi, 54 Lieu Giai Street, Cong Vi Ward, Ba Dinh District, Hanoi City, Vietnam |
| 44 | Brodies House, 31-33 Union Grove, Aberdeen, Scotland, AB10 6SD   |
| 45 | Suite 2502, 567 Langao Road, 200333, Shanghai, China   |
| 46 | No. 4/2, I-8 Road, T.Map Ta Phut, A Muang, 2115 Rayong, Thailand   |
| 47 | 434, Sandanjungang-ro, Yeosu-si, Jeollanam-do, 59643, South Korea  |
| 48 | Nesa Allé 1, 2820 Gentofte, Denmark  |
| 49 | Advokatfirmaet Malling & Hansen Damm, Hans Egedesvej 3. Postboks 1046. 3900 Nuuk, Greenland              |
| 50 | J.H. Schroters Gøta 7, 100 Tórshavn, Faroe Islands   |
| 51 | Veritasveien 25, 4007 Stavanger, Norway  |

During 2018 INEOS Mexico S de RL de CV was liquidated, whilst INEOS Calabrian Corporation, INEOS Calabrian Corporation Canada Inc, INEOS Calabrian Holdings Corporation, INEOS Calabrian Holdings Limited, INEOS Calabrian Canada Holdings Limited, INEOS ChloroToluenes Belgium NV, INEOS ChloroToluenes Limited, INEOS Enterprises US Newco LLC, INEOS Maastricht BV, INEOS Melamines GmbH, INEOS Melamines LLC, INEOS Melamines Pte Limited were sold (see Note 8).

**14. OTHER FINANCIAL ASSETS**

|  | 2018       | 2017       |
|--|------------|------------|
|  | €m         |            |
| <b>Current</b>   |            |            |
| Derivative commodity contracts designated as fair value through profit or loss ..... | 0.5        | -          |
|  | <u>0.5</u> | <u>-</u>   |
| <b>Non-current</b>   |            |            |
| Available for sale financial assets .....  | -          | 2.2        |
|  | <u>-</u>   | <u>2.2</u> |

**Available for sale financial assets**

In 2017 the available for sale financial assets related to a 2.37% investment in Accsys Technologies plc, a company registered in the UK whose principal activity is the development, commercialization and licensing of technology for the manufacture of Accoya wood, Tricoya wood elements and related acetylation technologies. The shares in this investment were all disposed of during 2018.

**15. TRADE AND OTHER RECEIVABLES**

|  | 2018           | 2017           |
|--|----------------|----------------|
|  | €m             |                |
| <b>Current</b>                         |                |                |
| Trade receivables .....                | 752.5          | 753.2          |
| Amounts due from related parties ..... | 126.3          | 106.9          |
| Other receivables .....                | 109.7          | 123.8          |
| Prepayments .....                      | 194.8          | 120.7          |
|  | <u>1,183.3</u> | <u>1,104.6</u> |
| <b>Non-current</b>                     |                |                |
| Amounts due from related parties ..... | 29.9           | 15.1           |
| Prepayments and accrued income .....   | 28.7           | 23.3           |
| Other receivables .....                | 337.3          | 306.0          |
|  | <u>395.9</u>   | <u>344.4</u>   |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**15. TRADE AND OTHER RECEIVABLES (continued)**

*Credit quality of financial assets and impairment losses*

The ageing of trade and other receivables at the end of the reporting period and the expected credit loss rate (ECLR) was:

|                           | Trade receivables |              |            | Amounts due from related parties |            |          | Other receivables |            |          |
|---------------------------|-------------------|--------------|------------|----------------------------------|------------|----------|-------------------|------------|----------|
|                           | Gross             | Impairment   | ECLR       | Gross                            | Impairment | ECLR     | Gross             | Impairment | ECLR     |
|                           | 2018              | 2018         | 2018       | 2018                             | 2018       | 2018     | 2018              | 2018       | 2018     |
|                           | €m                | €m           | %          | €m                               | €m         | %        | €m                | €m         | %        |
| Not past due .....        | 702.1             | (0.3)        | 0.0        | 156.2                            | -          | -        | 445.7             | -          | -        |
| Past due 0-30 days.....   | 47.1              | (1.7)        | 3.6        | -                                | -          | -        | 1.3               | -          | -        |
| Past due 31-90 days ..... | 4.4               | (1.1)        | 25.0       | -                                | -          | -        | -                 | -          | -        |
| More than 90 days.....    | 5.4               | (3.4)        | 63.0       | -                                | -          | -        | -                 | -          | -        |
|                           | <u>759.0</u>      | <u>(6.5)</u> | <u>0.9</u> | <u>156.2</u>                     | <u>-</u>   | <u>-</u> | <u>447.0</u>      | <u>-</u>   | <u>-</u> |

|                           | Trade receivables |              |            | Amounts due from related parties |            |          | Other receivables |            |          |
|---------------------------|-------------------|--------------|------------|----------------------------------|------------|----------|-------------------|------------|----------|
|                           | Gross             | Impairment   | ECLR       | Gross                            | Impairment | ECLR     | Gross             | Impairment | ECLR     |
|                           | 2017              | 2017         | 2017       | 2017                             | 2017       | 2017     | 2017              | 2017       | 2017     |
|                           | €m                | €m           | %          | €m                               | €m         | %        | €m                | €m         | %        |
| Not past due .....        | 693.9             | (0.1)        | 0.0        | 122.0                            | -          | -        | 429.7             | -          | -        |
| Past due 0-30 days.....   | 55.3              | -            | -          | -                                | -          | -        | -                 | -          | -        |
| Past due 31-90 days ..... | 4.5               | (1.8)        | 40.0       | -                                | -          | -        | 0.1               | -          | -        |
| More than 90 days.....    | 5.4               | (4.0)        | 74.1       | -                                | -          | -        | -                 | -          | -        |
|                           | <u>759.1</u>      | <u>(5.9)</u> | <u>0.8</u> | <u>122.0</u>                     | <u>-</u>   | <u>-</u> | <u>429.8</u>      | <u>-</u>   | <u>-</u> |

The accounts receivable not yet due after impairment losses as of the end of the reporting year 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 25c). At 31 December 2017 and 2018 there were no significant trade, related party or other receivable balances not past due that were subsequently impaired. There were no allowances made against amounts due from other receivables during the years ended 31 December 2018 and 2017.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

|   | 2018       | 2017       |
|---|------------|------------|
|   | €m         | €m         |
| Balance brought forward .....   | 5.9        | 143.9      |
| Amount restated in opening retained earnings due to impact of new IFRS 9 accounting standard (Note 1) ..... | 0.7        | -          |
| At 1 January .....  | 6.6        | 143.9      |
| Additions/(released) .....  | 0.2        | 0.9        |
| Utilised .....  | (0.3)      | (138.9)    |
| At 31 December .....  | <u>6.5</u> | <u>5.9</u> |

During the year ended 31 December 2017 outstanding loans due from INEOS Bio SA, a related party, were written off resulting in an impairment loss utilised of €138.9 million as the loans had been fully provided for during the year ended 31 December 2015.

The allowance account for trade receivables is used to record any impairment losses unless the Group is satisfied that no recovery of the amount owing is probable; at that point the amounts considered irrecoverable

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**15. TRADE AND OTHER RECEIVABLES (continued)**

are written off against the trade receivables directly. As of January 1, 2018, IFRS 9 replaced the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model in assessing the recoverability of trade receivables. Due to the quality of the Group's trade receivables and its low history of bad debts the application of IFRS 9 only resulted in a €0.7 million change to the allowance for impairment in respect of trade receivables. The impact was calculated considering past experience and management's estimate of future developments. Management expects no considerable change in the future market situation. Consequently, the future credit losses in the ECL model are in the same range as the credit losses experienced in the past years. This is regarded as the future expectation of the inherent credit risk of the not impaired trade and other receivables outstanding. The Group will review the assumptions of the ECL model on a yearly basis.

***Credit risk of trade receivables***

|                            | 2018         |
|----------------------------|--------------|
|                            | €m           |
| Low .....                  | 752.7        |
| Medium .....               | 4.6          |
| High .....                 | 1.7          |
| Impairment allowance ..... | (6.5)        |
|                            | <u>752.5</u> |

During the year the Group has not experienced a significant deterioration in the quality of receivable balances due to the current economic conditions.

**16. DEFERRED TAX ASSETS AND LIABILITIES**

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

|  | 2018           |             |
|--|----------------|-------------|
|  | Assets         | Liabilities |
|  | €m             |             |
| Property, plant and equipment .....    | 41.0           | (696.8)     |
| Intangible assets .....                | -              | (236.3)     |
| Employee benefits .....                | 31.6           | -           |
| Tax value of loss carry-forwards ..... | 385.8          | -           |
| Other .....                            | 109.9          | -           |
| Tax assets/(liabilities) .....         | 568.3          | (933.1)     |
| Set off of tax .....                   | (474.4)        | 474.4       |
| Net tax assets/(liabilities) .....     | 93.9           | (458.7)     |
|  | <u>(364.8)</u> |             |

|  | 2017           |             |
|--|----------------|-------------|
|  | Assets         | Liabilities |
|  | €m             |             |
| Property, plant and equipment .....    | 53.0           | (702.9)     |
| Intangible assets .....                | -              | (239.9)     |
| Employee benefits .....                | 37.5           | -           |
| Tax value of loss carry-forwards ..... | 323.0          | -           |
| Other .....                            | 100.0          | -           |
| Tax assets/(liabilities) .....         | 513.5          | (942.8)     |
| Set off of tax .....                   | (399.9)        | 399.9       |
| Net tax assets/(liabilities) .....     | 113.6          | (542.9)     |
|  | <u>(429.3)</u> |             |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**16. DEFERRED TAX ASSETS AND LIABILITIES (continued)**

**Movement in deferred tax during the year**

|  | Property,<br>plant and<br>equipment | Intangible<br>assets | Employee<br>benefits<br>€m | Tax value<br>of loss<br>carry-<br>forward<br>utilised | Other        | Total          |
|--|-------------------------------------|----------------------|----------------------------|---|--------------|----------------|
| At 1 January 2017 .....                        | (227.0)                             | (316.4)              | 35.6                       | 48.8  | -            | (459.0)        |
| Recognised in profit or loss .....             | 113.8                               | 66.0                 | (5.1)                      | (13.4)  | 1.4          | 162.7          |
| Recognised in other comprehensive income ..... | -                                   | -                    | (15.9)                     | -   | -            | (15.9)         |
| Acquisition through business combination ..... | (603.7)                             | -                    | 3.1                        | 287.6   | 98.6         | (214.4)        |
| Common control transaction .....               | 48.6                                | -                    | 19.7                       | -   | -            | 68.3           |
| Exchange adjustments .....                     | 18.4                                | 10.5                 | 0.1                        | -   | -            | 29.0           |
| <b>At 31 December 2017 .....</b>               | <b>(649.9)</b>                      | <b>(239.9)</b>       | <b>37.5</b>                | <b>323.0</b>  | <b>100.0</b> | <b>(429.3)</b> |
| Recognised in profit or loss .....             | (23.4)                              | 3.6                  | (3.2)                      | 62.8  | 9.9          | 49.7           |
| Recognised in other comprehensive income ..... | -                                   | -                    | (2.9)                      | -   | -            | (2.9)          |
| Common control transaction .....               | 20.6                                | -                    | -                          | -   | -            | 20.6           |
| Exchange adjustments .....                     | (3.1)                               | -                    | 0.2                        | -   | -            | (2.9)          |
| <b>At 31 December 2018 .....</b>               | <b>(655.8)</b>                      | <b>(236.3)</b>       | <b>31.6</b>                | <b>385.8</b>  | <b>109.9</b> | <b>(364.8)</b> |

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. The Group has not provided deferred tax on ring fence losses of approximately €1,009.4 million (2017: €904.5 million). The Group in addition has €287.2 million (2017: €39.5 million) of UK non ring fence losses and Danish losses of €3.2 million (2017: €1.6 million) for which no deferred tax asset has been provided, which are available to offset against future trading profit. The directors consider that the Group should not recognise any deferred tax asset as there is insufficient certainty over the future utilisation of its deferred tax assets.

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.

