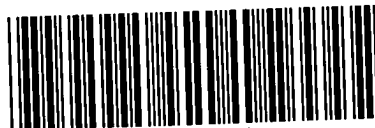

INEOS Industries Limited

Annual report and financial statements
Registered number 6959146
Year ended – 31 December 2019

WEDNESDAY



A9ENWWM1

A49

30/09/2020

#84

COMPANIES HOUSE

TABLE OF CONTENTS

SECTION 1 – STRATEGIC REPORT AND DIRECTORS' REPORT

| | |
|---|----|
| Strategic Report for the year ended 31 December 2019 | 4 |
| Directors' Report for the year ended 31 December 2019 | 10 |

SECTION 2 – CONSOLIDATED FINANCIAL STATEMENTS

| | |
|--|----|
| Independent Auditors' Report to the members of INEOS Industries Limited | 14 |
| Consolidated Income Statement for the year ended 31 December 2019 | 17 |
| Consolidated Statement of Comprehensive Income for the year ended 31 December 2019 | 18 |
| Consolidated Balance Sheet as at 31 December 2019 | 19 |
| Consolidated Statement of Changes in Equity for the year ended 31 December 2019 | 20 |
| Consolidated Statement of Cash Flows for the year ended 31 December 2019 | 21 |
| Notes to the Consolidated Financial Statements for the year ended 31 December 2019 | 22 |

SECTION 3 – COMPANY FINANCIAL STATEMENTS

| | |
|---|----|
| Company Balance Sheet as at 31 December 2019 | 90 |
| Company Statement of Changes in Equity for the year ended 31 December 2019 | 91 |
| Notes to the Company Financial Statements for the year ended 31 December 2019 | 92 |

Section 1 - Strategic Report and Directors' Report

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their strategic report on the Group and Company for the year ended 31 December 2019.

Results for the year

The results of the Group are set out in the consolidated income statement on page 17 which shows a loss before taxation for the year of €17.5 million (2018: profit of €1,012.6 million).

The position of the Group for the year ended 31 December 2019 is set out in the consolidated balance sheet on page 19, which shows total assets increased to €8,577.4 million from €8,497.0 million in 2018.

Review of business and future developments

During 2019 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.

Petrochemicals segment

INEOS Styrolution is the leading global styrenics supplier with a focus on styrene monomer, polystyrene, ABS and styrenics specialties. During 2019 the business continued to focus on industries and regions with stronger growth expectations, and offer in those markets the products and applications that add value to consumers. The financial performance of Styrolution in 2019 was solid. In the first half of 2019 the business benefitted from solid economic conditions in most segments and products, but the second half of the year was impacted by trade conflicts and weakness in the automotive industry which led to pressure on margins. In February 2019 the business acquired Total's polystyrene business in China. The acquisition covered the wholly owned Chinese polystyrene business including two production sites in Ningbo and Foshan.

INEOS Grangemouth 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 lower than expected performance in 2019, as a result of a number of planned and unplanned outages in the second half of the year. The planned scheduled major turnaround of the KG ethylene cracker took longer than expected, and there were several other unplanned outages across different plants on the site during the year which further reduced production volumes. Further planned investment in the Grangemouth site is underway, with the construction of a new power station which is required to deliver long term sustainable steam and power for the whole Grangemouth site.

Oil & Gas segment

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 weaker in 2019, reflecting a reduction in lower average realised oil and gas prices compared to 2018. The Group also has a significant number of shale gas licences in North West England, North Yorkshire, the East Midlands and Scotland.

The Group also operates the Forties Pipeline System ('FPS'). FPS is an integrated oil and gas liquid transportation and processing system with a nominal capacity in excess of one million barrels per day serving the central area of the North Sea. Oil and gas liquids from over 80 offshore fields flow through pipelines into the FPS. FPS vertically integrates the pipeline network with the Group's site in Grangemouth. The financial performance of FPS has been positive in 2019. The Group has 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.

Other segment

Automotive

The Group is currently developing a new 4x4 utility vehicle named the Grenadier. This represents a new business area for the Group, as it looks to build on the legacy of classic 4x4 vehicles. The Group is focussed on the design and engineering of the vehicle, equipping the manufacturing facilities, building up the organisation from scratch and developing its commercial structure and manufacturing supply chain. The final

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

location of the production facilities is still subject to finalisation as a number of potential options are considered. The start of production is currently targeted for 2021.

Sport

The Group has invested in a broad range of elite sporting activities covering football, cycling, sailing and motorsport. The Group has formed INEOS Team UK to compete as the British challenger for the Americas Cup in 2021. The Group acquired the world's leading cycling team, Team Sky (rebranded Team INEOS) in April 2019 and the French Ligue One football team, OGC Nice, was acquired by the Group in August 2019. The Group has also become the principal sponsor partner to the Mercedes-AMG Petronas Formula One team.

Financing

In June 2019 INEOS Grangemouth entered in to a new three-year €350 million bank facility and in July 2019 fully repaid the €285 million Guaranteed Notes due 2019. In September 2019 the maturity of the Reserves Based Lending facility used by the Oil & Gas business was extended to June 2024. During 2019, as part of a wider butane project, the Group entered into a €45 million loan facility with KfW IPEX-Bank GmbH to finance the construction of four butane river barges. In December 2019 the Group issued €100.0 million unsecured loan notes due 2024 to the shareholders of the ultimate parent undertaking, INEOS Limited, a related party.

Looking forward

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 further develop the investment it has made in the new Automotive business and in its portfolio of sporting activities.

Subsequent events

On 10 January 2020, the Group announced plans to build a world-scale ABS plant in Ningbo. The investment will be a greenfield ABS plant adjacent to the Ningbo polystyrene site in the Zhejiang Province in Eastern China. The annual capacity of this new world-scale plant will be 600,000 tonnes. The completion is expected in 2023.

On 31 January 2020, the Group successfully completed a refinancing of the Senior Secured Term Loans due 2024, increasing the principal amount of the Euro tranche to €450 million, whilst keeping the US Dollar tranche at \$202 million and extending the maturity to January 2027. In addition, the Group issued €600 million of Senior Secured Notes due 2027.

On 2 March 2020, the Group entered into an agreement with Spirit Energy to acquire its Danish and Norwegian legal entities covering the participating interests in the Hejre and Solsort licences. The acquisition is subject to approval by the Danish Authorities and is expected to close later in the year.

On 18 June 2020, the Group entered into a £155 million loan facility with external lenders. The primary purpose of the funding is to assist with future capital expenditure.

On 29 June 2020, the Group announced its intention to acquire BP's global Aromatics and Acetyls business for a consideration of \$5 billion. The business consists of 15 sites across the world (5 in the Americas, 2 in Europe and 8 in Asia) as well as 10 leading joint ventures. The Group paid an initial deposit for the acquisition to BP of \$400 million. To finance the deposit, the Group entered into a \$400 million bank facility.

On 23 July 2020, the Group extended the maturity of its existing €350 million Senior Secured Term Loans due 2022 which were due to expire in June 2022 to June 2025.

The withdrawal agreement under which the United Kingdom will leave the European Union was ratified on 31 January 2020. This has started a transition period until the end of December 2020. The Group has made significant plans to limit the impact of Brexit on its activities from liaising with employees, contingent planning for inventories and review ways of working for export sales.

On 11 March 2020 the World Health Organisation declared a global pandemic and the Group is following the advice of the World Health Organisation and local governments. The Group has taken measures to mitigate the

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

risk to keep employees safe and the sites operational, such as requesting staff who are able to do so to work from home and introducing social distancing measures on all premises. The effect the virus will have on the global economy and the industry is difficult to assess at this point in time, nevertheless the Group is constantly evaluating the situation and monitoring any potential effects on production, operations and deliveries.

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.
- Brexit - the Group's operations may be adversely affected by the potential withdrawal of the United Kingdom from the European Union; however, the Group considers that the direct impact of these uncertainties is limited in the short term.
- COVID-19 coronavirus - the effect the virus will have on the global economy and the chemical and Oil & Gas industries is difficult to assess at this point in time, although the Group is constantly evaluating the situation and monitoring effects on production and deliveries. See further commentary on page 8.

Section 172(1) statement

The Directors have the duty to promote the success of the company for the benefit of stakeholders as a whole and remain conscious of the impact their decisions have on employees, communities, suppliers, customers and the environment. The board focusses on engagement with all stakeholders, and uses this when taking decisions.

Long-term factors

The Group's strategy is to grow its business portfolio with the aim of maintaining its global position in various markets and increasing its customer base.

To achieve these objectives, the Group has the following key strategies:

- Maintain health, safety, security and environmental excellence;
- Reduce costs and realise synergies;
- Maximise utilisation of assets;
- Access advantaged energy opportunities; and,
- Develop and implement a sustainable business.

The Directors believe these are critical long-term factors for the success of the Group.

The Group plans for strategic investments to support its goals and continually investigates potential growth opportunities. Examples of such decisions include an announcement in 2019 to invest in the new energy plant at Grangemouth which will deliver long term sustainable steam and power for the whole of the Grangemouth site. The ethylene growth plan to add an additional furnace on the Grangemouth gas cracker to increase production capacity is well advanced and is expected to be operational by Q1, 2021. The acquisition of two Polystyrene plants in China with the majority of its sales into focus industries, the building of a new 100kt

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

ASA Specialties plant in Bayport, Texas, and converting a Polystyrene line to a mass ABS line in Wingles, France will all develop the Styrolution business. The Group has announced plans to invest £500 million in the Forties Pipeline System. This transformational improvement programme will extend the life of the pipeline by at least another twenty years, supporting North Sea oil and gas production into the 2040s. In the Oil & Gas business there is an ongoing review of the extended reach drilling from the existing Breagh Alpha platform and the development of the Hejre and Solsort opportunities.

We aim to operate and develop our business in a way that supports both our current and future needs, taking into account relevant economic, environmental and social factors. This enables us to sustain our business for the long term. We strongly believe that sustainable business management and practices will contribute to our long-term business success.

The Directors ensure that the Group has sufficient resources to support its long-term growth strategy and to fund its investments. An important element is the Group's long-term cash and operational planning in relation to the capital requirements needed to grow and to extend the life span of the assets. The Directors consider available and required funds as a basis for any dividend under its distribution policy.

Stakeholder considerations

Engaging stakeholders and developing meaningful partnerships is essential for our long-term business success. The Group engages in regular, open and proactive dialogue with all relevant stakeholders as this is needed to understand their perspectives, expectations, concerns and needs. In this way, the Group is able to integrate stakeholder's considerations into business decision making processes. Dialogue with stakeholders gives the Group the opportunity to explain its clear and committed approach to sustainability as well as the value of our work, and our services for society.

Key stakeholders contribute to our economic, social and environmental performance. Stakeholders include our customers, supporters, suppliers, employees, investors, financial experts and rating agencies, local communities, industry associations, sporting federations, NGOs, universities, scientific institutions and value chain partners such as waste sorters and recyclers.