**17. INVENTORIES**

|                        | 2018         | 2017         |
|------------------------|--------------|--------------|
|                        | €m           |              |
| Raw materials .....    | 240.0        | 206.2        |
| Work in progress ..... | 133.3        | 144.8        |
| Finished goods .....   | 301.0        | 340.7        |
|                        | <b>674.3</b> | <b>691.7</b> |

Raw materials, work in progress and finished goods recognised as cost of sales in the year amounted to €4,088.7 million (2017: €3,879.6 million). The write-down of inventories to net realisable value amounted to €16.6 million (2017: €7.9 million) before the reversal of previous write downs of €6.6 million (2017: €4.4 million).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**18. 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.

|                                | 2018           | 2017           |
|--------------------------------|----------------|----------------|
|                                | €m             |                |
| <b>Non-current liabilities</b> |                |                |
| Guaranteed Notes due 2019      | -              | 283.9          |
| Securitisation Facilities      | 50.0           | 100.0          |
| Senior Secured Term Loan       | 613.9          | 706.6          |
| Reserve Based Lending facility | 164.5          | 320.9          |
| INEOS Upstream loans           | 539.7          | 619.5          |
| Finance lease liability        | 8.0            | 9.4            |
|                                | <b>1,376.1</b> | <b>2,040.3</b> |

|                                | 2018         | 2017         |
|--------------------------------|--------------|--------------|
|                                | €m           |              |
| <b>Current liabilities</b>     |              |              |
| Guaranteed Notes due 2019      | 284.6        | -            |
| Senior Secured Term Loan       | 7.0          | 5.5          |
| Reserve Based Lending facility | 30.3         | 123.8        |
| Other loans                    | 31.4         | 49.0         |
| Finance lease liability        | 1.2          | 1.4          |
|                                | <b>354.5</b> | <b>179.7</b> |

|                                   | Gross<br>loans and<br>borrowings | Issue costs   | Net loans and<br>borrowings |
|-----------------------------------|----------------------------------|---------------|-----------------------------|
|                                   | 2018                             | 2018          | 2018                        |
|                                   | €m                               |               |                             |
| <b>Gross debt and issue costs</b> |                                  |               |                             |
| Securitisation Facilities         | 50.0                             | -             | 50.0                        |
| Guaranteed Notes due 2019         | 285.0                            | (0.4)         | 284.6                       |
| Senior Secured Term Loan          | 622.5                            | (1.6)         | 620.9                       |
| INEOS Upstream Loan               | 539.7                            | -             | 539.7                       |
| Reserve Based Lending facility    | 207.0                            | (12.2)        | 194.8                       |
| Other loans                       | 31.4                             | -             | 31.4                        |
| Finance lease liability           | 9.2                              | -             | 9.2                         |
|                                   | <b>1,744.8</b>                   | <b>(14.2)</b> | <b>1,730.6</b>              |

|                                   | Gross loans<br>and<br>borrowings | Issue costs   | Net loans and<br>borrowings |
|-----------------------------------|----------------------------------|---------------|-----------------------------|
|                                   | 2017                             | 2017          | 2017                        |
|                                   | €m                               |               |                             |
| <b>Gross debt and issue costs</b> |                                  |               |                             |
| Securitisation Facilities         | 100.0                            | -             | 100.0                       |
| Guaranteed Notes due 2019         | 285.0                            | (1.1)         | 283.9                       |
| Senior Secured Term Loan          | 722.6                            | (10.5)        | 712.1                       |
| INEOS Upstream Loan               | 619.5                            | -             | 619.5                       |
| Reserve Based Lending facility    | 459.9                            | (15.2)        | 444.7                       |
| Other loans                       | 49.3                             | (0.3)         | 49.0                        |
| Finance lease liability           | 10.8                             | -             | 10.8                        |
|                                   | <b>2,247.1</b>                   | <b>(27.1)</b> | <b>2,220.0</b>              |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**18. INTEREST-BEARING LOANS AND BORROWINGS (continued)**

**Terms and debt repayment schedule**

|                                     | Currency     | Nominal interest rate             | Year of maturity |
|-------------------------------------|--------------|-----------------------------------|------------------|
| Securitisation Facilities .....     | Euro/USD     | 0.83%-2.25%                       | 2019-2021        |
| Guaranteed Notes due 2019 .....     | Euro         | 2.35%                             | 2019             |
|                                     |              | EURIBOR (floor<br>0.5%)+2.00%/USD |                  |
| Senior Secured Term Loan.....       | USD/Euro     | LIBOR+2.00%                       | 2024             |
| INEOS Upstream loan.....            | USD          | 7.0%                              | 2020 & 2022      |
|                                     |              | LIBOR/EURIBOR+2.75                |                  |
| Reserve Based Lending facility..... | GBP/USD/Euro | %-3.25%                           | 2022             |

**Receivables Securitisation Facilities**

The Group has two (2017: two) receivables securitisation facilities (which are secured on certain trade receivables of the Group). The Styrolution securitisation facility is a €500.0 million facility which matures in July 2021. The total amount outstanding at 31 December 2018 was €50.0 million (2017: €100.0 million). The INEOS ABS securitisation facility is a \$45.0 million facility which matures in August 2019. The total amount outstanding at 31 December 2018 was £nil (2017: £nil).

**Senior Secured Term Loan**

As at 31 December 2015 the Group had borrowings under a First Lien Term Loan of €1,120.8 million with institutional investors. The borrowings consisted of Euro and US Dollar tranches of €525.0 million and \$662.5 million, respectively and variable interest at EURIBOR/LIBOR (with a floor of 1.0%) plus a margin of 5.50%. On 30 September 2016, the Group confirmed the placement of three new First Lien Term Loan tranches consisting of Euro and US Dollar tranches of €375 million and \$420 million with institutional investors and €250 million with INEOS Holdings Limited, a related party. The original maturity was September 2021 and they were priced at EURIBOR/LIBOR (with a floor of 1.0%) plus a margin of 3.75%. In March 2017 the Group refinanced its outstanding institutional Senior Secured Term Loans in Euro and US Dollar. The Group extended the maturity of the Senior Secured Term Loans until March 2024 with improved pricing of EURIBOR plus 2.50% with a 0.75% floor for the Euro denominated term loans and USD LIBOR plus 2.75% for the US Dollar denominated term loans. In November 2017 the Group completed a further refinancing of its Senior Secured Term Loans with improved pricing of EURIBOR plus 2.00% with a 0.50% floor for the Euro denominated term loans and USD LIBOR plus 2.00% for the US Dollar denominated term loans. In May 2018, the Group agreed to prepay \$120 million of the outstanding US Dollar tranche, resulting in a further gross debt reduction. INEOS Styrolution Group GmbH and INEOS Styrolution US Holding LLC are the borrowers and the loans are secured by first liens over the assets of INEOS Styrolution Holding Limited and its subsidiaries. The Senior Secured Term Loans outstanding as at 31 December 2018 before issue costs were €622.5 million (2017: €722.6 million) of which €7.3 million (2017: €7.2 million) is due within one year.

**INEOS Upstream Loan**

In 2015 INEOS Holdings Limited, a related party provided a loan of \$623.7 million to INEOS Upstream Limited in connection with its acquisition of natural gas assets in the North Sea. The loan is unsecured and matures on 26 October 2020 and bears interest at 7.0% per annum. On September 29, 2017, INEOS Holdings Limited provided a further loan of \$376.2 million to INEOS Upstream Limited to acquire further natural gas assets in the North Sea through its acquisition of the entire oil and gas business of DONG Energy A/S. The loan is unsecured and matures in June 2022 and bears interest at 7.0% per annum. During 2018 net loan repayments of \$122.5 million (€105.4 million) were made (2017: net loan repayments of \$142.7 million (€121.4 million)), leaving \$617.1 million (€539.7 million) (2017: \$739.6 million (€619.5 million)) outstanding under the loan as at 31 December 2018.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**18. INTEREST-BEARING LOANS AND BORROWINGS (continued)**

**Reserve Based Lending (RBL) facility**

On 5 September 2016 the Group entered into a 5 year £200 million revolving loan and £20 million letter of credit facility (the "RBL Facility"). On 26 September 2017 the Company, together with its fellow subsidiaries amended and restated the 2016 RBL Facility to increase the facility amount to \$650 million revolving loan and \$50 million letter of credit facility and to extend the loan to 2022. The RBL Facility is secured on customary terms and bears interest at a margin above LIBOR or EURIBOR. INEOS UK E&P Holdings Limited and its subsidiaries are the guarantors to the RBL Facility. The total amount outstanding under the facility before issue costs was €207.0 million as at 31 December 2018 (2017: €459.9 million).

**Guaranteed Notes due 2019**

In August 2017 the Group acquired INEOS Grangemouth plc from INEOS Holdings AG, a related party. Following this acquisition the Group acquired the Guaranteed Notes due 2019 in an aggregate nominal principal amount of €285,000,000. The Notes are listed on the Global Exchange Market of the Irish Stock Exchange.

The Notes bear interest at a rate per annum equal to 0.750%, payable annually in arrears on 30 July of each year and calculated on the basis of an actual/actual day-count fraction convention.

The Group is due to repay the aggregate principal amount of the Notes in full on 30 July 2019. The Notes may be redeemed in whole or in part at the option of the Issuer on any date upon the Issuer giving not fewer than 30 nor more than 60 days' notice to Noteholders at the Make Whole Redemption Price.

The Lords Commissioners of Her Majesty's Treasury ("HMT") has issued an unconditional and irrevocable guarantee of the INEOS Grangemouth plc's obligations in respect of payments of scheduled principal and scheduled interest at any time becoming due and payable in respect of the Notes pursuant to a Subscription Agreement dated 30 July 2014.

The guarantee provided by HMT for the Notes is secured against all assets of INEOS Grangemouth plc and its subsidiaries.

The guarantee provided by HMT for the Notes contains a number of operating and financial covenants including limitations on indebtedness, restricted payments, transactions with affiliates, liens, sale of assets and dividend payments.

As consideration for the issue of the guarantee, INEOS Grangemouth plc paid an annual fee to HMT of €4,458,000 payable in advance. Interest is payable on the issue date and each subsequent anniversary until the repayment date at 2.4% subject to deduction for amounts held as restricted cash. The annual interest rate is 1.6%.

The total amount outstanding under the Guaranteed Notes due 2019 before issue costs was €285.0 million as at 31 December 2018.

**Asset based lending facility**

The Group has a €40,000,000 asset based lending facility agreement which carries a six month cancellation period. The facility is secured by pledges over trade receivables and inventory of INEOS Grangemouth plc and its subsidiaries. No drawdown has been made on this facility.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**18. INTEREST-BEARING LOANS AND BORROWINGS (continued)**

**Finance lease liabilities**

Finance lease liabilities are payable as follows:

|                                  | Minimum lease payments | Interest | Principal |
|----------------------------------|------------------------|----------|-----------|
|                                  | 2018                   |          |           |
|                                  | €m                     |          |           |
| Less than one year .....         | 1.6                    | (0.4)    | 1.2       |
| Between one and five years ..... | 2.5                    | (1.2)    | 1.3       |
| More than five years .....       | 10.4                   | (3.7)    | 6.7       |
|                                  | 14.5                   | (5.3)    | 9.2       |

|                                  | Minimum lease payments | Interest | Principal |
|----------------------------------|------------------------|----------|-----------|
|                                  | 2017                   |          |           |
|                                  | €m                     |          |           |
| Less than one year .....         | 1.8                    | (0.4)    | 1.4       |
| Between one and five years ..... | 4.0                    | (1.5)    | 2.5       |
| More than five years .....       | 10.9                   | (4.0)    | 6.9       |
|                                  | 16.7                   | (5.9)    | 10.8      |

**19. TRADE AND OTHER PAYABLES**

|                                      | 2018    | 2017    |
|--------------------------------------|---------|---------|
|                                      | €m      |         |
| <b>Current</b>                       |         |         |
| Trade payables .....                 | 483.7   | 511.9   |
| Amounts due to related parties ..... | 272.0   | 239.6   |
| Other payables .....                 | 197.1   | 196.9   |
| Deferred consideration .....         | 72.6    | 57.7    |
| Accruals and deferred income .....   | 285.1   | 237.5   |
|                                      | 1,310.5 | 1,243.6 |
| <b>Non-current</b>                   |         |         |
| Amounts due to related parties ..... | 507.9   | 502.9   |
| Other payables .....                 | 33.2    | 28.9    |
| Deferred consideration .....         | 233.3   | 265.5   |
| Accruals and deferred income .....   | 22.5    | 21.7    |
|                                      | 796.9   | 819.0   |

**20. OTHER FINANCIAL LIABILITIES**

|  | 2018 | 2017 |
|--|------|------|
|  | €m   |      |
| <b>Current</b>   |      |      |
| Derivative commodity contracts designated as fair value through profit or loss ..... | 7.2  | 3.8  |
|  | 7.2  | 3.8  |
| <b>Non-current</b>   |      |      |
| Derivative commodity contracts designated as fair value through profit or loss ..... | 0.4  | -    |
|  | 0.4  | -    |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**21. EMPLOYEE BENEFITS**

**Pension plans**

The Group operates a number of pension and post-retirement medical plans throughout the world, devised in accordance with local conditions and practices. The plans are generally of the defined benefit type and those that are funded are done so by payments to separately administered funds or insurance companies. The principal funded plans are in Canada, the United States and Germany.

The Group also operates a number of unfunded defined benefit pension schemes in Thailand and Germany and unfunded post-retirement medical plans in Canada and the United States.

| <b>Plan</b>    | <b>Country</b> | <b>Valuation date</b> |
|----------------|----------------|-----------------------|
| All Plans..... | Belgium        | 31 December 2018      |
| All Plans..... | Canada         | 31 December 2017      |
| All Plans..... | France         | 31 December 2018      |
| All Plans..... | Germany        | 31 December 2018      |
| All Plans..... | India          | 31 December 2018      |
| All Plans..... | Korea          | 31 December 2018      |
| All Plans..... | Mexico         | 31 December 2018      |
| All Plans..... | Switzerland    | 31 December 2017      |
| All Plans..... | Thailand       | 31 December 2018      |
| All Plans..... | United Kingdom | 31 December 2017      |
| All Plans..... | United States  | 01 January 2018       |

The Group's pension schemes have been disclosed on a geographical basis as those schemes in Europe, United Kingdom, North America and the Rest of the World.

The European pension arrangements are a mix of final salary, career average, unit benefit and cash balance plans in nature, and the majority are closed to new entrants. The majority of the plans are funded via insurance policies and there are also a number of unfunded German plans with associated provisions held on the Group's balance sheet.

The UK pension arrangements consist of two funded plans. The defined benefit pension plans were historically final salary in nature, with a normal retirement age of 60. The plans are now closed to new entrants and frozen to future accrual. The plans operate under trust law and are managed and administered by Trustees in accordance with the terms of the Trust Deed and Rules and relevant legislation. The assets of the plans are held separately from those of the Group.

The North American pension arrangements consist of three funded plans in the United States, (all of which are closed to future accrual) and two funded plans in Canada (one of which is closed to new entrants and the other to future accrual). All pension plans, except one, are final salary defined benefit in nature, and the plans' liabilities are valued regularly in line with statutory funding requirements. Across all five plans, between 80% and 90% of the plans' assets are invested in bond instruments, to closely match the profile of each plans' liabilities.

The Rest of the World pension arrangements are comprised of the Group's pension plans in India, South Korea, Mexico and Thailand.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**21. EMPLOYEE BENEFITS (continued)**

**Pension plan assumptions**

The principal actuarial assumptions (expressed as weighted averages or ranges) at the year-end were as follows:

|  | European |          | United Kingdom |          | North America |      | Rest of the world |          |
|--|----------|----------|----------------|----------|---------------|------|-------------------|----------|
|  | 2018     | 2017     | 2018           | 2017     | 2018          | 2017 | 2018              | 2017     |
| <b>Major assumptions</b>                     |          |          |                |          |               |      |                   |          |
| Rate of general increase in salaries.....    | 2.0-2.7% | 2.0-2.7% | 3.2%           | 3.2%     | 3.0%          | 3.2% | 2.8-8.0%          | 2.8-8.0% |
| Rate of increase to pensions in payment..... | 0.0-1.8% | 0.0-1.8% | 3.0-5.0%       | 3.0-5.0% | 0.5%          | 0.5% | 0.0-1.8%          | 0.0-1.8% |
| Discount rate for scheme liabilities.....    | 1.0-2.0% | 0.8-2.0% | 2.9%           | 2.7%     | 3.8%          | 3.4% | 2.0-10.5%         | 2.0-9.3% |
| Inflation.....                               | 1.0-1.8% | 1.0-1.8% | 3.2%           | 3.2%     | 2.0%          | 2.2% | 1.8-3.5%          | 1.8-3.5% |

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:

|   | European  |           | United Kingdom |           | North America |           | Rest of the world |      |
|---|-----------|-----------|----------------|-----------|---------------|-----------|-------------------|------|
|   | 2018      | 2017      | 2018           | 2017      | 2018          | 2017      | 2018              | 2017 |
| Longevity at age 65 for current pensioners..... | 18.0-25.3 | 18.0-23.3 | 21.9-23.0      | 22.1-23.1 | 21.8-23.9     | 21.7-23.7 | N/A               | N/A  |

The following table presents the sensitivity of the defined benefit obligation to each significant actuarial assumption:

|  | European |      | United Kingdom |      | North America |      | Rest of the world |      |
|--|----------|------|----------------|------|---------------|------|-------------------|------|
|  | 2018     | 2017 | 2018           | 2017 | 2018          | 2017 | 2018              | 2017 |
|  | %        |      | %              |      | %             |      | %                 |      |
| Discount rate 1.0% decrease....                        | 22.7     | 22.8 | 25.4           | 29.4 | 14.4          | 15.4 | 5.4               | 5.9  |
| Rate of inflation 0.5% increase.....                   | 8.0      | 8.1  | 8.1            | 9.4  | 1.8           | 1.5  | 0.1               | 0.1  |
| 1 year increase in longevity for a member aged 65..... | 3.1      | 2.7  | 3.0            | 3.0  | 1.8           | 2.0  | N/A               | N/A  |

The sensitivity to the inflation assumption change includes corresponding changes to the future salary increase and future pension increase assumptions where these assumptions are set to be linked to the inflation assumption.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**21. EMPLOYEE BENEFITS (continued)**

**Post-retirement health care plans**

The Group also operates a number of post-retirement healthcare plans in the North America, 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:

|                                   | 2018 | 2017 |
|-----------------------------------|------|------|
|                                   | %    |      |
| Liability discount rate.....      | 4.1  | 3.4  |
| Long-term medical trend rate..... | 4.9  | 4.9  |

**History of plans**

The history of the plans for the current and prior years is as follows:

**Consolidated balance sheet**

|   | 2018        | 2017         |
|---|-------------|--------------|
|   | €m          |              |
| Present value of the defined benefit obligation in respect of pension plans ..... | 682.3       | 782.6        |
| Present value of obligations in respect of post-retirement health care plan.....  | 20.2        | 21.1         |
| Fair value of plan assets .....   | (604.5)     | (670.4)      |
| <b>Deficit .....</b>  | <b>98.0</b> | <b>133.3</b> |

The Group's net liability in respect of defined benefit obligations is as follows:

|  | 2018        | 2017         |
|--|-------------|--------------|
|  | €m          |              |
| <b>Obligations in respect of pension plans:</b>                  |             |              |
| European .....   | 55.6        | 67.4         |
| United Kingdom.....  | 2.1         | 28.1         |
| North America.....   | (1.3)       | (2.3)        |
| Rest of world.....   | 21.4        | 19.0         |
| <b>Total obligations in respect of pension plans .....</b>       | <b>77.8</b> | <b>112.2</b> |
| <b>Obligations in respect of post-retirement care plans.....</b> | <b>20.2</b> | <b>21.1</b>  |
| <b>Recognised liability for defined benefit obligations.....</b> | <b>98.0</b> | <b>133.3</b> |

The Group expects to contribute approximately €15.1 million (2017: €17.2 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**21. EMPLOYEE BENEFITS (continued)**

*Consolidated income statement*

|   | European   | United Kingdom | North America | Rest of the world | Post-retirement health care plans | Total       |
|---|------------|----------------|---------------|-------------------|-----------------------------------|-------------|
|   | €m         |                |               |                   |                                   |             |
| <b>Year ended 31 December 2018</b>                |            |                |               |                   |                                   |             |
| Current service cost.....                         | 5.0        | 1.2            | 0.8           | 1.6               | 0.3                               | 8.9         |
| Past service cost .....                           | -          | 3.3            | -             | (0.1)             | -                                 | 3.2         |
| Interest cost on defined benefit obligation ..... | 2.7        | 13.7           | 2.3           | 1.0               | 0.7                               | 20.4        |
| Interest income on assets.....                    | (1.6)      | (13.1)         | (2.4)         | (0.4)             | -                                 | (17.5)      |
|   | <b>6.1</b> | <b>5.1</b>     | <b>0.7</b>    | <b>2.1</b>        | <b>1.0</b>                        | <b>15.0</b> |

|   | European   | United Kingdom | North America | Rest of the world | Post-retirement health care plans | Total       |
|---|------------|----------------|---------------|-------------------|-----------------------------------|-------------|
|   | €m         |                |               |                   |                                   |             |
| <b>Year ended 31 December 2017</b>                |            |                |               |                   |                                   |             |
| Current service cost.....                         | 6.5        | 0.4            | 0.9           | 1.6               | 0.4                               | 9.8         |
| Interest cost on defined benefit obligation ..... | 2.9        | 4.8            | 2.7           | 0.7               | 0.8                               | 11.9        |
| Interest income on assets.....                    | (1.5)      | (3.9)          | (2.8)         | (0.3)             | -                                 | (8.5)       |
|   | <b>7.9</b> | <b>1.3</b>     | <b>0.8</b>    | <b>2.0</b>        | <b>1.2</b>                        | <b>13.2</b> |

On 26 October 2018, the High Court of Justice of England and Wales issued a judgement in a claim by Lloyds Banking Group Pension Trustees Limited as claimant to Lloyds Bank plc and others as defendants regarding the rights of female members of certain pension schemes to equality of treatment in relation to pension benefits. The judgement concluded that the claimant is under a duty to amend the schemes in order to equalise benefits for men and women in relation to Guaranteed Minimum Pension (GMP) benefits. The estimated increase in IAS 19 liabilities as a result of the High Court judgement has been recorded as a past service cost of €3.3 million.

The expense is recognised in the following line items in the consolidated income statement:

|  | 2018        | 2017        |
|--|-------------|-------------|
|  | €m          |             |
| Cost of sales, distribution and administrative expenses..... | 12.1        | 9.8         |
| Net finance cost.....  | 2.9         | 3.4         |
|  | <b>15.0</b> | <b>13.2</b> |

**Pension plans**

|  | European    | United Kingdom | North America | Rest of the world | Total       |
|--|-------------|----------------|---------------|-------------------|-------------|
|  | €m          |                |               |                   |             |
| <b>Year ended 31 December 2018</b>         |             |                |               |                   |             |
| Present value of funded obligations .....  | 112.4       | 450.9          | 62.3          | 11.8              | 637.4       |
| Present value of unfunded obligations..... | 25.9        | -              | -             | 19.0              | 44.9        |
|  | 138.3       | 450.9          | 62.3          | 30.8              | 682.3       |
| Fair value of plan assets .....            | (82.7)      | (448.8)        | (63.6)        | (9.4)             | (604.5)     |
|  | <b>55.6</b> | <b>2.1</b>     | <b>(1.3)</b>  | <b>21.4</b>       | <b>77.8</b> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**21. EMPLOYEE BENEFITS (continued)**

**Pension plans (continued)**

|  | European     | United Kingdom | North America | Rest of the world | Total          |
|--|--------------|----------------|---------------|-------------------|----------------|
|  | €m           |                |               |                   |                |
| <b>Year ended 31 December 2017</b>         |              |                |               |                   |                |
| Present value of funded obligations .....  | 110.0        | 532.6          | 70.9          | 10.6              | <b>724.1</b>   |
| Present value of unfunded obligations..... | 41.3         | -              | -             | 17.2              | <b>58.5</b>    |
|  | <b>151.3</b> | <b>532.6</b>   | <b>70.9</b>   | <b>27.8</b>       | <b>782.6</b>   |
| Fair value of plan assets .....            | (83.9)       | (504.5)        | (73.2)        | (8.8)             | <b>(670.4)</b> |
|  | <b>67.4</b>  | <b>28.1</b>    | <b>(2.3)</b>  | <b>19.0</b>       | <b>112.2</b>   |