As a major global producer of petrochemicals and onshore and offshore oil and gas activities in the UK and the North Sea the Group adopts a holistic approach looking at its entire value chain – from procurement, development and production to transport, sales, integration into customer processes, final intended use and recycling. Together with industry associations and our business partners, we strive to achieve high and well-acknowledged sustainability standards in the chemical and oil and gas industry.

The Group is very conscious of changing attitudes to climate change, and monitors its impact on the environment, including emissions arising from operation of its assets and the potential impacts of climate change on its business, whether arising from regulatory change, changing weather patterns or other factors. These matters are considered by the Board in making decisions and in assessing the long term viability of the business.

The Group is committed to maintaining a workplace that is safe, professional and supportive of teamwork and trust. The Group is committed to creating and sustaining a work environment of mutual trust where all employees are treated with respect and dignity, compensated fairly based on local market conditions, and are entitled to adequate working hours. The Group values the diversity of its people and each of its employees is recognised as an important member of our team.

The Group is committed to protecting and maintaining the quality of the environment and to promoting the health and safety of its employees, contractors, suppliers, customers, supporters, visitors and the communities in which it operates. Compliance with all legislation intended to protect people, property and the environment is one of the Group's fundamental priorities and applies to our products as well as to our processes. Management lead by example and allocate the required resources to achieve excellence in SHE performance.

Act fairly between members

The Company has a single shareholder and a single ultimate controlling party. Their interests are taken into account by the board to promote fairness in decision making.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

COVID-19 coronavirus

On 11 March 2020 the World Health Organisation declared a global pandemic in relation to COVID-19. There is an elevated concern globally about the impact that the COVID-19 crisis will have on the global economy.

In early March 2020 the Directors developed contingency plans for the COVID-19 pandemic, with the primary objectives of maintaining the safety of personnel and the reliable operation of the Group's plants. This resulted in a number of changes to standard working practices to reduce personnel on site to those defined as operationally critical. This also included immediately stopping any non-critical projects and amending shift patterns to enable achieving the social distancing rules in line with local government advice.

Any safety critical activity was formally risk assessed to take cognisance of additional controls necessary to protect core personnel from COVID-19, hence safeguarding safety critical work at all times. The Group also took the decision to postpone all non safety critical maintenance and project activities to help protect from the potential spread of COVID-19.

As of the date of signing these financial statements, all of the Group's plants are continuing to operate. Protecting the employees and ensuring that they stay healthy has been the first priority. All plants have sufficient resources and have implemented measures to ensure that this remains the case throughout the pandemic.

The chemical and oil & gas industries are deemed as essential, critical infrastructure by governments across the world. The Group produces a variety of chemicals which are used in medical equipment production including face masks, ventilators, gloves, eye visors and anti-bacterial hand gel and are also widely used in food packaging. The demand for these products has increased due to COVID-19, although demand for durables such as for use in the automotive industry has declined. Sales of the vehicle that the Group is currently developing could be affected by general economic conditions, since any downturn could reduce demand for new vehicles placing downward pressure on volumes and prices, whilst also adversely impacting the sustainability of the Group's automotive suppliers. The Directors believe the economic resilience of the Group's automotive business will be supported by a balanced distribution of sales across key geographical markets and the positioning of the vehicle as a workhorse / utility vehicle rather than a luxury vehicle that would be more sensitive to changes in economic conditions.

Although the Directors cannot predict the extent and duration of COVID-19 crisis, the Directors have undertaken a rigorous assessment of the potential impact of COVID-19 on demand for its products and services and the impact on margins for over 12 months from the date of signing these financial statements. In particular, the Directors have stress tested the impact on EBITDA and cash and debt as a result of a lower price environment and the changes in supply and demand as a result of COVID-19. In addition, the Directors have implemented a series of programmes to preserve cash including the review of timing of turnarounds, reductions in the levels of non-essential capital expenditure and reductions in non-essential fixed cost expenditure.

In conclusion, the stress testing and sensitivity analysis on both EBITDA and cash flow (including an assessment of committed versus uncommitted spend) has indicated that the Group would still have sufficient cash flow to meet all of its obligations as they fall due within the next 12 months. Whilst there is undoubtedly increased uncertainty due to the COVID-19 crisis, on the basis of the assessment described above, together with a strong balance sheet, secure financing and access to liquidity, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Key performance indicators ("KPIs")

The main KPI of the business is earnings before interest, taxation, depreciation, amortisation and exceptional items ("Segment EBITDA"). Management closely monitors segment EBITDA compared to budget and prior year. The segment EBITDA for the Group for the year ending 31 December 2019 was €1,136.7 million (2018: €1,953.3 million). Another important indicator is the Safety, Health and Environmental (SHE) related metric.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

Approved and signed by order of the Board:

A handwritten signature in black ink, appearing to be 'Y S Ali', written in a cursive style.

Y S Ali
Company Secretary
31 July 2020

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report and audited consolidated and company financial statements of the Group and the Company for the year ended 31 December 2019.

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 research and development team has also developed the Group's first automotive product, a 4x4 off-road vehicle named the "Grenadier". The Group spent approximately €132.0 million (2018: €66.9 million) on research and development during the year.

Dividends

The Directors of the Company have proposed and paid a dividend of €475.7 million during the year (2018: €120.5 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 €28.9 million (2018: €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 2019 (continued)

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.

Business relationships

The business relationships with suppliers and customers are of strategic importance to the Directors of the Group and their decision-making process. The business relationships of the Group are described in the Section 172(1) statement in the Strategic Report.

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 2019 (continued)

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, Deloitte 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
31 July 2020
Registered number 6959146

Section 2 - Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INEOS INDUSTRIES LIMITED

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of INEOS Industries Limited (the 'parent company') and its subsidiaries (together the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated balance sheet;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 33;
- the parent company balance sheet;
- the parent company statement of changes in equity; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in 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 or the parent 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 these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INEOS INDUSTRIES LIMITED (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

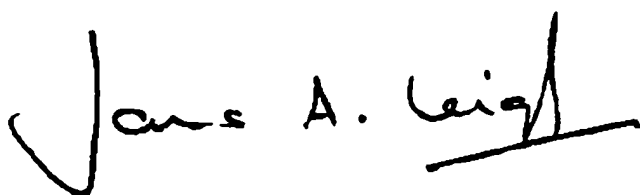
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INEOS INDUSTRIES LIMITED
(continued)

- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink, reading "James A. Leigh". The signature is written in a cursive style with a large initial 'J' and a horizontal line underlining the name.

James Leigh FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
31 July 2020

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | 2019 | 2018 |
|---|------|------------------|-----------|
| | | €m | |
| Revenue | 2 | 6,935.1 | 8,280.5 |
| Total cost of sales..... | | (5,729.3) | (6,404.6) |
| Gross profit | | 1,205.8 | 1,875.9 |
| Distribution costs..... | | (239.6) | (248.8) |
| Administrative expenses before exceptional items..... | | (741.1) | (424.3) |
| Exceptional administrative expenses..... | 4 | (223.4) | (20.4) |
| Exceptional administrative gains..... | 4 | - | 7.2 |
| Total administrative expenses..... | | (964.5) | (437.5) |
| Total expenses..... | | (1,204.1) | (686.3) |
| Operating profit | 5 | 1.7 | 1,189.6 |
| Profit on disposal of fixed assets..... | | 5.0 | 10.7 |
| Profit before net finance costs | | 6.7 | 1,200.3 |
| Finance income..... | 9 | 154.0 | 30.8 |
| Finance costs..... | 9 | (178.2) | (218.5) |
| Net finance cost..... | | (24.2) | (187.7) |
| (Loss)/profit before taxation | | (17.5) | 1,012.6 |
| Tax charge | 10 | (162.4) | (500.1) |
| (Loss)/profit for the year | | (179.9) | 512.5 |
| Attributable to: | | | |
| Owners of parent..... | | (178.8) | 512.2 |
| Non-controlling interest..... | | (1.1) | 0.3 |
| (Loss)/profit for the year | | (179.9) | 512.5 |

The notes on pages 22 to 88 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

| | Note | 2019 | 2018 |
|--|------|----------------|--------|
| | | €m | |
| (Loss)/profit for the year..... | | (179.9) | 512.5 |
| Other comprehensive income/(expense): | | | |
| Items that will not be recycled to profit or loss: | | | |
| Remeasurements of post employment benefit obligations, net of tax | 10 | (30.1) | 17.7 |
| Items that may subsequently be recycled to profit or loss: | | | |
| Foreign exchange translation differences, net of tax | | 48.6 | (38.8) |
| Other comprehensive income for the year, net of tax..... | | 18.5 | (21.1) |
| Total comprehensive (expense)/income for the year..... | | (161.4) | 491.4 |
| Total comprehensive (expense)/income for the year is attributable to: | | | |
| Owners of the parent | | (159.8) | 492.0 |
| Non-controlling interest | | (1.6) | (0.6) |
| | | (161.4) | 491.4 |

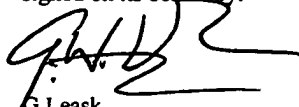
The notes on pages 22 to 88 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

| | Note | 2019 | 2018 |
|--|------|-----------------------|-----------------------|
| | | €m | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 3,846.8 | 3,349.4 |
| Intangible assets | 12 | 1,694.2 | 1,641.0 |
| Investments in equity-accounted investees | 13 | 8.9 | 9.5 |
| Trade and other receivables | 15 | 370.0 | 395.9 |
| Deferred tax assets | 16 | 146.8 | 93.9 |
| | | <u>6,066.7</u> | <u>5,489.7</u> |
| Current assets | | | |
| Inventories | 17 | 632.8 | 674.3 |
| Trade and other receivables | 15 | 1,028.6 | 1,183.3 |
| Tax receivables | | 147.0 | 93.3 |
| Other financial assets | 14 | 71.5 | 0.5 |
| Cash and cash equivalents | | 606.3 | 931.6 |
| Restricted cash | | 24.5 | 124.3 |
| | | <u>2,510.7</u> | <u>3,007.3</u> |
| Total assets | | <u>8,577.4</u> | <u>8,497.0</u> |
| Equity attributable to owners of the parent | | | |
| Share capital | 23 | - | - |
| Other reserves | | 514.5 | 495.6 |
| Retained earnings | | 821.9 | 1,476.4 |
| Total shareholders' funds | | <u>1,336.4</u> | <u>1,972.0</u> |
| Non-controlling interest | | <u>6.9</u> | <u>8.5</u> |
| Total equity | | <u>1,343.3</u> | <u>1,980.5</u> |
| Non-current liabilities | | | |
| Interest-bearing loans and borrowings | 18 | 2,023.4 | 1,376.1 |
| Trade and other payables | 19 | 929.8 | 796.9 |
| Deferred tax liabilities | 16 | 473.4 | 458.7 |
| Employee benefits | 21 | 129.5 | 98.0 |
| Lease liabilities | 26 | 264.5 | - |
| Other financial liabilities | 20 | - | 0.4 |
| Provisions | 22 | 1,518.0 | 1,580.5 |
| | | <u>5,338.6</u> | <u>4,310.6</u> |
| Current liabilities | | | |
| Interest-bearing loans and borrowings | 18 | 71.0 | 354.5 |
| Trade and other payables | 19 | 1,472.1 | 1,310.5 |
| Lease liabilities | 26 | 28.4 | - |
| Tax payable | | 228.3 | 454.8 |
| Other financial liabilities | 20 | 17.3 | 7.2 |
| Provisions | 22 | 78.4 | 78.9 |
| | | <u>1,895.5</u> | <u>2,205.9</u> |
| Total liabilities | | <u>7,234.1</u> | <u>6,516.5</u> |
| Total equity and liabilities | | <u>8,577.4</u> | <u>8,497.0</u> |

The notes on pages 22 to 88 are an integral part of these consolidated financial statements.

The financial statements on pages 17 to 88 were approved by the Board of Directors on 31 July 2020 and signed on its behalf by:


G Leask
Director

Registered number: 6959146

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

| | Share capital | Other reserves | Retained earnings | Total shareholders' funds | Non-controlling interest | Total equity |
|---|---------------|----------------|-------------------|---------------------------|--------------------------|----------------|
| | | | | €m | | |
| Balance at 1 January 2018..... | - | 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 |
| Transactions recorded directly in equity: | | | | | | |
| Amounts arising on common control transactions (see Note 8) | - | (14.9) | - | (14.9) | - | (14.9) |
| Dividend | - | - | (120.5) | (120.5) | (0.2) | (120.7) |
| Balance at 31 December 2018..... | - | 495.6 | 1,476.4 | 1,972.0 | 8.5 | 1,980.5 |
| Loss for the year | - | - | (178.8) | (178.8) | (1.1) | (179.9) |
| Foreign exchange translation differences... | - | 49.0 | - | 49.0 | (0.4) | 48.6 |
| Remeasurements of post employment benefit obligations, net of tax | - | (30.1) | - | (30.1) | - | (30.1) |
| Transactions recorded directly in equity: | | | | | | |
| Amounts arising on common control transactions | - | - | - | - | - | - |
| Dividend | - | - | (475.7) | (475.7) | (0.1) | (475.8) |
| Balance at 31 December 2019..... | - | 514.5 | 821.9 | 1,336.4 | 6.9 | 1,343.3 |

Analysis of Other Reserves:

| | Translation reserve | Remeasurement of post employment benefit plans | Merger reserve | Total other reserves |
|---|---------------------|--|----------------|----------------------|
| | | | | €m |
| Balance at 1 January 2018..... | 38.6 | 62.7 | 429.6 | 530.9 |
| Foreign exchange translation differences | (38.1) | - | - | (38.1) |
| Remeasurements of post employment benefit obligations, net of tax | - | 17.7 | - | 17.7 |
| Amounts arising on common control transactions..... | - | - | (14.9) | (14.9) |
| Balance at 31 December 2018 | 0.5 | 80.4 | 414.7 | 495.6 |
| Foreign exchange translation differences | 49.0 | - | - | 49.0 |
| Remeasurements of post employment benefit obligations, net of tax | - | (30.1) | - | (30.1) |
| Balance at 31 December 2019 | 49.5 | 50.3 | 414.7 | 514.5 |

The notes on pages 22 to 88 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

| | Note | 2019 | 2018 |
|--|------|----------------|----------------|
| | | €m | |
| Cash flows from operating activities | | | |
| (Loss)/profit before taxation | | (17.5) | 1,012.6 |
| Adjustments for: | | | |
| Depreciation and impairment..... | 11 | 688.4 | 610.0 |
| Amortisation and impairment | 12 | 223.2 | 140.5 |
| Net finance costs | 9 | 24.2 | 187.7 |
| Profit on sale of fixed assets | | (5.0) | (10.7) |
| Decrease/(increase) in trade and other receivables | | 275.4 | (150.3) |
| Decrease in inventories | | 78.1 | 7.6 |
| Increase in trade and other payables | | 195.3 | 72.2 |
| Decrease in provisions and employee benefits..... | | (188.8) | (85.0) |
| Tax paid | | (509.7) | (448.4) |
| Net cash generated from operating activities..... | | 763.6 | 1,336.2 |
| Cash flows (used in)/from investing activities | | | |
| Proceeds from sale of property, plant and equipment | | 6.1 | 26.3 |
| Proceeds from sales of investments | | 19.4 | 2.8 |
| Interest and other finance income received | | 68.0 | 10.7 |
| Disposal of businesses, net of cash disposed of | 8 | - | 110.7 |
| Acquisition of subsidiaries, net of cash acquired | 3 | (280.2) | (51.9) |
| Acquisition of property, plant and equipment | | (582.3) | (381.2) |
| Acquisition of intangible assets | | (128.3) | (65.6) |
| Net cash used in investing activities..... | | (897.3) | (348.2) |
| Cash flows (used in)/from financing activities | | | |
| Repayment of term loans | | (7.5) | (106.4) |
| Proceeds of term loans | | 265.0 | - |
| Repayment of Guaranteed Notes | | (285.0) | - |
| Proceeds from other loans..... | | 32.0 | 13.1 |
| Reserve Based Lending facility | | 120.5 | (262.0) |
| Securitisation facility | | 140.0 | (50.0) |
| Repayment of other borrowings..... | | (47.1) | (1.2) |
| Loans received from related parties | | 122.9 | - |
| Loan repayments to related parties | | - | (105.4) |
| Interest paid | | (104.0) | (133.9) |
| Debt issue costs..... | | (11.0) | (4.3) |
| Capital element of lease payments..... | | (31.9) | (1.2) |
| Transfer from/(to) restricted cash..... | | 100.1 | (42.7) |
| Dividend paid to owners of the company..... | 24 | (475.7) | (120.5) |
| Dividend paid to minority interest | | (0.1) | (0.2) |
| Net cash used in financing activities | | (181.8) | (814.7) |
| Net (decrease)/increase in cash and cash equivalents | | (315.5) | 173.3 |
| Cash and cash equivalents at 1 January | | 931.6 | 749.3 |
| Effect of exchange rate fluctuations on cash held | | (9.8) | 9.0 |
| Cash and cash equivalents at 31 December | | 606.3 | 931.6 |

The notes on pages 22 to 88 are an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)**

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.

Whilst there is significant uncertainty due to the COVID-19 crisis, on the basis of the assessment described in the Strategic Report together with a strong balance sheet and access to liquidity, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis. The financial statements were 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 2019 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 for those items held at fair value, being derivative financial instrument and financial instruments classified as fair value through profit and loss, and assets held within pension schemes. 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 2019 was \$1:€0.8926 and £1:€1.1705 (2018: \$1:€ 0.8746 and £1:€ 1.1094).

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

Changes in accounting policies

The Group financial statements have been prepared using consistent accounting policies with those of the previous financial year, other than from January 1, 2019 the Group has applied IFRS 16 *Leases* for the first time along with a number of other new standards, although only IFRS 16 has had a material effect on the Group’s financial statements.

IFRS 16 Leases

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

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

1. ACCOUNTING POLICIES (continued)

make lease payments. These liabilities are measured at the present value of the remaining lease payments, discounted using the rate implicit in the lease or if that is not available the lessee's incremental borrowing rate.

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

The Group has applied *IFRS 16* on January 1, 2019, using the 'modified retrospective approach' without restatement of comparative information. The details of the changes in accounting policies are disclosed below.

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

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

At commencement or on modification of a contract that contains a lease and non-lease component, the Group allocates the consideration in the contract to each component on the basis of its relative stand-alone price.

On transition lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

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

| | 2019 |
|---|------------------------|
| | <i>(€ in millions)</i> |
| Operating lease commitments disclosed as at December 31, 2018..... | 242.8 |
| Impact of discounting using the Group's incremental borrowing rates at the date of initial application..... | (69.3) |
| Less: | |
| Short-term leases recognised on a straight-line basis as expense | (5.0) |
| Low-value leases recognised on a straight-line basis as an expense..... | (0.6) |
| Add: | |
| Impact on leases in joint operations..... | 9.8 |
| Reassessment of service/non-lease components of leases and service contracts as leases | (29.3) |
| Adjustments related to variable lease payments based on an index or rate | 0.5 |
| Adjustments as a result of a different treatment of extension and termination options | 63.2 |
| Additional lease liability recognised on January 1, 2019..... | 212.1 |
| Add finance lease liabilities recognised as at December 31, 2018 | 9.2 |
| Lease liability recognised as at January 1, 2019..... | 221.3 |
| <i>Of which are:</i> | |
| Current lease liabilities | 26.2 |
| Non-current lease liabilities | 195.1 |
| | 221.3 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)**

1. ACCOUNTING POLICIES (continued)

Included within the lease liability on January 1, 2019 is €1.9 million in respect of related party leases.

The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.8%.

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

- *Right-of-use assets* – increase of €221.3million. This includes the leased assets recognised previously as finance leases of €9.5 million that were reclassified from property, plant and equipment.
- *Property, plant and equipment* – decrease of €9.5 million. This relates to the reclassification of leased assets, previously recognised as finance leases, to Right-of-use assets.
- *Lease liabilities* – increase of €212.1 million. From January 1, 2019 all lease liabilities (including finance leases recognised as at December 31, 2018) have been categorised within “Lease liabilities” on the balance sheet.

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

(ii) Practical expedients applied

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

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the accounting for leases with a lease term of 12 months or less as short-term leases. The Group did not recognise right-of-use assets and liabilities for these short-term leases. The lease payments associated with them will be recognised as an expense on a straight-line basis over the lease term,
- the accounting for leases, for which the underlying asset is of low value when it is new, as low value leases. The Group did not recognise right-of-use assets and liabilities for these low-value leases. The lease payments associated with them will be recognised as an expense on a straight-line basis over the lease term,
- the exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(iii) Adjustments in respect of leases where the Group is a lessee and the leases were previously classified as finance leases under IAS 17

For leases classified as finance leases under *IAS 17*, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under *IAS 17* immediately before that date.

The Group has applied *IFRS 16* using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under *IAS 17* and *IFRIC 4*. The details of accounting policies under *IAS 17* and *IFRIC 4* are disclosed separately.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)**

1. ACCOUNTING POLICIES (continued)

Policies applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into on or after 1 January 2019.

Group as a lessee

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised and lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments a change in the assessment of whether the Group is reasonably certain to exercise an option to purchase the underlying asset, a change in future lease payments arising from a change in an index or rate, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee.

When the lease liability is remeasured in this way and there has been no change in the scope of the lease, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

1. ACCOUNTING POLICIES (continued)

short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Policies applicable prior to 1 January 2019

Operating lease payments

Payments made under operating leases are recognised in the consolidated income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)**

1. ACCOUNTING POLICIES (continued)

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 securitisation 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 securitisation 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 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

1. ACCOUNTING POLICIES (continued)

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.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)**

1. ACCOUNTING POLICIES (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

1. ACCOUNTING POLICIES (continued)

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.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)**

1. ACCOUNTING POLICIES (continued)

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 prior to obtaining a licence interest 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.