**Movements in present value of defined benefit obligation:**

|   | European     | United Kingdom | North America | Rest of the world | Total        |
|---|--------------|----------------|---------------|-------------------|--------------|
|   | €m           |                |               |                   |              |
| <b>At 1 January 2017 .....</b>                      | <b>151.0</b> | <b>-</b>       | <b>78.5</b>   | <b>11.9</b>       | <b>241.4</b> |
| Current service cost .....                          | 6.5          | 0.4            | 0.9           | 1.6               | 9.4          |
| Interest cost on defined benefit obligations.....   | 2.9          | 4.8            | 2.7           | 0.7               | 11.1         |
| Member contributions.....                           | 0.2          | -              | -             | -                 | 0.2          |
| Actuarial (gain)/loss – experience.....             | (0.8)        | (4.5)          | (0.2)         | 0.4               | (5.1)        |
| Actuarial gain – demographic assumptions.....       | -            | (10.5)         | (0.2)         | -                 | (10.7)       |
| Actuarial (gain)/loss – financial assumptions ..... | (2.2)        | (58.9)         | 3.8           | (0.4)             | (57.7)       |
| Disbursements from plan assets.....                 | (2.6)        | (17.5)         | (7.8)         | (0.4)             | (28.3)       |
| Disbursements paid directly by the employer .....   | (3.4)        | -              | (0.3)         | (0.1)             | (3.8)        |
| Acquisitions .....                                  | -            | 623.5          | -             | 14.9              | 638.4        |
| Reclassifications .....                             | -            | -              | 0.6           | -                 | 0.6          |
| Exchange .....                                      | (0.3)        | (4.7)          | (7.1)         | (0.8)             | (12.9)       |
| <b>At 31 December 2017 .....</b>                    | <b>151.3</b> | <b>532.6</b>   | <b>70.9</b>   | <b>27.8</b>       | <b>782.6</b> |
| Current service cost .....                          | 5.0          | 1.2            | 0.8           | 1.6               | 8.6          |
| Past service cost .....                             | -            | 3.3            | -             | (0.1)             | 3.2          |
| Interest cost on defined benefit obligations.....   | 2.7          | 13.7           | 2.3           | 1.0               | 19.7         |
| Member contributions.....                           | 0.1          | -              | -             | 0.1               | 0.2          |
| Actuarial (gain)/loss – experience.....             | 0.4          | (23.5)         | 2.1           | 1.0               | (20.0)       |
| Actuarial gain – demographic assumptions.....       | (0.5)        | (2.5)          | (0.5)         | -                 | (3.5)        |
| Actuarial (gain)/loss – financial assumptions ..... | (3.8)        | (20.4)         | (4.2)         | 0.1               | (28.3)       |
| Disbursements from plan assets.....                 | (0.6)        | (47.0)         | (7.4)         | (0.7)             | (55.7)       |
| Disbursements paid directly by the employer .....   | (3.1)        | -              | (0.3)         | (0.4)             | (3.8)        |
| Disposals.....                                      | (13.0)       | -              | (1.3)         | -                 | (14.3)       |
| Exchange .....                                      | (0.2)        | (6.5)          | (0.1)         | 0.4               | (6.4)        |
| <b>At 31 December 2018 .....</b>                    | <b>138.3</b> | <b>450.9</b>   | <b>62.3</b>   | <b>30.8</b>       | <b>682.3</b> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**21. EMPLOYEE BENEFITS (continued)**

**Pension plans (continued)**

Movements in fair value of plan assets:

|  | European    | United Kingdom | North America | Rest of the world | Total        |
|--|-------------|----------------|---------------|-------------------|--------------|
|  |             |                | €m            |                   |              |
| <b>At 1 January 2017</b> .....                         | 74.9        | -              | 80.4          | 7.2               | 162.5        |
| Interest income on plan assets .....                   | 1.5         | 3.9            | 2.8           | 0.3               | 8.5          |
| Return on plan assets greater than discount rate ..... | 3.9         | 7.7            | 3.4           | (0.2)             | 14.8         |
| Employer contributions .....                           | 9.6         | 4.6            | 1.1           | 0.9               | 16.2         |
| Member contributions .....                             | 0.2         | -              | -             | -                 | 0.2          |
| Disbursements .....                                    | (6.0)       | (17.5)         | (8.1)         | (0.5)             | (32.1)       |
| Settlements .....                                      | -           | -              | -             | -                 | -            |
| Acquisitions .....                                     | -           | 514.9          | -             | 1.1               | 516.0        |
| Reclassifications .....                                | -           | -              | 0.5           | -                 | 0.5          |
| Exchange .....   | (0.2)       | (9.1)          | (6.9)         | -                 | (16.2)       |
| <b>At 31 December 2017</b> .....                       | <b>83.9</b> | <b>504.5</b>   | <b>73.2</b>   | <b>8.8</b>        | <b>670.4</b> |
| Interest income on plan assets .....                   | 1.6         | 13.1           | 2.4           | 0.4               | 17.5         |
| Return on plan assets less than discount rate .....    | (3.3)       | (25.7)         | (3.6)         | (0.2)             | (32.8)       |
| Employer contributions .....                           | 7.6         | 10.3           | 0.9           | 1.7               | 20.5         |
| Member contributions .....                             | 0.1         | -              | -             | 0.1               | 0.2          |
| Disbursements .....                                    | (3.7)       | (47.0)         | (7.6)         | (1.2)             | (59.5)       |
| Disposals .....  | (3.7)       | -              | (1.3)         | -                 | (5.0)        |
| Exchange .....   | 0.2         | (6.4)          | (0.4)         | (0.2)             | (6.8)        |
| <b>At 31 December 2018</b> .....                       | <b>82.7</b> | <b>448.8</b>   | <b>63.6</b>   | <b>9.4</b>        | <b>604.5</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 were as follows:

|                                    | European    | United Kingdom | North America | Rest of the world | Total        |
|------------------------------------|-------------|----------------|---------------|-------------------|--------------|
|                                    |             |                | €m            |                   |              |
| <b>Year ended 31 December 2018</b> |             |                |               |                   |              |
| Equities .....                     | 25.0        | 129.7          | 5.6           | 0.4               | 160.7        |
| Government bonds .....             | 30.4        | 187.7          | 46.0          | 0.5               | 264.6        |
| Corporate bonds .....              | 12.6        | 48.9           | 10.5          | 0.1               | 72.1         |
| Property .....                     | 0.2         | 59.9           | -             | -                 | 60.1         |
| Other .....                        | 14.5        | 22.6           | 1.5           | 8.4               | 47.0         |
| <b>Total plan assets</b> .....     | <b>82.7</b> | <b>448.8</b>   | <b>63.6</b>   | <b>9.4</b>        | <b>604.5</b> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**21. EMPLOYEE BENEFITS (continued)**

**Pension plans (continued)**

The fair value of the plan assets were as follows:

|                                    | European    | United Kingdom | North America | Rest of the world | Total        |
|------------------------------------|-------------|----------------|---------------|-------------------|--------------|
|                                    | €m          |                |               |                   |              |
| <b>Year ended 31 December 2017</b> |             |                |               |                   |              |
| Equities                           | 29.9        | 146.1          | 7.1           | 0.4               | 183.5        |
| Government bonds                   | 15.4        | 193.1          | 51.6          | 0.6               | 260.7        |
| Corporate bonds                    | 22.0        | 51.2           | 13.6          | -                 | 86.8         |
| Property                           | 0.4         | 58.7           | -             | -                 | 59.1         |
| Other                              | 16.2        | 55.4           | 0.9           | 7.8               | 80.3         |
| <b>Total plan assets</b>           | <b>83.9</b> | <b>504.5</b>   | <b>73.2</b>   | <b>8.8</b>        | <b>670.4</b> |

There are no plans which hold investments in the Group's own financial instruments, or hold assets or property which are used by the Group.

**Post-retirement health care plans**

Reconciliation of present value of scheme liabilities:

|  | 2018        | 2017        |
|--|-------------|-------------|
|  | €m          |             |
| At 1 January                                 | 21.1        | 23.1        |
| Current service cost                         | 0.3         | 0.4         |
| Interest cost on defined benefit obligations | 0.7         | 0.8         |
| Actuarial gain – experience                  | (0.3)       | (0.5)       |
| Actuarial gain – demographic assumptions     | -           | (0.1)       |
| Actuarial loss – financial assumptions       | (1.3)       | 1.0         |
| Disbursements directly paid by the employer  | (0.6)       | (1.2)       |
| Disposals                                    | (0.2)       | -           |
| Exchange adjustments                         | 0.5         | (2.4)       |
| <b>At 31 December</b>                        | <b>20.2</b> | <b>21.1</b> |

The post-retirement healthcare plans do not hold any assets.

The following table presents the sensitivity of the defined benefit obligation to each significant actuarial assumption:

|   | 2018 | 2017 |
|---|------|------|
|   | %    |      |
| Discount rate 1.0% decrease                                 | 11.0 | 11.8 |
| Rate of inflation 0.5% increase                             | 0.0  | 0.0  |
| 1 year increase in longevity for a member currently aged 65 | 1.7  | 1.8  |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**22. PROVISIONS**

|   | Decommissioning<br>and restoration<br>costs | Severance and<br>restructuring<br>costs | Other        | Total          |
|---|---|---|--------------|----------------|
|   | €m  |   |              |                |
| At 1 January 2017 .....                         | 183.8                                       | 38.3                                    | 18.2         | 240.3          |
| Utilised during the year .....                  | (12.0)                                      | (15.3)                                  | -            | (27.3)         |
| Reclassifications.....                          | (13.3)                                      | (3.2)                                   | 12.6         | (3.9)          |
| Amounts arising from acquisitions.....          | 1,282.7                                     | -                                       | 211.3        | 1,494.0        |
| Business disposals.....                         | -   | (0.9)                                   | -            | (0.9)          |
| Provision made during the year.....             | 28.4  | 0.8                                     | 27.1         | 56.3           |
| Increase in decommissioning provision .....     | 13.3  | -                                       | -            | 13.3           |
| Discount unwinding .....                        | 5.8   | -                                       | 0.1          | 5.9            |
| Exchange adjustments.....                       | (24.6)                                      | (1.2)                                   | (0.1)        | (25.9)         |
| <b>At 31 December 2017 .....</b>                | <b>1,464.1</b>                              | <b>18.5</b>                             | <b>269.2</b> | <b>1,751.8</b> |
| Utilised during the year .....                  | (30.1)                                      | (9.8)                                   | (12.5)       | (52.4)         |
| Reclassifications.....                          | 14.6  | 0.1                                     | (24.9)       | (10.2)         |
| Provision (released)/made during the year ..... | (21.4)                                      | 3.2                                     | (6.7)        | (24.9)         |
| Decrease in decommissioning provision .....     | (12.0)                                      | -                                       | -            | (12.0)         |
| Discount unwinding .....                        | 13.7  | -                                       | 6.6          | 20.3           |
| Exchange adjustments.....                       | (26.6)                                      | -                                       | 13.4         | (13.2)         |
| <b>At 31 December 2018 .....</b>                | <b>1,402.3</b>                              | <b>12.0</b>                             | <b>245.1</b> | <b>1,659.4</b> |
| <br>Non – current .....                         | <br>1,416.1                                 | <br>7.9                                 | <br>248.2    | <br>1,672.2    |
| Current .....                                   | 48.0  | 10.6                                    | 21.0         | 79.6           |
| <b>Balance at 31 December 2017.....</b>         | <b>1,464.1</b>                              | <b>18.5</b>                             | <b>269.2</b> | <b>1,751.8</b> |
| <br>Non – current .....                         | <br>1,348.8                                 | <br>1.0                                 | <br>230.7    | <br>1,580.5    |
| Current .....                                   | 53.5  | 11.0                                    | 14.4         | 78.9           |
| <b>Balance at 31 December 2018.....</b>         | <b>1,402.3</b>                              | <b>12.0</b>                             | <b>245.1</b> | <b>1,659.4</b> |

**Severance and restructuring costs**

The Group has provided €4.7 million (2017: €16.5 million) of severance and restructuring costs in relation to the closure of the Marl site in Germany. The provision is expected to be fully utilised by 2022.

The Group has a €1.6 million (2017: €2.0 million) provision for severance and restructuring costs in respect of exit costs associated with the disposal and closure of the Bio business. The provision is expected to be fully utilised by 2020.

The Group has a €5.7 million provision for severance and restructuring costs in respect of the Danish oil and gas businesses. The provision is expected to be fully utilised during 2019.

**Decommissioning and restoration costs**

The Group has €1,185.3 million (2017: €1,239.9 million) of provisions for estimated decommissioning and restoration costs of the Group's facilities on the fields across Norway, Denmark and the United Kingdom, which includes the removal of platforms, subsequent dismantlement and disposal on shore, as well as restoration of the sea bed. The Group uses a range of risk free rates between 0.3%-1.7% (2017: 0.3%-1.3%) and an inflation rate of 2.0% (2017: 2.0%) over the lives of these assets to calculate the present value of the decommissioning and restoration costs. Decommissioning is expected to occur after the fields reach the end of their economic lives on a schedule agreed with regulatory authorities and Joint Venture Partners. In addition the Group has €217.0 million (€212.4 million) of decommission and restoration costs of the Forties Pipeline System in respect of the pipeline network in the North Sea which links oil and gas assets to the UK mainland. The Group uses a risk free rate of 1.7% (2017: 1.8%) and an inflation rate of 2.0% (2017: 2.0%) over the lives of the assets to calculate the present value of the decommissioning and restoration costs.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**22. PROVISIONS (continued)**

**Other provisions**

Other provisions mainly comprise of provisions for historical construction cost obligations, business disputes and onerous operating leases or contracts. As part of the DONG E&P A/S acquisition the Group acquired a provision of €211.3 million in respect of committed obligation to fund the Group's share of the historical construction cost of the Fredericia Gas Plant incurred in connection with the development of the Hejre field. This provision is subject to indemnification for which an indemnification asset is recognised (see Note 3). As at 31 December 2018 the remaining provision was €209.0 million.

During 2017 the Group relocated the Breagh oil and gas business to a new office while retaining the leases for its previous office. As the Group was unable to transfer or surrender its lease on its previous office a provision was made of €9.6 million was made in 2017 to recognise the rental costs and rates for the remaining period of the lease. The Group also provided for restoration costs as it had an obligation to return the properties at the end of the lease to their original state. In 2018, €7.2 million of the onerous operating lease provision was released back to consolidated income statement as the lease was surrendered to the landlord at an amount lower than the provision.

The remaining amount relates primarily to a provision recognised for a liability to the previous Styrolution joint venture partner, BASF under prior legal agreements and provisions for guarantee costs.

**23. SHARE CAPITAL**

|  | 2018 | 2017 |
|--|------|------|
|  | €m   |      |
| <b>Fully paid</b>  |      |      |
| 197,500 (2017: 197,500) ordinary shares of £0.00001 each | -    | -    |

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.

**24. DIVIDENDS**

The following dividends were recognised during the year:

|  | 2018  | 2017 |
|--|-------|------|
|  | €m    |      |
| Dividend paid (2018: €610.13 per share, 2017: €332.15 per share) | 120.5 | 65.6 |

**25. FINANCIAL INSTRUMENTS**

**25a Fair values of financial instruments**

***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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**25. FINANCIAL INSTRUMENTS (continued)**

**25a Fair values of financial instruments (continued)**

***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 balance sheet date.

***Interest-bearing borrowings***

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date. The fair value of finance leases is determined by reference to market rates for similar lease agreements. The fair value of the related party loans is the same as the carrying value. The fair value of securitisation facilities is the same as the carrying value.

***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:

|   | 2018            |                | 2017            |                |
|---|-----------------|----------------|-----------------|----------------|
|   | Carrying amount | Fair value     | Carrying amount | Fair value     |
|   | €m              |                |                 |                |
| <b>Financial assets (previously loans and receivables) carried at amortised cost:</b> |                 |                |                 |                |
| Trade receivables .....   | 752.5           | 752.5          | 753.2           | 753.2          |
| Amounts due from related parties .....  | 156.2           | 156.2          | 122.0           | 122.0          |
| Other receivables .....   | 447.0           | 447.0          | 429.8           | 429.8          |
| <b>Loans and receivables .....</b>  | <b>1,355.7</b>  | <b>1,355.7</b> | <b>1,305.0</b>  | <b>1,305.0</b> |
| Cash and cash equivalents .....   | 931.6           | 931.6          | 749.3           | 749.3          |
| Restricted cash .....   | 124.3           | 124.3          | 81.6            | 81.6           |
| <b>Total financial assets .....</b>   | <b>2,411.6</b>  | <b>2,411.6</b> | <b>2,135.9</b>  | <b>2,135.9</b> |
| <b>Financial liabilities carried at amortised cost:</b>                               |                 |                |                 |                |
| Trade payables .....  | 483.7           | 483.7          | 511.9           | 511.9          |
| Other payables .....  | 536.2           | 536.2          | 549.0           | 549.0          |
| Securitisation facilities .....   | 50.0            | 50.0           | 100.0           | 100.0          |
| Amount due to related parties .....   | 779.9           | 779.9          | 742.5           | 742.5          |
| Senior Secured Term Loan .....  | 620.9           | 620.9          | 712.1           | 712.1          |
| Reserves Based Lending facility .....   | 194.8           | 194.8          | 444.7           | 444.7          |
| Finance lease liabilities .....   | 9.2             | 9.2            | 10.8            | 10.8           |
| Guaranteed Notes due 2019 .....   | 284.6           | 284.6          | 283.9           | 283.9          |
| INEOS Upstream loan .....   | 539.7           | 539.7          | 619.5           | 619.5          |
| Other loans .....   | 31.4            | 31.4           | 49.0            | 49.0           |
| <b>Total financial liabilities .....</b>  | <b>3,530.4</b>  | <b>3,530.4</b> | <b>4,023.4</b>  | <b>4,023.4</b> |

**25b 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**25. FINANCIAL INSTRUMENTS (continued)**

**25b Net gains and losses from financial instruments (continued)**

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 IFRS 9.

The following table shows the gross gains and losses during the year and on which financial instruments they arose:

|                                     | <b>Financial assets carried<br/>at amortised cost</b> |                |
|-------------------------------------|---|----------------|
|                                     | <b>2018</b>   | <b>2017</b>    |
|                                     | <b>€m</b>   |                |
| Finance income .....                | <b>6.3</b>  | <b>2.4</b>     |
| Foreign exchange gains .....        | <b>56.2</b>   | <b>21.9</b>    |
| Net result .....                    | <b>62.5</b>   | <b>24.3</b>    |
| Carrying value at 31 December ..... | <b>1,355.7</b>  | <b>1,305.0</b> |

|                                     | <b>Financial liabilities carried<br/>at amortised cost</b> |                |
|-------------------------------------|--|----------------|
|                                     | <b>2018</b>  | <b>2017</b>    |
|                                     | <b>€m</b>  |                |
| Finance cost .....                  | <b>(88.7)</b>  | <b>(75.8)</b>  |
| Other finance cost .....            | <b>(16.0)</b>  | <b>(8.0)</b>   |
| Foreign exchange losses .....       | <b>(36.9)</b>  | <b>(75.1)</b>  |
| Net result .....                    | <b>(141.6)</b>   | <b>(158.9)</b> |
| Carrying value at 31 December ..... | <b>3,530.4</b>   | <b>4,023.4</b> |

**25c 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 and deposits with financial institutions.

Group Treasury policy and objectives in relation to credit risk is to minimize 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**25. FINANCIAL INSTRUMENTS (continued)**

**25c Credit risk (continued)**

Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

As of January 1, 2018, IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. The impact of the application of the expected loss credit model as of 1 January 2018 is an increase of the loss allowance of €0.7 million. The Group took advantage of the exemption allowing it not to restate comparative information for the prior year with respect to classification and measurement changes. The differences in measurement resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018.

The impact was calculated considering past experience and management's estimate of future developments. Management expects no considerable change in the future market situation. Consequently, the future credit losses in the ECL model are in the same range as the credit losses experienced in the past years. This is regarded as the future expectation of the inherent credit risk of the not impaired trade and other receivables outstanding. The Group will review the assumptions of the ECL model on a yearly basis.

***Investments, cash and cash equivalents***

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.

***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.

**25d. 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 year/period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**25. FINANCIAL INSTRUMENTS (continued)**

**25d Liquidity risk**

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

|   | 2018            |                        |                |              |              |                  |
|---|-----------------|------------------------|----------------|--------------|--------------|------------------|
|   | 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> |                 |                        |                |              |              |                  |
| Trade payables .....                        | 483.7           | 483.7                  | 483.7          | -            | -            | -                |
| Other payables.....                         | 536.2           | 547.4                  | 269.7          | 172.8        | 39.4         | 65.5             |
| Senior Secured Term Loan.....               | 620.9           | 726.6                  | 27.5           | 27.6         | 80.9         | 590.6            |
| Amount due to related parties.....          | 779.9           | 779.9                  | 272.0          | 507.9        | -            | -                |
| Securitisation facilities .....             | 50.0            | 50.0                   | -              | -            | 50.0         | -                |
| Guaranteed Notes due 2019 .....             | 284.6           | 286.0                  | 286.0          | -            | -            | -                |
| Finance lease liabilities .....             | 9.2             | 14.5                   | 1.6            | 1.6          | 0.9          | 10.4             |
| Reserves Based Lending facility .....       | 194.8           | 227.5                  | 8.1            | 34.6         | 184.8        | -                |
| INEOS Upstream loan.....                    | 539.7           | 647.4                  | 37.8           | 246.0        | 363.6        | -                |
| Other loans .....                           | 31.4            | 31.4                   | 31.4           | -            | -            | -                |
|   | <b>3,530.4</b>  | <b>3,794.4</b>         | <b>1,417.8</b> | <b>990.5</b> | <b>719.6</b> | <b>666.5</b>     |

|   | 2017            |                        |                |                |              |                  |
|---|-----------------|------------------------|----------------|----------------|--------------|------------------|
|   | 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> |                 |                        |                |                |              |                  |
| Trade payables .....                        | 511.9           | 511.9                  | 511.9          | -              | -            | -                |
| Other payables.....                         | 549.0           | 549.0                  | 254.6          | 294.4          | -            | -                |
| Senior Secured Term Loan.....               | 712.1           | 854.5                  | 28.9           | 28.7           | 84.8         | 712.1            |
| Amount due to related parties.....          | 742.5           | 742.5                  | 239.6          | 502.9          | -            | -                |
| Securitisation facilities .....             | 100.0           | 100.0                  | -              | 100.0          | -            | -                |
| Guaranteed Notes due 2019 .....             | 283.9           | 297.6                  | 8.0            | 289.6          | -            | -                |
| Finance lease liabilities .....             | 10.8            | 16.7                   | 1.8            | 1.8            | 2.2          | 10.9             |
| Reserves Based Lending facility .....       | 444.7           | 500.5                  | 143.7          | 142.5          | 214.3        | -                |
| INEOS Upstream loan.....                    | 619.5           | 720.3                  | 40.8           | 40.8           | 638.7        | -                |
| Other loans .....                           | 49.0            | 49.6                   | 49.6           | -              | -            | -                |
|   | <b>4,023.4</b>  | <b>4,342.6</b>         | <b>1,278.9</b> | <b>1,400.7</b> | <b>940.0</b> | <b>723.0</b>     |

**25e Market risk**

**Financial risk management**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will adversely affect the value of the Group's assets, liabilities or expected future cash flows.

**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 future commercial transactions, and recognised assets and liabilities.

A substantial portion of the Group's revenue is generated in, or linked to, Sterling and the Euro. Product prices, certain feedstock costs and most other operating costs are denominated in US Dollar, Sterling, Euro, Danish krone and Norwegian krone. In the US petrochemical and specialty chemicals businesses, product prices, raw materials costs and most other costs are primarily denominated in US Dollars.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**25. FINANCIAL INSTRUMENTS (continued)**

**25e Market risk (continued)**

***Market risk - Foreign currency risk (continued)***

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.

The Group generally does not enter into foreign currency exchange instruments to hedge foreign currency transaction exposure, although the Group 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/other comprehensive income of the Group.

|                 | 2018    | 2017    |
|-----------------|---------|---------|
|                 | €m      |         |
| Euro.....       | 190.0   | 227.1   |
| US dollars..... | (424.3) | (590.2) |
| Sterling.....   | 394.6   | 363.5   |
| Other .....     | 62.5    | 68.4    |
|                 | 222.8   | 68.8    |

***Sensitivity analysis***

A 10% percent weakening of the following currencies at 31 December would have increased/(decreased) equity and profit/(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 year.

|                 | Equity |       | Profit or loss |        |
|-----------------|--------|-------|----------------|--------|
|                 | 2018   | 2017  | 2018           | 2017   |
|                 | €m     |       | €m             |        |
| Euro.....       | -      | -     | 0.9            | (0.2)  |
| US dollars..... | 87.8   | (3.5) | (1.1)          | (17.4) |
| Sterling.....   | -      | -     | 39.5           | 36.3   |
| Other.....      | 31.6   | 15.5  | 5.4            | 3.6    |
|                 | 119.4  | 12.0  | 44.7           | 22.3   |

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**25. FINANCIAL INSTRUMENTS (continued)**

**25e Market risk (continued)**

**Market risk – Interest rate risk**

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

|                                     | 2018           | 2017           |
|-------------------------------------|----------------|----------------|
|                                     | €m             |                |
| <b>Carrying amount of liability</b> |                |                |
| <b>Fixed rate instruments</b>       |                |                |
| Financial assets.....               | 41.6           | 37.2           |
| Financial liabilities.....          | (833.5)        | (903.4)        |
|                                     | <u>(791.9)</u> | <u>(866.2)</u> |
|                                     | 2018           | 2017           |
|                                     | €m             |                |
| <b>Variable rate instruments</b>    |                |                |
| Financial assets.....               | 1,055.9        | 830.9          |
| Financial liabilities.....          | (897.1)        | (1,316.6)      |
|                                     | <u>158.8</u>   | <u>(485.7)</u> |

**Sensitivity analysis**

A change of 1 % in interest rates at the balance sheet date would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet 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 comparative period.

|   | 2018  | 2017   |
|---|-------|--------|
|   | €m    |        |
| <b>Profit or loss</b>                         |       |        |
| Loss on increase in interest rate by 1% ..... | (6.3) | (13.5) |

**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 feedstocks 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 refined products and chemical feedstock and using commodity swaps, options and futures as a means of managing price and timing risks. In 2018 there were no significant instruments entered by the Group to manage such risk.

The Group operates within procedures and policies designed to ensure that risks, including those relating to the default of counterparties, are minimised.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**25. FINANCIAL INSTRUMENTS (continued)**

**25f 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 €2,646.7 million (2017: €3,005.2 million) at 31 December 2018 as shareholders' funds of €1,972.0 million (2017: €1,616.1 million) and net debt (net of debt issue costs) of €674.7 million (2017: €1,389.1 million).