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,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

1. ACCOUNTING POLICIES (continued)

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. Within the Group, 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.

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;
- evaluation and exploration expenditures; and
- player registrations.

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. Exploration costs prior to obtaining a licence interest are charged to the income statement as incurred. If the prospects are determined to be successful on completion of evaluation and the project is

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)**

1. ACCOUNTING POLICIES (continued)

initially sanctioned by management, the relevant expenditure including licence acquisition costs are capitalised as oil and gas properties. If the prospects are subsequently determined to be unsuccessful, and the asset is impaired, the associated costs are expensed in the period in which that determination is made.

The costs directly attributable to the purchase of the players' registration rights are capitalised as intangible fixed assets. The profit or loss on disposal of a player's registration is recognised in the income statement and calculated as the difference between the transfer fees recovered/receivable less the carrying value of the registration rights. The date of disposal is the date that control transfers and the consideration received is measured in accordance with IFRS 15. In circumstances where control is retained by the club at the time of disposal (for example, certain buy-back options, blocking rights for further onward transfer), any gain or loss on disposal is deferred until the transfer of control occurs.

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 |
| • Player registrations | life of the contract |

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.

Player registration costs are amortised on a straight-line basis over the rights period, corresponding to the term of the individual contract that the club has signed with each player. The original amortisation period is revisited in case of an early renewal of the player's contract. The Group will perform an impairment review on a players registration if events or changes in circumstances indicate that the carrying amount of the player may not be recoverable. The Group compares the carrying amount of the asset with its recoverable amount.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

1. ACCOUNTING POLICIES (continued)

Exploration costs prior to obtaining a licence interest are charged to the income statement as incurred. If the Group holds a licence then 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 2019 (forming part of the financial statements)

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 date on AA credit rated bonds denominated in the currency of, and that have maturity dates approximating to

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)**

1. ACCOUNTING POLICIES (continued)

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 2019 (forming part of the financial statements)**

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.

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 income comprise interest receivable on funds invested and from related party loans, net fair value gain on derivatives and net foreign exchange gains.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)**

1. ACCOUNTING POLICIES (continued)

Finance costs comprise interest payable, finance charges on 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).

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 units. The operating segments are determined based on the Group's management and internal reporting structure and the aggregation criteria set out in IFRS 8.

Segment results that are reported to the chief operating decision-makers include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total payments made during the period to acquire property, plant and equipment.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)**

1. ACCOUNTING POLICIES (continued)

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, 2020 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 17 Insurance Contracts;
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an investor and its Associate or Joint Venture;
- Amendments to IFRS 3 Definition of a business;
- Amendments to IAS 1 and IAS 8 Definition of material; and
- Amendments to References to the Conceptual Framework in IFRS Standards.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)**

2. OPERATING SEGMENTS

The determination of the Group's operating segments is based on the business units for which information is reported to the Group's Chief Operating Decision Maker. The Group has three 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.
- **Other** – This reportable segment contains the Group's sporting interests and automotive business.

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"). A reconciliation to IFRS (loss)/profit before tax is presented in the following tables. 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 elimination of inter-segmental transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

2. OPERATING SEGMENTS (continued)

Segment information – 2019

| | Petrochemicals | Oil and gas | Other | Total of reportable segments | Adjustments | Amounts in financial statements |
|---|-----------------------|--------------------|--------------|-------------------------------------|--------------------|--|
| | €m | €m | | €m | €m | €m |
| Reportable segment revenue..... | 6,096.9 | 1,600.1 | 78.7 | 7,775.7 | (840.6) | 6,935.1 |
| Reportable segment EBITDA..... | 607.9 | 739.7 | (210.9) | 1,136.7 | - | 1,136.7 |
| Depreciation and impairment of property, plant and equipment and amortisation and impairment of intangible assets | (295.0) | (586.9) | (29.7) | (911.6) | - | (911.6) |
| Exceptional items (excluding items relating to impairment and financing) | (4.8) | (218.6) | - | (223.4) | - | (223.4) |
| Profit/(loss) on disposal of fixed assets | (0.6) | 4.4 | 1.2 | 5.0 | - | 5.0 |
| Net finance cost..... | | | | | | (24.2) |
| Loss before taxation | | | | | | (17.5) |
| Payments for capital expenditure | (455.2) | (121.1) | (6.0) | (582.3) | - | (582.3) |

Major items in the adjustments column are in respect of the elimination of inter-segmental revenues: 2019: €840.6 million (2018: €507.5 million).

Segment information – 2018

| | Petrochemicals | Oil and gas | Total of reportable segments | Adjustments | Amounts in financial statements |
|--|-----------------------|--------------------|-------------------------------------|--------------------|--|
| | €m | €m | €m | €m | €m |
| 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) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

2. OPERATING SEGMENTS (continued)

Geographic segments

| | 2019 | 2018 |
|---|----------------|----------------|
| | €m | |
| Geographical information by location of customers: | | |
| Europe..... | 3,319.1 | 4,391.5 |
| Americas | 1,598.2 | 1,951.0 |
| Rest of World | 2,017.8 | 1,938.0 |
| Total | <u>6,935.1</u> | <u>8,280.5</u> |

Timing of revenue recognition

| | 2019 | 2018 |
|-------------------------|----------------|----------------|
| | €m | |
| At a point in time..... | 6,681.1 | 8,006.8 |
| Over time | 254.0 | 273.7 |
| Total | <u>6,935.1</u> | <u>8,280.5</u> |

In presenting information on the basis of geographic analysis of segments, segment revenue is based on the geographical location of customers and geographical locations from which the Group derives revenues.

Revenues from external customers for each product and service or each group of similar products and services and a geographic analysis of segment assets are not presented as the necessary information is not available and the Directors are of the opinion that the cost to develop it would be excessive.

Revenue is recognised as title passes, at a point in time or in respect of sales transactions under transport and processing agreements, over time. No contract assets and liabilities have been recognised in the balance sheet of the Group. 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.

3. ACQUISITIONS OF SUBSIDIARIES

2019 acquisitions

Chinese polystyrene business of Total S.A.

In 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 final purchase price was agreed at €186.2 million. The purchase agreement provides for corrections for actual net working capital contributions compared to target.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)**

3. ACQUISITIONS OF SUBSIDIARIES (continued)

Effect of acquisition

| | Fair values recognised on acquisition |
|---|--|
| Acquiree's net assets at acquisition date: | €m |
| Property, plant and equipment..... | 98.7 |
| Intangible assets | 13.4 |
| Deferred tax assets | 3.9 |
| Inventories..... | 27.7 |
| Trade and other receivables..... | 72.9 |
| Cash and cash equivalents..... | 52.6 |
| Trade and other payables..... | (79.9) |
| Deferred tax liabilities | (10.3) |
| Net identifiable assets and liabilities | 179.0 |
| Consideration paid: | |
| Cash | 186.2 |
| Differences between consideration and net assets acquired..... | 7.2 |

The difference between consideration and net assets acquired has been recognised as goodwill within intangible assets in Note 12. The goodwill is attributable to the value of customer relations, intellectual property and the profitability of the acquired business. Goodwill has been allocated to the Polymers Asia segment and is not expected to be deductible for income tax purposes.

During 2019, 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 set out above.

Acquisition related costs

In 2019, the Group did not incur significant acquisition-related costs on legal fees and due diligence costs. These costs have been included in administrative expenses in the Group's consolidated income statement when incurred.

Acquired trade receivables

The fair value of acquired trade receivables was €61.2 million. The gross contractual amounts receivable are €61.2 million and, of which none was expected to be uncollectable at the date of acquisition.

For the eleven-month period since 1 February 2019, the acquired business contributed a revenue of €381.1 million and an EBITDA of €34.5 million. EBITDA is reduced because of inventory fair value uplift in the opening balance. If the acquisition had occurred on 1 January 2019, management estimates that consolidated revenue would have been €436.1 million and the EBITDA including fair value considerations would have been €38.3 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

3. ACQUISITIONS OF SUBSIDIARIES (continued)

OGC Nice

In August 2019 the Group acquired French league 1 football club OGC Nice for cash consideration of €108.0 million.

Acquiree's net assets at acquisition date:

| | Provisional values recognised on acquisition €m |
|---|--|
| Property, plant and equipment..... | 52.8 |
| Intangible assets | 114.7 |
| Deferred tax assets | 1.6 |
| Inventories..... | 0.5 |
| Trade and other receivables..... | 30.5 |
| Cash and cash equivalents..... | 24.3 |
| Interest-bearing loans and borrowings | (29.0) |
| Trade and other payables..... | (31.5) |
| Deferred tax liabilities..... | (21.0) |
| Leases..... | (38.4) |
| Provisions..... | (0.4) |
| Net identifiable assets and liabilities | 104.1 |
| Consideration paid: | |
| Cash | 108.0 |
| Differences between consideration and net assets acquired..... | 3.9 |

The difference between consideration and net assets acquired has been recognised as goodwill within intangible assets in Note 12. Goodwill has been allocated to the Other segment and is not expected to be deductible for income tax purposes.

Acquisition related costs

The Group incurred acquisition related costs of €2.1 million related to legal fees and professional fees. These costs were treated as administrative expenses in the Group's consolidated income statement during the year ended 31 December 2019.

Acquired trade receivables

The fair value of acquired trade receivables was €29.9 million. The gross contractual amounts receivable are €29.9 million and, of which none was expected to be uncollectable at the date of acquisition.

For the four-month period since 1 September 2019, the acquired business contributed a revenue of €24.0 million and an EBITDA loss of €14.1 million. If the acquisition had occurred on 1 January 2019, management estimates that consolidated revenue would have been €50.1 million and the EBITDA loss would have been €12.9 million.

Other acquisitions

In April 2019 the Group acquired 100% of the shares of Tour Racing Limited, the legal entity for Team INEOS (formerly known as Team Sky) a UK based professional cycling team for an initial consideration of €1 which resulted in no goodwill being recognised.

During 2019 a further payment of €71.4 million was made in respect of deferred consideration of the Group's 2017 acquisition of the DONG E&P A/S business which related to the exploration and production activities in the oil and gas sector within Denmark, Norway and the UK.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)**

4. EXCEPTIONAL ITEMS

Exceptional (expenses)/gains

| | 2019 | 2018 |
|--|----------------|---------------|
| | €m | |
| <i>Exceptional administrative expenses:</i> | | |
| Impairment loss on other receivables and prepayments | (137.7) | - |
| Impairment loss on indemnification assets | (23.3) | - |
| Restructuring of oil and gas operations | (1.7) | (17.8) |
| Restructuring of Styrolution operations | (6.3) | - |
| Contingent consideration realised | (45.6) | - |
| Acquisition related costs | (8.8) | (2.4) |
| Other exceptional items | - | (0.2) |
| | <u>(223.4)</u> | <u>(20.4)</u> |
| <i>Exceptional administrative gains:</i> | | |
| Restructuring of Breagh operations | - | 7.2 |

Exceptional administrative expenses and gains

A non-refundable deposit made to a third party of \$150 million (€137.7million) in relation to a potential acquisition opportunity in progress as at 31 December 2018 was included within prepayments in 2018. The acquisition did not complete therefore the entire amount was written off in 2019.