The principal sources of debt available to the Group at 31 December 2018 include loans from related parties are described in Note 18 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**

Future minimum lease payments under non-cancellable operating leases are payable as follows:

|                                  | 2018         | 2017         |
|----------------------------------|--------------|--------------|
|                                  | €m           |              |
| Less than one year .....         | 44.3         | 44.3         |
| Between one and five years ..... | 113.6        | 108.1        |
| More than five years .....       | 84.9         | 75.2         |
|                                  | <u>242.8</u> | <u>227.6</u> |

The Group leases a number of warehouse factory facilities and vehicles under operating leases. The leases typically run for a period of 5 years, with an option to renew the lease after that date. Lease payments are increased every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in a local price index.

**27. CAPITAL COMMITMENTS**

Outstanding capital expenditure authorised by the Board and for which contracts had been placed as at 31 December 2018 by the Group amounted to approximately €365.0 million (2017: €226.8 million).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**28. RELATED PARTIES**

**Related party transactions**

Related parties comprise:

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

Mr J A Ratcliffe, Mr A C Currie and Mr J Reece are the shareholders of INEOS Limited.

The Group has a management services agreement with INEOS AG, a subsidiary of INEOS Limited. Management fees of €24.5 million (2017: €18.0 million) were charged in the year. During the year ended 31 December 2017 the Group was charged a deal fee of €8.9 million in respect of the DONG acquisition and €1.1 million in respect of the FPS acquisition. At 31 December 2018 amounts owed to INEOS AG were €21.9 million (2017: €20.8 million).

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

There were a number of transactions with related parties, all of which arose in the normal course of business. The Group has made sales to related parties of €744.7 million (2017: €298.1 million), recovered costs from related parties of €142.5 million (2017: €51.8 million), made cost recoveries to related parties of €196.0 million (2017: €42.0 million) and made purchases from related parties of €394.3 million (2017: €27.1 million). At 31 December 2018 €757.9 million (2017: €721.7 million) was owed to related parties (excluding the INEOS Upstream Limited loan) and €156.2 million (2017: €122.0 million) was owed by related parties.

In 2015 INEOS Holdings Limited, a related party provided a loan of \$623.7 million to the Group in connection with its acquisition of natural gas assets in the North Sea. The loan is unsecured and matures on 26 October 2020 and bears interest at 7.0% per annum. On 29 September 2017, INEOS Holdings Limited provided a further loan of \$376.2 million to the Group to acquire further natural gas assets in the North Sea through its acquisition of the entire oil and gas business of DONG Energy A/S. The loan is unsecured and matures in June 2022 and bears interest at 7.0% per annum. During 2018 net loan repayments of \$122.5 million (€105.4 million) were made (2017: net loan repayments of \$142.7 million (€121.4 million)), leaving \$617.1 million (€539.7 million) (2017: \$739.6 million (€619.5 million)) outstanding under the loan as at 31 December 2018.

On 17 November 2014 the Group completed the acquisition of BASF's 50% share in Styrolution for a purchase price of €1.1 billion. As part of the funding for the acquisition INEOS Holdings Limited, a related party provided a Second Lien PIK Toggle Loan of €200.0 million. The loan bore interest at a rate per annum of 9.5% for cash interest payments or 10.25% for PIK interest and matured in November 2020. During the year ended 31 December 2016 the Group paid €22.5 million of interest relating to the Second Lien PIK Toggle Loan. During 2016 the Group refinanced its capital structure and repaid the €200 million Second Lien PIK Toggle Loan. INEOS Holdings Limited, a related party used the proceeds from the loan together with €50 million of cash in hand to invest €250 million in Group Term Loan debt which was issued during September 2016. During the year ended 31 December 2017 the Group paid €7.7 million of interest relating to the Term Loan debt. In October 2017 the Term Loan was fully repaid by the Group.

**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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**29. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The ultimate parent undertaking at 31 December 2018 was INEOS Limited, a company registered in the Isle of Man. The immediate parent undertaking at 31 December 2018 was INEOS Holdings AG, a company registered in Switzerland.

The directors regard Mr J A Ratcliffe to be the ultimate controlling party by virtue of his majority shareholding in INEOS Limited.

**30. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

|  | 2018   | 2017    |
|--|--------|---------|
|  | €m     | €m      |
| Increase in cash and cash equivalents in the year.....   | 173.3  | 327.6   |
| Increase in restricted cash in the year.....             | 42.7   | 81.6    |
| Cash outflow/(inflow) from change in debt financing..... | 513.1  | (249.6) |
| Change in net debt resulting from cash flows.....        | 729.1  | 159.6   |
| Debt acquired with acquisition of business.....          | -      | (286.0) |
| Debt disposed of from disposal of business.....          | 29.0   | 46.6    |
| Other net non-cash transactions.....                     | (30.8) | 104.8   |
| Movement in net debt in year.....                        | 727.3  | 25.0    |

|   | 1 Jan<br>2018 | Cash<br>flow | Acquisitions* | Disposals* | Other<br>non cash<br>changes | 31 Dec<br>2018 |
|---|---------------|--------------|---------------|------------|------------------------------|----------------|
|   |               |              | €m            |            |                              |                |
| Cash at bank and in hand.....             | 749.3         | 173.3        | -             | -          | 9.0                          | 931.6          |
| Restricted cash.....                      | 81.6          | 42.7         | -             | -          | -                            | 124.3          |
| Debt due within one year.....             | (183.9)       | 193.0        | -             | 29.0       | (393.1)                      | (355.0)        |
| Debt due after more than one<br>year..... | (2,052.4)     | 318.9        | -             | -          | 352.9                        | (1,380.6)      |
| Finance leases.....                       | (10.8)        | 1.2          | -             | -          | 0.4                          | (9.2)          |
|   | (2,247.1)     | 513.1        | -             | 29.0       | (39.8)                       | (1,744.8)      |
| Net debt.....                             | (1,416.2)     | 729.1        | -             | 29.0       | (30.8)                       | (688.9)        |

\* Excludes cash

|   | 1 Jan<br>2017 | Cash<br>flow | Acquisitions* | Disposals* | Other<br>non cash<br>changes | 31 Dec<br>2017 |
|---|---------------|--------------|---------------|------------|------------------------------|----------------|
|   |               |              | €m            |            |                              |                |
| Cash at bank and in hand.....             | 435.6         | 327.6        | -             | -          | (13.9)                       | 749.3          |
| Restricted cash.....                      | -             | 81.6         | -             | -          | -                            | 81.6           |
| Debt due within one year.....             | (40.8)        | 17.3         | -             | 2.5        | (162.9)                      | (183.9)        |
| Debt due after more than one<br>year..... | (1,828.2)     | (268.3)      | (285.0)       | 44.1       | 285.0                        | (2,052.4)      |
| Finance leases.....                       | (7.8)         | 1.4          | (1.0)         | -          | (3.4)                        | (10.8)         |
|   | (1,876.8)     | (249.6)      | (286.0)       | 46.6       | 118.7                        | (2,247.1)      |
| Net debt.....                             | (1,441.2)     | 159.6        | (286.0)       | 46.6       | 104.8                        | (1,416.2)      |

\* Excludes cash

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**31. SUBSEQUENT EVENTS**

In February 2019, the Group paid a dividend of €450.0 million to its immediate parent company, INEOS Holdings AG.

Effective 1 February 2019, the Group acquired Total S.A.'s Polystyrene business in China. The acquisition covers the wholly owned Chinese polystyrene business including two production sites in Ningbo and Foshan and two related sales offices in Guangzhou and Shanghai. The transaction includes the purchase of 100% of the equity interests in Total Petrochemical (Foshan) Company Limited and Total Petrochemical (Ningbo) Company Limited. The preliminary purchase price excluding preliminary cash acquired was agreed at approximately \$152 million. The purchase agreement provides for corrections for actual net working capital contributions compared to target.

As at 31 December 2018, €130.7 million (2017: nil) was recognised within prepayments in relation to a non-refundable deposit made to a third party for a potential acquisition opportunity in progress. The acquisition did not complete therefore the entire amount was written off in 2019.

**32. 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. Changes to the estimated amount would result in a charge or credit to the income statement in the period the change arises. The exception to this is where tax provisions are subject to an indemnity by a third party, for

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**32. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

example those uncertain tax provisions recognised in those acquired subsidiaries of DONG E&P A/S as disclosed in Note 3.

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 16.

**Post-retirement benefits**

The Group operates a number of defined benefit post-employment schemes. Under IAS 19 Revised 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; and
- 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.

The decommissioning of oil and gas assets may not be due to occur for many years into the future. Consequently, judgement is required in relation to the estimated cash flows, removal date, environmental legislation, inflation and discount rate used to calculate present value.

Other provisions are recognised in the year 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.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**32. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

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.

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.

**Useful economic lives of tangible assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 11 for the carrying amount of the property plant and equipment, and Note 1 for the useful economic lives for each class of assets.

**Impairment of receivables**

The Group makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors including the current credit rating of the debtor, the ageing profile of receivables and historical experience. See Note 15 for the net carrying amount of the debtors and associated impairment provision.

**Investments**

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint ventures are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Details of investments are set out in Note 13.

**Oil & gas activities**

The Group estimates its oil and gas reserves based on information compiled by appropriately qualified persons relating to geological and technical data on the size, depth, shape and grade of the reservoir and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**32. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

assumptions and judgements made in estimating the size and grade of the reservoir. Oil & gas reserves have a direct impact on certain amounts reported in the financial statements. Estimated reserves are used in determining depreciation and depletion expenses, impairment testing, and the timing of decommissioning.

**33. CONTINGENCIES**

**Contingent assets**

As part of the sales and purchase agreements over interests in the Darwin field, the Group is entitled to a contingent consideration should a Field Development Plan be submitted and approved by the regulator within 7 years of the Completion Date. The total value of contingent assets are €1.8 million, which have not been recognised because it is contingent on future events which are not under the control of the Group (2017: €1.9 million).

**Contingent liabilities**

In respect of the 2017 acquisition of INEOS FPS Limited, the Group has agreed to pay its previous parent company BP additional consideration of \$100 million if the cumulative throughput over the 5 years post acquisition exceeds 689 mbbls, a further second tranche of consideration of \$25 million will be payable if cumulative throughput exceeds 889 mbbls over the 7 years post acquisition. The Group estimated that based on its current projections no additional consideration will be payable.

The Group has entered into agreements relating to the disposal of part of its interest in the Glenlivet field which provide for adjustment to the agreed consideration based on assessment of the gas volumes expected to be produced (the "ultimate reserves"). Consideration is adjusted should the ultimate reserves fall outside of an agreed range, with a fixed rate applied to the final agreed volumes. Adjustments are capped with a maximum potential payment of £34 million and a maximum potential receipt of £40 million. Calculation of the ultimate reserves follows a specified process over a defined period of time and production. As at 31 December 2018 insufficient production had been achieved in order to accurately measure the ultimate reserves. Accordingly, no liability has been recognised in respect of this arrangement.

According to Danish legislation, the Group's Danish subsidiaries are liable to pay compensation for any environmental accidents or other types of damage caused by their oil and gas activities, even when there is no proof of negligence (strict liability). The Group has taken out insurance to cover such claims.

As a condition for approval of their participation in oil and gas exploration and production on the UK continental shelves, the Group's Danish subsidiaries have provided a guarantee under which they assume primary liabilities as normally required by the local authorities. The guarantees cover obligations and liabilities incurred or assumed by the Danish subsidiaries in connection with their exploration and production activities. The guarantees are not capped, and the Danish subsidiaries are jointly and severally liable with the other partners for the obligations and liabilities.

As a condition for approval of their participation in oil and gas exploration and production on the Greenland continental shelves, Orsted A/S has provided a guarantee under which they assume primary liabilities as normally required by the local authorities. The guarantees cover obligations and liabilities incurred or assumed by the Danish subsidiaries in connection with their exploration and production activities. The guarantees are not capped, and Orsted A/S is jointly and severally liable with the other partners for obligations and liabilities. In the event of any utilisation on the guarantee the Danish subsidiaries will need to compensate Orsted A/S in agreement with the SPA when the Group acquired DONG E&P A/S in 2017.

---

## **Section 3 - Company Financial Statements**

---

## Report on the audit of the company financial statements

---

### Opinion

In our opinion, Ineos Industries Limited's company financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2018;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Company Balance Sheet as at 31 December 2018; the Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

---

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

---

### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

---

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INEOS INDUSTRIES LIMITED

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

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.

---

## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

---

## **Other matter**

We have reported separately on the Group financial statements of Ineos Industries Limited for the year ended 31 December 2018.



Ian Marsden (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
5 June 2019

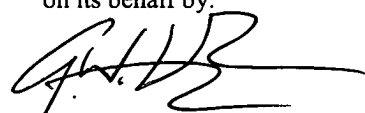
# COMPANY BALANCE SHEET AS AT 31 DECEMBER 2017

|   | Note | 2018         | 2017          |
|---|------|--------------|---------------|
|   |      | €m           |               |
| <b>Fixed assets</b>   |      |              |               |
| Investments.....  | 4    | 9.4          | 9.4           |
| <b>Total fixed assets.....</b>  |      | <b>9.4</b>   | <b>9.4</b>    |
| <b>Current assets</b>   |      |              |               |
| Debtors (including €1.2m (2017: €2.2m) due after more than one year)..... | 5    | 3.5          | 10.1          |
| Cash.....   |      | 0.3          | 0.3           |
| <b>Creditors: amounts falling due within one year.....</b>                | 6    | <b>(5.0)</b> | <b>(2.7)</b>  |
| <b>Net current (liabilities)/assets.....</b>                              |      | <b>(1.2)</b> | <b>7.7</b>    |
| <b>Total assets less current liabilities .....</b>                        |      | <b>8.2</b>   | <b>17.1</b>   |
| <b>Creditors: amounts falling due after more than one year .....</b>      | 7    | <b>(7.6)</b> | <b>(16.4)</b> |
| <b>Net assets .....</b>   |      | <b>0.6</b>   | <b>0.7</b>    |
| <b>Capital and reserves</b>   |      |              |               |
| Called up share capital.....  | 8    | -            | -             |
| Profit and loss account*.....   |      | 0.6          | 0.7           |
| <b>Total shareholders' funds .....</b>                                    |      | <b>0.6</b>   | <b>0.7</b>    |

\* The parent company recorded a profit for the financial year of €120.4 million (2017: €65.3 million).

The notes on pages 90 to 97 are an integral part of these Company financial statements.

The financial statements on pages 88 to 97 were approved by the Board of Directors on 5 June 2019 and signed on its behalf by:

  
G Leask  
Director

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

|  | <b>Note</b> | <b>Called up<br/>share capital</b> | <b>Profit and<br/>loss account</b> | <b>Total<br/>shareholders'<br/>funds</b> |
|--|-------------|------------------------------------|------------------------------------|--|
|  |             |                                    | €m                                 |  |
| Balance at 1 January 2017.....                         |             | -                                  | 0.5                                | 0.5                                      |
| Profit for the financial year .....                    |             | -                                  | 65.3                               | 65.3                                     |
| Transactions with owners, recorded directly in equity: |             |                                    |                                    |  |
| Dividend.....  | 9           | -                                  | (65.1)                             | (65.1)                                   |
| Balance at 31 December 2017.....                       |             | -                                  | 0.7                                | 0.7                                      |

|  | <b>Note</b> | <b>Called up<br/>share capital</b> | <b>Profit and<br/>loss account</b> | <b>Total<br/>shareholders'<br/>funds</b> |
|--|-------------|------------------------------------|------------------------------------|--|
|  |             |                                    | €m                                 |  |
| Balance at 1 January 2018.....                         |             | -                                  | 0.7                                | 0.7                                      |
| Profit for the financial year .....                    |             | -                                  | 120.4                              | 120.4                                    |
| Transactions with owners, recorded directly in equity: |             |                                    |                                    |  |
| Dividend.....  | 9           | -                                  | (120.5)                            | (120.5)                                  |
| Balance at 31 December 2018.....                       |             | -                                  | 0.6                                | 0.6                                      |

The notes on pages 90 to 97 are an integral part of these Company financial statements.

## **NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

### **1. ACCOUNTING POLICIES**

#### **Overview**

INEOS Industries Limited (the "Company") is a private company limited by shares incorporated, registered and domiciled in England, UK. The registered office address is Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG.

#### **Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards, on a going concern basis and under the historical cost accounting rules.

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- comparative year reconciliations for share capital;
- the requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group;
- disclosures in respect of capital management;
- financial instrument disclosures as required by IFRS 7;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of Key Management Personnel.

The accounting policies set out below have, unless otherwise stated, been applied consistently in these Company financial statements.

#### **Impact of new standards and interpretations**

IFRS 9 is a new accounting standard that is effective for the year ended 31 December 2018 and has not had a material impact on the company. There are no other amendments to accounting standards that are effective for the year ended 31 December 2018 which have had a material impact on the company. IFRS 15 became effective in the year however, given the entity does not have any revenue, it is not relevant and as such does not apply IFRS 15.

#### **Measurement convention**

The financial statements are prepared on the historical cost basis.

#### **Functional and presentation currency**

These Company financial statements are presented in Euro, which is the functional currency of the majority of operations. The Company primarily generates income, incurs expenditure and has the majority of its assets and liabilities denominated in euros. All amounts in the financial statements have been rounded to the nearest €0.1 million.

#### **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.

# **NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

## **1. ACCOUNTING POLICIES (continued)**

### **Trade and other debtors**

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition, the company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

### **Trade and other creditors**

Trade and other creditors 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.

### **Cash at bank and in hand**

Cash at bank and in hand comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company'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.

## **2. STAFF NUMBERS AND COSTS**

There were no (2017: no) employees with contracts of employment in the name of the Company.

## **3. DIRECTORS' REMUNERATION**

None (2017: none) of the directors received any fees or remuneration for services as a director of the Company during the financial year.

## **4. INVESTMENTS**

|                                   | Subsidiaries | Joint ventures | Associated undertakings | Total |
|-----------------------------------|--------------|----------------|-------------------------|-------|
|                                   | €m           |                |                         |       |
| At 31 December 2018 and 2017..... | 9.4          | -              | -                       | 9.4   |

The subsidiary and undertakings of the Company at 31 December and the percentage of equity share capital held are set out below.

**NOTES TO THE COMPANY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**4. INVESTMENTS (continued)**

**Investments in subsidiaries**

|   | Registered<br>Office | Country of<br>Incorporation | Class of<br>shares<br>held | Ownership<br>2018 2017 |      |
|---|----------------------|-----------------------------|----------------------------|------------------------|------|
| INEOS Industries Holdings Limited*      | 1                    | UK                          | Ordinary                   | 100%                   | 100% |
| Grangemouth CHP Limited                 | 2                    | UK                          | Ordinary                   | 100%                   | 100% |
| Grangemouth Energy Company Limited      | 1                    | UK                          | Ordinary                   | 74%                    | N/A  |
| Grangemouth Holdings Limited            | 1                    | UK                          | Ordinary                   | 100%                   | 100% |
| Grangemouth Properties Limited          | 1                    | UK                          | Ordinary                   | 100%                   | 100% |
| INEOS 120 Energy Limited                | 1                    | UK                          | Ordinary                   | 100%                   | 100% |
| INEOS 120 Exploration Limited           | 1                    | UK                          | Ordinary                   | 100%                   | 100% |
| INEOS 120 Power Limited                 | 1                    | UK                          | Ordinary                   | 100%                   | 100% |
| INEOS ABS (UK) Limited                  | 1                    | UK                          | Ordinary                   | 100%                   | 100% |
| INEOS ABS (USA) LLC                     | 3                    | United States               | Ordinary                   | 100%                   | 100% |
| INEOS Automotive Limited                | 1                    | UK                          | Ordinary                   | 100%                   | N/A  |
| INEOS Automotive Research Limited       | 1                    | UK                          | Ordinary                   | 100%                   | 100% |
| INEOS Aviation Limited                  | 1                    | UK                          | Ordinary                   | 100%                   | 100% |
| INEOS Bio USA LLC                       | 4                    | United States               | Ordinary                   | 100%                   | 100% |
| INEOS Calabrian Corporation             | 3                    | United States               | Ordinary                   | N/A                    | 100% |
| INEOS Calabrian Corporation Canada Inc. | 5                    | Canada                      | Ordinary                   | N/A                    | 100% |
| INEOS Calabrian Holdings Corporation    | 3                    | United States               | Ordinary                   | N/A                    | 100% |
| INEOS Calabrian Holdings Limited        | 7                    | UK                          | Ordinary                   | N/A                    | 100% |
| INEOS Calabrian Canada Holdings Limited | 7                    | UK                          | Ordinary                   | N/A                    | 100% |
| INEOS Chemicals Grangemouth Limited     | 1                    | UK                          | Ordinary                   | 100%                   | 100% |
| INEOS ChloroToluenes Belgium NV         | 6                    | Belgium                     | Ordinary                   | N/A                    | 100% |
| INEOS ChloroToluenes Limited            | 7                    | UK                          | Ordinary                   | N/A                    | 100% |
| INEOS Clipper South B Limited           | 8                    | UK                          | Ordinary                   | 100%                   | 100% |
| INEOS Clipper South C Limited           | 8                    | UK                          | Ordinary                   | 100%                   | 100% |
| INEOS Commercial Services Limited       | 1                    | UK                          | Ordinary                   | 100%                   | 100% |
| INEOS E&P A/S                           | 48                   | Denmark                     | Ordinary                   | 100%                   | 100% |
| INEOS E&P DK A/S                        | 48                   | Denmark                     | Ordinary                   | 100%                   | 100% |
| INEOS E&P Grønland A/S                  | 49                   | Greenland                   | Ordinary                   | 100%                   | 100% |
| INEOS E&P Føroyar P/F                   | 50                   | Faroe Islands               | Ordinary                   | 100%                   | 100% |
| INEOS E&P Norg A/S                      | 51                   | Norway                      | Ordinary                   | 100%                   | 100% |
| INEOS E&P (UK) Limited                  | 8                    | UK                          | Ordinary                   | 100%                   | 100% |
| INEOS E&P Services (UK) Limited         | 8                    | UK                          | Ordinary                   | 100%                   | 100% |
| INEOS E&P (Siri) UK Limited             | 8                    | UK                          | Ordinary                   | 100%                   | 100% |
| INEOS Energy Trading Limited            | 1                    | UK                          | Ordinary                   | 100%                   | 100% |
| INEOS Enterprises US Newco LLC          | 3                    | United States               | Ordinary                   | N/A                    | 100% |
| INEOS Films Italia S.r.l.               | 9                    | Italy                       | Ordinary                   | 100%                   | 100% |
| INEOS FPS Limited                       | 1                    | UK                          | Ordinary                   | 100%                   | 100% |
| INEOS Grangemouth Plc.                  | 1                    | UK                          | Ordinary                   | 100%                   | 100% |
| INEOS Healthcare Holdings Limited       | 1                    | UK                          | Ordinary                   | 80%                    | 80%  |
| INEOS Healthcare Limited                | 1                    | UK                          | Ordinary                   | 80%                    | 80%  |
| INEOS Industries America I LLC          | 3                    | United States               | Ordinary                   | 100%                   | 100% |
| INEOS Industries America II LLC         | 3                    | United States               | Ordinary                   | 100%                   | 100% |
| INEOS Maastricht BV                     | 10                   | Netherlands                 | Ordinary                   | N/A                    | 100% |
| INEOS Melamines GmbH                    | 11                   | Germany                     | Ordinary                   | N/A                    | 100% |
| INEOS Melamines LLC                     | 12                   | United States               | Ordinary                   | N/A                    | 100% |
| INEOS Melamines Pte Ltd                 | 13                   | Singapore                   | Ordinary                   | N/A                    | 100% |
| INEOS Mexico S de RL de CV              | 14                   | Mexico                      | Ordinary                   | N/A                    | 100% |
| INEOS New Planet BioEnergy LLC          | 15                   | United States               | Ordinary                   | 80%                    | 80%  |
| INEOS Offshore BCS Limited              | 8                    | UK                          | Ordinary                   | 100%                   | 100% |