The indemnification assets recognised as part of the DONG acquisition in 2017 has been impaired by €13.5 million following the finalisation of the contractual agreements and agreement on final settlement. Another €9.8 million was also recognised to reflect the changes in estimates in relation to uncertain tax positions held in Denmark.

In 2019 further restructuring costs of €1.7 million (2018: €17.8 million) were charged relating to system integration and redundancies in respect of the Group's oil & gas business operations.

In 2019 the Group recognised €6.3 million of exceptional expenses for planned site and line closures in India within the Styrolution business.

One of the Group's subsidiaries holds agreements relating to the disposal of part of its interest in the Glenlivet field from previous ownership, which provides 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. In 2019, the calculation of the ultimate reserves was finalised and a payable of €45.6 million has been recognised in respect of this arrangement.

In 2019 acquisition related costs of €8.8 million (2018: €17.8 million) were charged in respect of a potential acquisition, which have not been pursued or completed.

In 2018 the Group had an exceptional administrative gain of €7.2 million in respect of the restructuring of the Breagh oil and gas business. The Group had an onerous operating lease following the relocation of the Breagh business to a new office while retaining the lease for its previous office. In 2018 the lease was surrendered to the landlord during the year at an amount lower than the provision which resulted in exceptional administrative gain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

5. OPERATING PROFIT

Included in operating profit are the following:

| | 2019 | 2018 |
|---|-------|-------|
| | €m | |
| Research expenses as incurred..... | 132.0 | 66.9 |
| Amortisation of intangible assets | 223.2 | 140.5 |
| Amortisation of deferred income..... | (6.2) | (0.9) |
| Expenses relating to short-term leases..... | 7.5 | - |
| Expenses relating to leases of low value | 0.7 | - |
| Expenses relating to variable lease payments not included in the measurement of the lease liability | 0.3 | - |
| Income from sub-leasing of right-of-use assets..... | (2.1) | - |
| Depreciation and impairment of property, plant and equipment: | | |
| Owned assets..... | 651.4 | 608.6 |
| Right-of-use assets | 37.0 | - |
| Finance leased assets..... | - | 1.4 |
| Operating lease rental charges: | | |
| Plant, machinery and equipment | - | 14.2 |
| Other | - | 32.3 |

Auditors' remuneration

| | 2019 | 2018 |
|--|------------|------------|
| | €m | |
| Audit of these financial statements..... | 0.1 | 0.1 |
| Amounts receivable by auditors and their associates in respect of: | | |
| Audit of financial statements of subsidiaries pursuant to legislation..... | 2.9 | 2.5 |
| Other services relating to taxation..... | - | 1.1 |
| Services relating to corporate finance transactions..... | - | - |
| All other services..... | 0.1 | 0.4 |
| | 3.1 | 4.1 |

The total in 2019 includes fees paid to Deloitte LLP for the audits of the financial statements of the Company and of its subsidiaries. Auditor's remuneration for services provided during the year ended 31 December 2018 relates to amounts paid to PricewaterhouseCoopers LLP.

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:

| | 2019 | 2018 |
|-------------------------------|--------------|--------------|
| | Number | |
| Operations | 3,688 | 3,412 |
| Administration | 1,877 | 1,650 |
| Research and development..... | 130 | 121 |
| | 5,695 | 5,183 |

The aggregate payroll costs of these persons were as follows:

| | 2019 | 2018 |
|---|-------|-------|
| | €m | |
| Wages and salaries | 507.7 | 463.3 |
| Social security costs | 45.5 | 37.3 |
| Other pension costs - defined contribution plans..... | 33.8 | 30.3 |
| Other pension costs - defined benefit plans..... | 8.5 | 12.1 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

| | |
|--------------|--------------|
| 595.5 | 543.0 |
|--------------|--------------|

7. DIRECTORS' REMUNERATION

The Directors did not receive any emoluments for their services to the Group during the year (2018: €nil).

8. DISPOSALS

Prior year disposals

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 and other receivables..... | 18.0 | 30.3 | 19.4 | 67.7 |
| Cash and cash equivalents..... | 5.2 | 2.1 | 2.0 | 9.3 |
| Trade 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 | 9.3 | (4.2) | 9.8 | 14.9 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

9. FINANCE INCOME AND COSTS

Recognised in consolidated income statement

| | 2019 | 2018 |
|--|--------------|--------------|
| | €m | |
| Finance income | | |
| Interest receivable on bank balances | 5.9 | 5.6 |
| Interest receivable on related party balances | 20.9 | 2.9 |
| Net fair value gain on derivatives | 110.7 | - |
| Exchange movements | - | 18.9 |
| Other interest receivable | 16.5 | 3.4 |
| Total finance income | 154.0 | 30.8 |
| Finance costs | | |
| Interest payable on bank loans and overdrafts | 37.1 | 36.0 |
| Interest payable on Guaranteed Notes | 4.0 | 7.5 |
| Interest payable on related party balances | 77.0 | 73.3 |
| Interest payable on lease liabilities | 12.1 | - |
| Interest on employee benefit liabilities | 2.3 | 2.9 |
| Net fair value loss on derivatives | - | 46.8 |
| Amortisation of debt issue costs | 2.9 | 16.0 |
| Unwind of discount on provisions | 13.3 | 20.3 |
| Other finance charges | 28.5 | 15.7 |
| Exchange movements | 4.6 | - |
| Borrowing costs capitalised in property, plant and equipment | (3.6) | - |
| Total finance costs | 178.2 | 218.5 |
| Net finance costs | 24.2 | 187.7 |

10. TAX CHARGE

Taxation recognised in the consolidated income statement

| | 2019 | 2018 |
|---|---------------|---------------|
| | €m | |
| Current tax expense | | |
| Current year | 241.2 | 527.2 |
| Adjustments in respect of prior years | (19.0) | 22.6 |
| Total current tax expense | 222.2 | 549.8 |
| Deferred tax credit | | |
| Origination and reversal of temporary differences | (68.0) | (41.4) |
| Adjustments in respect of prior years | 8.2 | (8.3) |
| Deferred tax credit (see Note 16) | (59.8) | (49.7) |
| Total tax charge | 162.4 | 500.1 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

10. TAX CHARGE (continued)

Reconciliation of effective tax rate

| | 2019 | 2018 |
|--|--------------|--------------|
| | €m | |
| (Loss)/profit before taxation..... | (17.5) | 1,012.6 |
| Tax using the UK corporation tax rates of 19.00% (2018: 19.00%)..... | (3.3) | 192.4 |
| Non-deductible expenses..... | 47.6 | 51.9 |
| Tax exempt revenues..... | (2.9) | (0.8) |
| Effect of tax rates in foreign jurisdictions | 90.9 | 173.1 |
| Deferred tax not recognised | 94.1 | 138.7 |
| Tax incentives | (53.2) | (69.5) |
| Adjustments in respect of prior years..... | (10.8) | 14.3 |
| Total tax charge..... | 162.4 | 500.1 |

The UK Corporation Tax rate was reduced from 20% to 19% with effect from 1 April 2017. The rate was due to reduce further to 17% from 1 April 2020. In the 2020 budget it was announced that the corporation tax main rate would remain at 19% for the financial year beginning 1 April 2020 rather than reducing it to 17% from 1 April 2020.

Taxation credit/(charge) recognised in other comprehensive income

| | 2019 | | | 2018 | | |
|---|--------|-----|--------|-------|-------|------|
| | Gross | Tax | Net | Gross | Tax | Net |
| | €m | | | | | |
| Remeasurements of post employment benefit obligations | (37.9) | 7.8 | (30.1) | 20.6 | (2.9) | 17.7 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

11. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings | Plant & machinery, fixtures and fittings, and motor vehicles | Oil and gas | Right-of-use assets | Assets under construction | Total |
|--|-----------------------|---|----------------|------------------------|------------------------------|----------------|
| | €m | | | | | |
| Cost | | | | | | |
| Balance at 1 January 2018..... | 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 |
| Disposal..... | - | (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) |
| Balance at 31 December 2018..... | 215.9 | 2,700.3 | 2,141.5 | - | 321.1 | 5,378.8 |
| Impact of adopting IFRS 16 (see Note 1)..... | (8.3) | (4.7) | - | 224.8 | - | 211.8 |
| Business acquisitions..... | 49.2 | 60.5 | - | 40.5 | 1.3 | 151.5 |
| Additions..... | 3.2 | 44.8 | 54.7 | 24.0 | 495.5 | 622.2 |
| Disposals | (0.1) | (10.8) | - | (0.1) | (0.1) | (11.1) |
| Reclassification | 7.3 | 83.1 | 69.3 | - | (90.4) | 69.3 |
| Modifications | - | - | - | 18.5 | - | 18.5 |
| Effect of movements in foreign exchange..... | 1.8 | 101.6 | 70.7 | 3.7 | 17.9 | 195.7 |
| Balance at 31 December 2019..... | 269.0 | 2,974.8 | 2,336.2 | 311.4 | 745.3 | 6,636.7 |
| Accumulated depreciation and impairment | | | | | | |
| Balance at 1 January 2018..... | 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) |
| Balance at 31 December 2018..... | 43.6 | 1,271.3 | 714.5 | - | - | 2,029.4 |
| Impact of adopting IFRS 16 (see Note 1)..... | (1.4) | (2.1) | - | 3.5 | - | - |
| Depreciation charge for the year | 13.2 | 228.6 | 340.7 | 37.0 | - | 619.5 |
| Impairment charge for the year | - | - | 68.9 | - | - | 68.9 |
| Disposals | (0.1) | (9.8) | - | (0.1) | - | (10.0) |
| Reclassification | 0.6 | (3.5) | - | - | - | (2.9) |
| Effect of movements in foreign exchange..... | 0.8 | 52.3 | 31.6 | 0.3 | - | 85.0 |
| Balance at 31 December 2019..... | 56.7 | 1,536.8 | 1,155.7 | 40.7 | - | 2,789.9 |
| Net book value | | | | | | |
| At 31 December 2018..... | 172.3 | 1,429.0 | 1,427.0 | - | 321.1 | 3,349.4 |
| At 31 December 2019 | 212.3 | 1,438.0 | 1,180.5 | 270.7 | 745.3 | 3,846.8 |

Impairment charge

The significant drop in gas prices in 2019 is seen as an indication of impairment and therefore the Group has reviewed the carrying value of its oil and gas properties across all segments.