**NOTES TO THE COMPANY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**4. INVESTMENTS (continued)**

**Investments in subsidiaries**

|   | Registered<br>Office | Country of<br>Incorporation | Class of<br>shares<br>held | Ownership<br>2018 2017 |      |
|---|----------------------|-----------------------------|----------------------------|------------------------|------|
| INEOS Racing Limited .....  | 1                    | UK                          | Ordinary                   | 100%                   | N/A  |
| INEOS Shipping Limited .....  | 1                    | UK                          | Ordinary                   | 100%                   | N/A  |
| INEOS Styrenics Germany GmbH .....  | 16                   | Germany                     | Ordinary                   | 100%                   | 100% |
| INEOS Styrenics GmbH .....  | 16                   | Germany                     | Ordinary                   | 100%                   | 100% |
| INEOS Styrenics International S.A. ....   | 17                   | Switzerland                 | Ordinary                   | 100%                   | 100% |
| INEOS Styrenics Manufacturing GmbH .....  | 16                   | Germany                     | Ordinary                   | 100%                   | 100% |
| INEOS Styrenics UK Limited .....  | 7                    | UK                          | Ordinary                   | 100%                   | 100% |
| INEOS Styrenics US LLC .....  | 4                    | United States               | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution (Thailand) Co., Ltd. ....                                       | 18                   | Thailand                    | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution America LLC .....   | 3                    | United States               | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution APAC Pte. Ltd, Japan Branch .....                               | 19                   | Japan                       | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution APAC Pte. Ltd. ....   | 20                   | Singapore                   | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Belgium N.V. ....   | 21                   | Belgium                     | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Belgium Services bvba .....                                     | 22                   | Belgium                     | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Beteiligungs GmbH .....   | 23                   | Germany                     | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Canada Limited .....  | 25                   | Canada                      | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution do Brasil Polímeros Ltda. ....                                  | 26                   | Brazil                      | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Europe GmbH .....   | 23                   | Germany                     | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Financing Limited .....   | 1                    | UK                          | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution France SAS .....  | 27                   | France                      | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution France Services SAS .....                                       | 28                   | France                      | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Group GmbH .....  | 23                   | Germany                     | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Holding GmbH .....  | 23                   | Germany                     | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Holding Limited .....   | 1                    | UK                          | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Hong Kong Company Limited .....                                 | 29                   | China                       | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Iberia S.L. ....  | 30                   | Spain                       | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution India Limited .....   | 31                   | India                       | Ordinary                   | 75%                    | 75%  |
| INEOS Styrolution Investment GmbH .....   | 23                   | Germany                     | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Italia S.r.L. ....  | 32                   | Italy                       | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Kimyasal Ürünler Ticaret Limited<br>Şirketi .....               | 33                   | Turkey                      | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Köln GmbH .....   | 34                   | Germany                     | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Korea Ltd. ....   | 35                   | Korea                       | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Ludwigshafen GmbH .....   | 23                   | Germany                     | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Mexicana, S.A. de C.V. ....                                     | 36                   | Mexico                      | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Netherlands B.V. ....   | 24                   | Netherlands                 | Ordinary                   | 100%                   | 100% |
|   |                      | Russian                     |                            |                        |      |
| INEOS Styrolution OOO .....   | 37                   | Federation                  | Ordinary                   | 100%                   | 100% |
|   |                      | Poland                      |                            |                        |      |
| INEOS Styrolution Poland Sp. z o.o. ....  | 38                   |                             | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Polymers (Shanghai) Company<br>Limited .....                    | 39                   | China                       | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Polymers (Shanghai) Company<br>Limited - Guangzhou Branch ..... | 40                   | China                       | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Schwarzheide GmbH .....   | 41                   | Germany                     | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Servicios, S.A. de C. V. ....                                   | 36                   | Mexico                      | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution (Shanghai) Management<br>Company Limited .....                  | 45                   | China                       | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Switzerland S.A. ....   | 17                   | Switzerland                 | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution (Thailand) Company Limited .....                                | 46                   | Thailand                    | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution UK Limited .....  | 42                   | UK                          | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution US Holding LLC .....  | 3                    | United States               | Ordinary                   | 100%                   | 100% |
| INEOS Styrolution Verwaltungsgesellschaft mbH .....                               | 23                   | Germany                     | Ordinary                   | 100%                   | 100% |

**NOTES TO THE COMPANY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**4. INVESTMENTS (continued)**

**Investments in subsidiaries (continued)**

|  | Registered<br>Office | Country of<br>Incorporation | Class of<br>shares<br>held | Ownership |      |
|--|----------------------|-----------------------------|----------------------------|-----------|------|
|  |                      |                             |                            | 2018      | 2017 |
| INEOS Styrolution Vietnam Co., Ltd. .... | 43                   | Vietnam                     | Ordinary                   | 100%      | 100% |
| INEOS UK E&P Holdings Limited .....      | 44                   | UK                          | Ordinary                   | 100%      | 100% |
| INEOS UK SNS Limited .....               | 8                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS Upstream Limited .....             | 1                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS Upstream Holdings Limited .....    | 8                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS Upstream Services Limited .....    | 8                    | UK                          | Ordinary                   | 100%      | 100% |
| INEOS Vinyls Holdings Italia S.r.l. .... | 9                    | Italy                       | Ordinary                   | 100%      | 100% |
| KR Copolymer Company Limited .....       | 47                   | Korea                       | Ordinary                   | 100%      | 100% |

\* Held directly by the Company as at 31 December 2018.

**Registered Office Address**

|    |   |
|----|---|
| 1  | Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG, United Kingdom   |
| 2  | Utilities Control Bulding, East Office, PO Box 30, Bo'Ness Road, Grangemouth, Scotland, FK3 9XQ, United Kingdom           |
| 3  | Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States  |
| 4  | 2600 South Shore Boulevard, League City TX 77573, United States   |
| 5  | Suite 6000, 100 King Street West, Toronto ON M5X 1E2, Canada  |
| 6  | Heilig Hartlaan 21 3980 Tessenderlo, Belgium  |
| 7  | Enterprise House, South Parade, P.O. Box 9, Runcorn, Cheshire, England and Wales, WA7 4JE, United Kingdom                 |
| 8  | Anchor House, 15-19 Britten Street, London, England, SW3 3TY, United Kingdom.   |
| 9  | Via XXIV Maggio, 1, 21043, Castiglione Olona, Varese, Italy   |
| 10 | Ankerkade 111, 6222 NI Maastricht, Netherlands  |
| 11 | Alt Fechenheim 34, 60386, Frankfurt am Main, Germany  |
| 12 | 730 B Worcester Street, Springfield MD MA 01151, United States  |
| 13 | Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore, 048623,        |
| 14 | Camino del Lago #4740, Colonia Cortijo del Rio, Monterrey Nuevo, Leon, Mexico   |
| 15 | 3030 Warrenville Road Suite 650, Lisle IL 60532, United States  |
| 16 | Paul-Baumann-Strasse 1, D-45764 MARL, Germany   |
| 17 | Avenue des Uttins, 3, CH-1180, Rolle, Vaud, Switzerland   |
| 18 | No. 4/2, I-8 Road, T. Map Ta Phut, A Muang, Rayong, 21150, Thailand   |
| 19 | Nishishinjuku 1-25-1, Shinjuku-ku, Tokyo-to, Japan  |
| 20 | 111 Somerset Road, #08-01/02 TripleOne Somerset, Singapore, 238164, Singapore   |
| 21 | Haven 725, Scheldelaan 600, 2040 Antwerpen 4, Belgium   |
| 22 | 2070 Zwijsendrecht, Nieuwe Weg 1, 1053 Haven, Belgium   |
| 23 | Mainzer Landstrasse 50, 60325, Frankfurt, Germany   |
| 24 | Strawinskylaan 411, NL-1077XX, Amsterdam, Netherlands   |
| 25 | 872 Tashmoo Avenue, Samia ON N7T 8A3, Canada  |
| 26 | Rua Arandu, 57, anterior 1544, conjuntos 111 and 112, Room A-1, Brooklin Paulista, São Paulo, 04562-910, Brazil           |
| 27 | rue Albert Duplat, F-62410, Wingles, France   |
| 28 | 95 rue la Boétie, F-75008, Paris, France  |
| 29 | Room 905, 9/F, OfficePlus@Sheung Wan, 93-103 Wing Lok Street, Sheung Wan, Hong Kong, China                                |
| 30 | Ronda General Mitre 28-30, 08017, Barcelona, Spain  |
| 31 | 6th Floor, ABS Towers, Old Padra Road, Vadodara, 390007, India  |
| 32 | Via Caldera 21, 20153, Milano, Italy  |
| 33 | Büyükdere Cad. Meydan Sok., Spring Giz Plaza K. 13 N.11, Maslak Sariyer, Istanbul, Turkey                                 |
| 34 | Alte Straße 201, 50769, Cologne, Germany  |
| 35 | Sanggae-ro 143 (Sanggae-dong), Nam-gu, Ulsan, South Korea   |
| 36 | Avenida Insurgentes Sur No. 863, Piso 6, Colonia Nápoles, Delegación Benito Juárez, C.P., Distrito Federal, 03810, Mexico |
| 37 | Bldg. 3, 18 Pyatnitskaya St., 115035, Moscow, Russian Federation  |
| 38 | ul. Woloska 9, 02-583, Warszawa, Poland   |

**NOTES TO THE COMPANY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**4. INVESTMENTS (continued)**

**Investments in subsidiaries (continued)**

|    | Registered Office Address  |
|----|--|
| 39 | Suite 2304, Central Towers, 567 Langao Road, Putuo District, Shanghai 200333, China                      |
| 40 | Suite 3406, Teem Tower, No. 208, Tianhe Road, Tianhe District, Guangzhou 510620 Shanghai, China          |
| 41 | Schipkauser Straße 1, 01987, Schwarzeide, Germany  |
| 42 | c/o DWF LLP, 1 Scott Place, 2 Hardman Street, Manchester, England, M3 3AA, United Kingdom                |
| 43 | 11th Floor, Lotte Center Hanoi, 54 Lieu Giai Street, Cong Vi Ward, Ba Dinh District, Hanoi City, Vietnam |
| 44 | Brodies House, 31-33 Union Grove, Aberdeen, Scotland, AB10 6SD   |
| 45 | Suite 2502, 567 Langao Road, 200333, Shanghai, China   |
| 46 | No. 4/2, I-8 Road, T.Map Ta Phut, A Muang, 2115 Rayong, Thailand   |
| 47 | 434, Sandanjungang-ro, Yeosusi, Jeollanam-do, 59643, South Korea   |
| 48 | Nesa Allé 1, 2820 Gentofte, Denmark  |
| 49 | Advokatfirmaet Malling & Hansen Damm, Hans Egedesvej 3. Postboks 1046. 3900 Nuuk, Greenland              |
| 50 | J.H. Schrøters Gøta 7, 100 Tórshavn, Faroe Islands   |
| 51 | Veritasveien 25, 4007 Stavanger, Norway  |

During 2018 INEOS Mexico S de RL de CV was liquated, whilst INEOS Calabrian Corporation, INEOS Calabrian Corporation Canada Inc, INEOS Calabrian Holdings Corporation, INEOS Calabrian Holdings Limited, INEOS Calabrian Canada Holdings Limited, INEOS ChloroToluenes Belgium NV, INEOS ChloroToluenes Limited, INEOS Enterprises US Newco LLC, INEOS Maastricht BV, INEOS Melamines GmbH, INEOS Melamines LLC, INEOS Melamines Pte Limited were sold.

**5. DEBTORS**

|                                     | 2018       | 2017        |
|-------------------------------------|------------|-------------|
|                                     | €m         |             |
| Current                             |            |             |
| Amounts due from group undertakings | -          | 6.6         |
| Other receivables                   | 3.5        | 3.5         |
|                                     | <b>3.5</b> | <b>10.1</b> |
| Due within one year                 | 2.3        | 7.9         |
| Due after more than one year        | 1.2        | 2.2         |

**6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|                | 2018 | 2017 |
|----------------|------|------|
|                | €m   |      |
| Other payables | 5.0  | 2.7  |

**7. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

|                                    | 2018       | 2017        |
|------------------------------------|------------|-------------|
|                                    | €m         |             |
| Amounts owed to group undertakings | 6.3        | 13.7        |
| Other payables                     | 1.3        | 2.7         |
|                                    | <b>7.6</b> | <b>16.4</b> |

**NOTES TO THE COMPANY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**8. CALLED UP SHARE CAPITAL**

|  | 2018 | 2017 |
|--|------|------|
|  | €m   |      |
| 197,500 (2017: 197,500) ordinary shares of £0.00001 each | -    | -    |
|  | -    | -    |

**9. DIVIDENDS**

The following dividends were recognised during the year:

|  | 2018  | 2017 |
|--|-------|------|
|  | €m    |      |
| Dividend paid (2018: €610.13 per share, 2017: €329.62 per share) | 120.5 | 65.1 |

**10. CAPITAL AND CONTRACTUAL COMMITMENTS**

The company is committed to the rental of the property at 38 Hans Crescent, London until September 2019 and Anchor House 15 – 19 Britten Street, London until June 2032. This commitment at year end represented a liability of £28,437,000 (31 December 2017: £37,782,000).

**11. RELATED PARTIES**

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow subsidiaries under common ownership. During the year the Company has not entered into any transactions outside of the exemption.

**12. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent undertaking at 31 December 2018 was INEOS Holdings AG, a company registered in Switzerland.

The ultimate parent undertaking at 31 December 2018 was INEOS Limited, a company registered in the Isle of Man.

The directors regard Mr J A Ratcliffe to be the ultimate controlling party by virtue of his majority shareholding in INEOS Limited.

The only group in which the results of the Company are consolidated is that headed by INEOS Industries Limited.

**13. ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Company prepares its financial statements in accordance with FRS101, which requires 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. There is no area within the financial statements that involve a significant degree of judgement or estimation.

**NOTES TO THE COMPANY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**14. SUBSEQUENT EVENTS**

In February 2019, the Company paid a dividend of €450.0 million to its immediate parent company, INEOS Holdings AG.