The recoverable amount of the assets has been determined based on the higher of value-in-use and fair value less cost to sell. These calculations use cash flow projections over the life of fields based on commercial and production forecasts. The key assumptions used in the value-in-use calculations was a post-tax discount rate of 7.95%, a long term gas price of 55p/therm, long term oil price of \$65/bbl and an inflation rate of 2%. The long term gas and oil prices are based on consensus from a group of third party oil and gas analysts and banks. As a result of the impairment assessment performed, an impairment charge of €68.9 million was recognised as at 31 December 2019. No impairment was deemed necessary on other assets since the recoverable amounts were higher than their carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Leased assets

The Group leases many assets including land and buildings, vessels, storage and transportation infrastructure, machinery and IT equipment which are classified as right-of-use assets. Prior to 1 January 2019 net book values of €9.5 million were included in land and buildings and plant and machinery, fixture and fittings and motor vehicles in respect of assets held under hire purchase and finance leases.

More information regarding the right-of-use (ROU) assets are presented below.

| | Land and buildings | Plant & machinery, fixtures and fittings, and motor vehicles | ROU Total |
|--|-------------------------------|---|----------------------|
| Cost | | | |
| Impact of adopting IFRS 16 (see Note 1) | 141.3 | 83.5 | 224.8 |
| Business acquisitions | 38.7 | 1.8 | 40.5 |
| Additions | 13.1 | 10.9 | 24.0 |
| Disposals | - | (0.1) | (0.1) |
| Modifications | 16.9 | 1.6 | 18.5 |
| Effect of movements in foreign exchange | 1.4 | 2.3 | 3.7 |
| Balance at 31 December 2019 | 211.4 | 100.0 | 311.4 |
| Accumulated depreciation and impairment | | | |
| Impact of adopting IFRS 16 (see Note 1) | 1.4 | 2.1 | 3.5 |
| Depreciation charge for the year | 15.8 | 21.2 | 37.0 |
| Disposals | - | (0.1) | (0.1) |
| Effect of movements in foreign exchange | 0.3 | - | 0.3 |
| Balance at 31 December 2019 | 17.5 | 23.2 | 40.7 |
| Net book value | | | |
| At 31 December 2019 | 193.9 | 76.8 | 270.7 |

See Note 26 for the lease obligations on right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

12. INTANGIBLE ASSETS

| | Licence fees | Customer lists | Intellectual property rights | Environmental certificates | Non compete agreements | Evaluation and exploration cost | Player registrations | Goodwill | Total |
|--|--------------|----------------|------------------------------|----------------------------|------------------------|---------------------------------|----------------------|----------------|----------------|
| | €m | | | | | | | | |
| Cost | | | | | | | | | |
| Balance at 1 January 2018 | 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 |
| Balance at 31 December 2018 | 37.9 | 821.8 | 225.5 | 8.9 | - | 157.8 | - | 1,398.5 | 2,650.4 |
| Additions | - | - | 3.3 | 9.4 | - | 66.4 | 49.0 | - | 128.1 |
| Disposals | - | (73.5) | - | (11.3) | - | - | - | - | (84.8) |
| Business acquisitions | 0.2 | 2.6 | 10.6 | - | - | - | 114.7 | 11.1 | 139.2 |
| Reclassifications | (24.8) | - | 24.9 | - | - | 0.1 | - | - | 0.2 |
| Effect of movements in foreign exchange | 0.7 | 5.0 | 1.5 | 0.3 | - | 12.3 | - | 9.8 | 29.6 |
| Balance at 31 December 2019 | 14.0 | 755.9 | 265.8 | 7.3 | - | 236.6 | 163.7 | 1,419.4 | 2,862.7 |
| Accumulated amortisation and impairment | | | | | | | | | |
| Balance at 1 January 2018 | 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 |
| Balance at 31 December 2018 | 12.7 | 296.8 | 72.0 | - | - | 64.6 | - | 563.3 | 1,009.4 |
| Amortisation for the year | 1.9 | 61.4 | 14.0 | - | - | - | 28.1 | - | 105.4 |
| Impairment charge for the year | - | - | - | - | - | 117.9 | - | - | 117.9 |
| Reclassifications | (5.3) | - | 5.3 | - | - | (0.1) | - | - | (0.1) |
| Disposals | - | (73.5) | - | - | - | - | - | - | (73.5) |
| Effect of movements in foreign exchange | 0.1 | 2.5 | 0.4 | - | - | 6.4 | - | - | 9.4 |
| Balance at 31 December 2019 | 9.4 | 287.2 | 91.7 | - | - | 188.8 | 28.1 | 563.3 | 1,168.5 |
| Net book value | | | | | | | | | |
| At 31 December 2018 | 25.2 | 525.0 | 153.5 | 8.9 | - | 93.2 | - | 835.2 | 1,641.0 |
| At 31 December 2019 | 4.6 | 468.7 | 174.1 | 7.3 | - | 47.8 | 135.6 | 856.1 | 1,694.2 |

Amortisation charge

The amortisation charge for 2019 and 2018 is recognised in administrative expenses in the consolidated income statement.

Impairment charge

Included within the evaluation and exploration impairment charge is €74.0 million relating to an effective moratorium on hydraulic fracturing in Britain following an announcement by the UK Government in November 2019. The Group concluded that the carrying value of the assets could not be commercially supported and consequently the assets were fully impaired. There was a further evaluation and exploration impairment charge of €43.9 million after the exploration well on the Lyon prospect was found to be a dry hole and the results from the Cragganmore appraisal well were significantly poorer than expected resulting in the partnership electing to relinquish both licences. The 2019 impairment charge is recognised in administrative expenses in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

12. INTANGIBLE ASSETS (continued)

Impairment

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

| | 2019 | 2018 |
|----------------------------|--------------|--------------|
| | €m | |
| Polymers EMEA | 252.2 | 252.2 |
| Polymers Asia | 103.3 | 95.4 |
| Polymers America | 186.7 | 182.9 |
| Styrene Monomer | 179.5 | 176.9 |
| Oil and gas - Norway | 111.6 | 109.9 |
| Oil and gas - UK | 18.1 | 17.1 |
| Other | 4.7 | 0.8 |
| Total | <u>856.1</u> | <u>835.2</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 between 0.5 percent and 2.5 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 plans 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 lower 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 CGUs 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. The key assumptions used in the Norwegian fields value-in-use calculations was a discount rate of 8.38%, a long term gas price of 55p/therm, long term oil price of \$65/bbl and an inflation rate of 2%. Assumptions for long term oil and gas prices are based on a consensus from a pool of oil and gas analysts and banks. The discount rates are determined by geographical region of the fields adjusted for country specific risks.

Subsequent to the year-end, the global spread of the COVID-19 is causing considerable uncertainty in the market. The Group is closely monitoring the evolution of the COVID-19 coronavirus and its impact on oil, gas and petrochemicals prices. The effect the virus will have on the global economy and the oil and gas and petrochemicals industry is difficult to assess at this point in time, although the Group has considered the low price environment at the time the below oil and gas sensitivities were calculated for the Norwegian fields.

Sensitivity of recoverable amounts - Norway

| Sensitivity of recoverable amounts - Norway | 2019 |
|---|------|
| | €m |
| Discount rate - 1.0% change..... | 9.8 |
| Long term price – 20% change..... | 98.9 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

12. INTANGIBLE ASSETS (continued)

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

| | Polymers EMEA | Polymers America | Polymers Asia | Styrene Monomer | Oil and gas - Norway | Oil and gas - UK |
|---------------------|------------------|---------------------|------------------|--------------------|----------------------------|------------------------|
| Discount rate | 9.30% | 11.70% | 12.90% | 11.20% | 8.38% | 9.80% |

13. INVESTMENTS

13a. Investments in Equity-Accounted Investees

Details of the associated undertakings and joint ventures are set out below:

| | Country of incorporation | Class of shares held | Ownership | |
|------------------------------|-----------------------------|--|-----------|------|
| | | | 2019 | 2018 |
| Associates: | | | | |
| Fluxel SAS | France | Ordinary | 20% | 20% |
| Joint ventures: | | | | |
| Ormen Lange Ejendom DA | Norway | Registered JV (no shares issued) | 14% | 14% |

| | Joint ventures | Associated undertakings | Total |
|---|-------------------|----------------------------|------------|
| | | €m | |
| At 1 January 2018 | 1.5 | 7.8 | 9.3 |
| Effect of movements in foreign exchange | - | 0.2 | 0.2 |
| At 31 December 2018 | 1.5 | 8.0 | 9.5 |
| Disposals | - | (1.0) | (1.0) |
| Effect of movements in foreign exchange | - | 0.4 | 0.4 |
| At 31 December 2019 | 1.5 | 7.4 | 8.9 |

All of the associated undertakings and joint ventures have December year ends.

Summary aggregated financial information on associated undertakings:

| | 2019 | 2018 |
|-------------------------|-------|-------|
| | €m | |
| Assets | 70.6 | 68.7 |
| Liabilities | 40.9 | 36.5 |
| Revenues | 37.9 | 36.6 |
| Loss for the year | (2.0) | (2.2) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

13. INVESTMENTS (continued)

13b. Investments in subsidiaries

| | Registered Office | Country of Incorporation | Class of shares held | Ownership | |
|-------------------------------------|----------------------|-----------------------------|----------------------------|-----------|------|
| | | | | 2019 | 2018 |
| INEOS Industries Holdings Limited* | 1 | UK | Ordinary | 100% | 100% |
| Belstaff Property Limited | 1 | UK | Ordinary | 100% | - |
| EURL Promofoot | 59 | France | Ordinary | 100% | - |
| Grangemouth CHP Limited | 2 | UK | Ordinary | 100% | 100% |
| Grangemouth Energy Company Limited | 1 | UK | Ordinary | 74% | 74% |
| 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 159 Limited | 1 | UK | Ordinary | 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% | 100% |
| INEOS Automotive GmbH | 52 | Germany | Ordinary | 100% | - |
| INEOS Automotive Research Limited | 1 | UK | Ordinary | 100% | 100% |
| INEOS Automotive Unipessoal Lda | 53 | Portugal | Ordinary | 100% | 100% |
| INEOS Aviation Limited | 1 | UK | Ordinary | 100% | 100% |
| INEOS Bio Newco LLC | 3 | United States | Ordinary | 100% | 100% |
| INEOS Chemicals Grangemouth Limited | 1 | UK | Ordinary | 100% | 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 Norge 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 Films Italia S.r.l. | 9 | Italy | Ordinary | 100% | 100% |
| INEOS FPS Limited | 1 | UK | Ordinary | 100% | 100% |
| INEOS Grangemouth Limited | 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 Offshore BCS Limited | 8 | UK | Ordinary | 100% | 100% |
| INEOS Racing Limited | 1 | UK | Ordinary | 100% | 100% |
| INEOS Racing NZ Limited | 54 | New Zealand | Ordinary | 100% | - |
| INEOS Shipping Limited | 1 | UK | Ordinary | 100% | 100% |
| INEOS Shipping GmbH | 55 | Germany | Ordinary | 100% | - |
| 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% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

13. INVESTMENTS (continued)

13b. Investments in subsidiaries (continued)

| | Registered Office | Country of Incorporation | Class of shares held | Ownership | |
|--|----------------------|-----------------------------|----------------------------|-----------|------|
| | | | | 2019 | 2018 |
| INEOS Styrenics US LLC..... | 4 | United States | Ordinary | 100% | 100% |
| INEOS Styrolution (Thailand) Co., Ltd. | 18 | Thailand | Ordinary | 100% | 100% |
| INEOS Styrolution Advanced Materials (Ningbo) Pte Ltd..... | 56 | China | Ordinary | 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 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 Federation | Ordinary | 100% | 100% |
| INEOS Styrolution Poland Sp. z o.o..... | 38 | Poland | Ordinary | 100% | 100% |
| INEOS Styrolution Polymers (Foshan) Company Limited..... | 39 | China | Ordinary | 100% | 100% |
| INEOS Styrolution Polymers (Foshan) Company Limited - Guangzhou Branch..... | 40 | China | Ordinary | 100% | 100% |
| INEOS Styrolution Polymers (Ningbo) Company Limited..... | 57 | China | Ordinary | 100% | 100% |
| INEOS Styrolution Polymers (Ningbo) Company Limited - Shanghai Branch | 58 | 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 (China) Investment 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 2019 (forming part of the financial statements)

13. INVESTMENTS (continued)

13b. Investments in subsidiaries (continued)

| | Registered Office | Country of Incorporation | Class of shares held | Ownership 2019 | Ownership 2018 |
|---|-------------------|--------------------------|----------------------|----------------|----------------|
| 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% |
| OGC Nice Investment Company Limited | 61 | France | Ordinary | 100% | - |
| Purple Bird Unipessoal Lda | 53 | Portugal | Ordinary | 100% | - |
| SASP OGC Nice Côte d'Azur | 60 | France | Ordinary | 100% | - |
| Tour Racing Limited | 1 | UK | Ordinary | 100% | - |

* Held directly by the Company as at 31 December 2019.

| Registered Office Address |
|--|
| 1 Hawkslease, Chapel Lane, Lyndhurst, Hampshire, SO43 7FG, United Kingdom |
| 2 Utilities Control Building, 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, Sarnia 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 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

13. INVESTMENTS (continued)

13b. Investments in subsidiaries (continued)

| | Registered Office Address |
|----|--|
| 37 | Bldg. 3, 18 Pyatnitskaya St., 115035, Moscow, Russian Federation |
| 38 | ul. Woloska 9, 02-583, Warszawa, Poland |
| 39 | No. 61, Jinben Industry Avenue, Xinan Sub-district, Sanshui District, Foshan, Guangdong Province, 528132, China |
| 40 | Suite 3406, Teem Tower, No. 208, Tianhe Road, Tianhe District, Guangzhou 510620 Shanghai, China |
| 41 | Schipkauer 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, Yeosusi, Jeollanam-do, 59643, South Korea |
| 48 | Nesa Allé 1, 2820 Gentofte, Denmark |
| 49 | 3 Hans Egedesvej, Nuuk, 3900, Greenland |
| 50 | J.H. Schrøters Gøta 7, 100 Tórshavn, Faroe Islands |
| 51 | Veritasveien 25, 4007 Stavanger, Norway |
| 52 | Jakob-Degen-Straße 3, 71034, Böblingen, Germany |
| 53 | Praça Marquês de Pombal, 12, 1250 - 162, Lisboa, Portugal |
| 54 | Offices of Glaister Ennor, Barristers and Solicitors, Norfolk House, 18 High Street, Auckland Central, Auckland, 1010, New |
| 55 | Alte Strasse 201, 50769, Koeln, Germany |
| 56 | Building No. 3 Unit 1-10, 266 Beihai Road, Ningbo Petrochemical Zone, Zhenhai District, Ningbo, China |
| 57 | 2388 Minghai North Road, Ningbo, Petrochemical Economy & Technology Development Zone, Ningbo, Zhejiang, 315204, |
| 58 | 25F, Central Towers, 567 Langao Road, Putuo District, Shanghai, 200333, China |
| 59 | 4 Place Massena, 0600 Nice, France |
| 60 | 19 Boulevard Jean Luciano, 06200 Nice, France |
| 61 | 4603-4609, 46th Floor, Jardine House, One Connaught Place, Central Hong Kong |

14. OTHER FINANCIAL ASSETS

| | 2019 | 2018 |
|--|-------------|-------------|
| Current | €m | |
| Derivative commodity contracts designated as fair value through profit or loss | 71.5 | 0.5 |
| | 71.5 | 0.5 |

15. TRADE AND OTHER RECEIVABLES

| | 2019 | 2018 |
|--|----------------|----------------|
| Current | €m | |
| Trade receivables | 619.3 | 752.5 |
| Amounts due from related parties | 183.3 | 126.3 |
| Other receivables | 120.1 | 109.7 |
| Prepayments | 105.9 | 194.8 |
| | 1,028.6 | 1,183.3 |
| Non-current | | |
| Trade receivables | 10.2 | - |
| Amounts due from related parties | 46.5 | 29.9 |
| Prepayments and accrued income | 43.2 | 28.7 |
| Other receivables | 270.1 | 337.3 |
| | 370.0 | 395.9 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

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 |
| | 2019 | 2019 | 2019 | 2019 | 2019 | 2019 | 2019 | 2019 | 2019 |
| | €m | €m | % | €m | €m | % | €m | €m | % |
| Not past due | 595.4 | (1.3) | 0.2 | 229.8 | - | - | 390.2 | - | - |
| Past due 0-30 days | 30.4 | (2.1) | 6.9 | - | - | - | - | - | - |
| Past due 31-90 days | 4.2 | (0.7) | 16.7 | - | - | - | - | - | - |
| More than 90 days | 7.7 | (4.1) | 53.2 | - | - | - | - | - | - |
| | <u>637.7</u> | <u>(8.2)</u> | <u>1.3</u> | <u>229.8</u> | <u>-</u> | <u>-</u> | <u>390.2</u> | <u>-</u> | <u>-</u> |

| | 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> |

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 2018 and 2019 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 2019 and 2018.

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

| | 2019 | 2018 |
|--|------------|------------|
| | €m | €m |
| Balance brought forward | 6.5 | 5.9 |
| Amount restated in opening retained earnings due to impact of new IFRS 9 accounting standard | - | 0.7 |
| At 1 January | 6.5 | 6.6 |
| Additions | 1.6 | 0.2 |
| Utilised | (0.1) | (0.3) |
| At 31 December | <u>8.2</u> | <u>6.5</u> |

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 are written off against the trade receivables directly. IFRS 9 uses a forward-looking 'expected credit loss' (ECL) model in assessing the recoverability of trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

15. TRADE AND OTHER RECEIVABLES (continued)

Credit risk of trade receivables

| | 2019 |
|----------------------------|--------------|
| | €m |
| Low | 632.0 |
| Medium | 3.6 |
| High | 2.1 |
| Impairment allowance | (8.2) |
| | 629.5 |

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:

| | Assets | 2019 Liabilities | Total |
|---|---------------|-----------------------------|----------------|
| | €m | | |
| Property, plant and equipment..... | 30.0 | (634.9) | (604.9) |
| Intangible assets | - | (198.1) | (198.1) |
| Employee benefits | 42.2 | - | 42.2 |
| Tax value of loss carry-forwards | 367.2 | - | 367.2 |
| Other | 108.7 | (41.7) | 67.0 |
| Tax assets/(liabilities) | 548.1 | (874.7) | (326.6) |
| Set off of tax | (401.3) | 401.3 | - |
| Net tax assets/(liabilities) | 146.8 | (473.4) | (326.6) |

| | Assets | 2018 Liabilities | Total |
|---|---------------|-----------------------------|----------------|
| | €m | | |
| Property, plant and equipment..... | 41.0 | (696.8) | (655.8) |
| Intangible assets | - | (195.2) | (195.2) |
| Employee benefits | 31.6 | - | 31.6 |
| Tax value of loss carry-forwards | 385.8 | - | 385.8 |
| Other | 109.9 | (41.1) | 68.8 |
| Tax assets/(liabilities) | 568.3 | (933.1) | (364.8) |
| Set off of tax | (474.4) | 474.4 | - |
| Net tax assets/(liabilities) | 93.9 | (458.7) | (364.8) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

16. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Movement in deferred tax during the year

| | Property, plant and equipment | Intangible assets | Employee benefits | Tax value of loss carry- forward utilised | Other | Total |
|---|-------------------------------------|----------------------|----------------------|---|-------------|----------------|
| | €m | | | | | |
| At 1 January 2018 | (649.9) | (212.2) | 37.5 | 323.0 | 72.3 | (429.3) |
| Recognised in profit or loss | (23.4) | 17.0 | (3.2) | 62.8 | (3.5) | 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) |
| At 31 December 2018 | (655.8) | (195.2) | 31.6 | 385.8 | 68.8 | (364.8) |
| Recognised in profit or loss | 80.5 | (2.9) | 2.6 | (18.6) | (1.8) | 59.8 |
| Recognised in other comprehensive income | - | - | 7.8 | - | - | 7.8 |
| Business acquisitions | (25.8) | - | - | - | - | (25.8) |
| Exchange adjustments | (3.8) | - | 0.2 | - | - | (3.6) |
| At 31 December 2019 | (604.9) | (198.1) | 42.2 | 367.2 | 67.0 | (326.6) |

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 €1,193.7 million (2018: €1,009.4 million). The Group in addition has €1,981.7 million (2018: €1,854.8 million) of non ring fence losses and temporary differences of €1,649.3 million (2018: €1,680.7 million) for which no deferred tax asset has been provided, which are available to offset against future trading profits. The Directors consider that the Group should not recognise any deferred tax assets on these tax losses as based on future profit forecast there is insufficient certainty over the future utilisation of these temporary differences.

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

| | 2019 | 2018 |
|------------------------|--------------|--------------|
| | €m | |
| Raw materials | 227.4 | 240.0 |
| Work in progress | 118.4 | 133.3 |
| Finished goods | 287.0 | 301.0 |
| | 632.8 | 674.3 |

Raw materials, work in progress and finished goods recognised as cost of sales in the year amounted to €3,388.3 million (2018: €4,088.7 million). The write-down of inventories to net realisable value amounted to €6.0 million (2018: €16.6 million) before the reversal of previous write downs of €15.5 million (2018: €6.6 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

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.

| | 2019 | 2018 |
|---|----------------|----------------|
| | €m | |
| Non-current liabilities | | |
| Securitisation Facilities | 190.0 | 50.0 |
| Senior Secured Term Loans due 2024..... | 610.5 | 613.9 |
| Senior Secured Term Loans due 2022..... | 260.3 | - |
| Reserve Based Lending facility..... | 256.7 | 164.5 |
| INEOS Upstream loans | 550.8 | 539.7 |
| Related Party loans..... | 124.1 | - |
| Other loans | 31.0 | - |
| Finance lease liability..... | - | 8.0 |
| | 2,023.4 | 1,376.1 |
| | €m | |
| Current liabilities | | |
| Guaranteed notes due 2019 | - | 284.6 |
| Senior Secured Term Loans due 2024..... | 7.0 | 7.0 |
| Reserve Based Lending facility..... | 50.4 | 30.3 |
| Other loans | 13.6 | 31.4 |
| Finance lease liability..... | - | 1.2 |
| | 71.0 | 354.5 |

| | Gross loans and borrowings | Issue costs | Net loans and borrowings |
|---|----------------------------------|---------------|-----------------------------|
| | 2019 | 2019 | 2019 |
| | €m | | |
| Gross debt and issue costs | | | |
| Securitisation Facilities | 190.0 | - | 190.0 |
| Senior Secured Term Loans due 2024..... | 618.8 | (1.3) | 617.5 |
| Senior Secured Term Loans due 2022..... | 265.0 | (4.7) | 260.3 |
| INEOS Upstream Loan | 550.8 | - | 550.8 |
| Reserve Based Lending facility..... | 323.0 | (14.9) | 307.1 |
| Other loans | 45.5 | (0.9) | 44.6 |
| Related Party loans..... | 124.1 | - | 124.1 |
| | 2,117.2 | (22.8) | 2,094.4 |

| | Gross loans and borrowings | Issue costs | Net loans and borrowings |
|---|----------------------------------|---------------|-----------------------------|
| | 2018 | 2018 | 2018 |
| | €m | | |
| Gross debt and issue costs | | | |
| Securitisation Facilities | 50.0 | - | 50.0 |
| Guaranteed Notes due 2019 | 285.0 | (0.4) | 284.6 |
| Styrolution Senior Secured Term Loans | 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 |
| | 1,744.8 | (14.2) | 1,730.6 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

18. INTEREST-BEARING LOANS AND BORROWINGS (continued)

Terms and debt repayment schedule

| | Currency | Nominal interest rate | Year of maturity |
|--|--------------|----------------------------|------------------|
| Securitisation Facilities..... | Euro | 0.83% | 2021 |
| Senior Secured Term Loan due 2024..... | USD/Euro | EURIBOR/USD LIBOR+2.00% | 2024 |
| Senior Secured Term Loan due 2022..... | Euro | EURIBOR+2.75% | 2022 |
| INEOS Upstream loan | USD | 7.0% | 2024 |
| Related Party loans | GBP/Euro | 5.53%-7.0% | 2024-2042 |
| Reserve Based Lending facility | GBP/USD/Euro | LIBOR+2.75% | 2024 |

Receivables Securitisation Facilities

The Group has one (2018: two) receivables securitisation facility (which is secured on certain trade receivables of the Group). The facility is a €450.0 million facility and matures in July 2021. The total amount outstanding at 31 December 2019 was €190.0 million (2018: €50.0 million).

Senior Secured Term Loan due 2024

The Group has outstanding borrowings under a First Lien Term Loan with institutional investors which matures on March 2024. The borrowings consist of Euro and US Dollar tranches and variable interest at 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. 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 at 31 December 2019 before issue costs were €618.8 million (2018: €622.5 million) of which €7.3 million (2018: €7.3 million) is due within one year. The total amounts outstanding on the Euro denominated Term Loans were €438.3 million and the US denominated Term Loans were €180.5 million.

On 31 January 2020, the Group successfully completed a refinancing increasing the principal amount of the Euro tranche to €450 million whilst keeping the US Dollar tranche at \$202 million, and extending the maturity to January 2027.

Senior Secured Term Loans due 2022

On 14 June 2019, the Group entered into a 3 year €350.0 million Senior Term and Revolving Facilities agreement ("the Agreement").

Under the terms of the Agreement, on 31 July 2019, the Group fully drew down the €200.0 million Term loan. As at 31 December 2019 €65.0 million of the €150.0 million Revolving Facility Loan had been drawn down.

The Agreement has an interest rate of EURIBOR plus a margin in the range of 2.25% to 3.00% per annum depending on the leverage of INEOS Grangemouth Limited and its subsidiaries which is payable in arrears on the last day of each six month interest period. As at 31 December 2019 the Agreement bore interest at 2.75%.

INEOS Grangemouth Limited and its subsidiaries guarantee the obligations under the Senior Secured Term Loans due 2022. The Credit Agreement contains a number of operating and financial covenants including limitations on indebtedness, restricted payments, transactions with affiliates, liens, sale of assets and dividend payments.

The total amount outstanding under the Senior Secured Term Loans due 2022 before issue costs was €265.0 million.

On 23 July 2020, the Group extended the maturity date of the Agreement from June 2022 to June 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

18. INTEREST-BEARING LOANS AND BORROWINGS (continued)

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 in June 2024 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 2024 and bears interest at 7.0% per annum. During 2019 no loan repayments were made (2018: net loan repayments of \$122.5 million (€105.4 million)), leaving \$617.1 million (€550.8 million) (2018: \$617.1 million (€539.7 million)) outstanding under the loan as at 31 December 2019.

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. In September 2019 INEOS UK E&P Holdings Limited, together with its fellow subsidiaries amended and restated the existing 2018 revolving loan and letter of credit facility, to extend the tenor for 5 years to June 2024 and reset pricing to continue to pay a margin of LIBOR+2.75%. As a result a gain of €8.0 million was recognised in the consolidated income statement. The total amount outstanding under the facility before issue costs was €323.0 million as at 31 December 2019 (2018: €207.0 million).

Related Party Loans

The Group has a £104.3 million shareholder loan facility from Petroineos Refining Limited, a related party, which matures in 2042 and carries an interest rate of 5.53% per annum. The facility is for exclusive use on construction costs of the new power plant at the Grangemouth site. Qualifying interest is capitalised as part of the construction of plant and machinery. The total amount outstanding under the shareholder loan facility was €24.1 million as at 31 December 2019.

In December 2019 the Group issued €100.0 million unsecured loans notes due 2024 (the "Notes") to the shareholders of the ultimate parent undertaking, INEOS Limited, a related party. The Notes are listed on the International Stock Exchange in Guernsey and accrue interest at 7% per annum which is payable on redemption of the Notes.

Guaranteed Notes due 2019

In August 2017 the Group acquired INEOS Grangemouth Limited (formerly 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 were listed on the Global Exchange Market of the Irish Stock Exchange.

The Notes bore interest at a rate per annum equal to 0.750%, payable annually in arrears on 30 July of each year, with the first payment made on 30 July 2015, and calculated on the basis of an actual/actual day-count fraction convention.

The Group repaid the aggregate principal amount of the Notes in full on 30 July 2019.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

18. INTEREST-BEARING LOANS AND BORROWINGS (continued)

Asset based lending facility

The Group had a €40,000,000 asset based lending facility agreement with RBS Invoice Finance Limited, which carried a 6 month notice of cancellation period. The facility was secured by pledges over trade receivables and inventory. No drawdown had been made on this facility since it commenced in August 2015. The facility expired in June 2019.

KFW Vessel Loan Agreement

During 2019 as part of a wider butane project the Group entered into a €45.0 million external loan facility with KFW IPEX-Bank GmbH to finance the construction of four butane river barges. This facility contains four separate vessel loans to be drawdown over the period of construction with the final barge expected to be delivered in the third quarter of 2020. The total amount outstanding at December 31, 2019 before issue costs was €32.0 million of which €6.2 million is due within one year. This loan facility is included within other loans.

Each vessel loan will be individually repaid in twenty equal quarterly instalments upon delivery of each barge. The first repayment on the vessel loans begins on the 30 June 2020 with the final payment terminating on 30 September 2025. When all vessel loans are being repaid concurrently, the total quarterly instalment due will be €2.25 million. The Loan facility is secured with a parent company guarantee and pledges over the mortgages and construction contracts of the barges. The facility bears an interest rate of EURIBOR plus a margin of 1.6% per annum.

19. TRADE AND OTHER PAYABLES

| | 2019 | 2018 |
|--------------------------------------|----------------|----------------|
| | €m | |
| Current | | |
| Trade payables | 475.2 | 483.7 |
| Amounts due to related parties | 271.0 | 272.0 |
| Other payables | 231.3 | 197.1 |
| Deferred consideration | 152.8 | 72.6 |
| Accruals and deferred income | 341.8 | 285.1 |
| | <u>1,472.1</u> | <u>1,310.5</u> |
| Non-current | | |
| Amounts due to related parties | 723.8 | 507.9 |
| Other payables | 65.3 | 33.2 |
| Deferred consideration | 99.0 | 233.3 |
| Accruals and deferred income | 41.7 | 22.5 |
| | <u>929.8</u> | <u>796.9</u> |

The deferred consideration is in respect of the Group's 2017 acquisition of the DONG E&P A/S business which related to the exploration and production activities in the oil and gas sector within Denmark, Norway and the UK.

20. OTHER FINANCIAL LIABILITIES

| | 2019 | 2018 |
|--|-------------|------------|
| | €m | |
| Current | | |
| Derivative commodity contracts designated as fair value through profit or loss | 17.3 | 7.2 |
| | <u>17.3</u> | <u>7.2</u> |
| | | |
| | 2019 | 2018 |
| | €m | |
| Non-current | | |
| Derivative commodity contracts designated as fair value through profit or loss | - | 0.4 |
| | <u>-</u> | <u>0.4</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

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.

| Plan | Country | Valuation date |
|----------------|----------------|-----------------------|
| All Plans..... | Belgium | 31 December 2019 |
| All Plans..... | Canada | 31 December 2017 |
| All Plans..... | France | 31 December 2019 |
| All Plans..... | Germany | 31 December 2019 |
| All Plans..... | India | 31 December 2019 |
| All Plans..... | Korea | 31 December 2019 |
| All Plans..... | Mexico | 31 December 2019 |
| All Plans..... | Switzerland | 31 December 2019 |
| All Plans..... | Thailand | 31 December 2019 |
| All Plans..... | United Kingdom | 31 December 2017 |
| All Plans..... | United States | 01 January 2019 |

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 2019 (forming part of the financial statements)

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 | |
|---|----------|----------|----------------|----------|---------------|------|-------------------|-----------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Major assumptions | | | | | | | | |
| Rate of general increase in salaries | 2.0-2.7% | 2.0-2.7% | 2.9% | 3.2% | 3.0 | 3.0% | 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 | 0.3-1.3% | 1.0-2.0% | 2.1% | 2.9% | 3.1% | 3.8% | 1.5-8.8% | 2.0-10.5% |
| Inflation | 1.0-2.0% | 1.0-1.8% | 2.9% | 3.2% | 2.0% | 2.0% | 2.9% | 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 | |
|--|-----------|-----------|----------------|-----------|---------------|-----------|-------------------|------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Longevity at age 65 for current pensioners | 20.4-23.9 | 18.0-25.3 | 22.4-24.2 | 21.9-23.0 | 21.8-23.9 | 21.8-23.9 | 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 | |
|---|----------|------|----------------|------|---------------|------|-------------------|------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | % | | % | | % | | % | |
| Discount rate 1.0% decrease | 24.2 | 22.7 | 25.5 | 25.4 | 14.3 | 14.4 | 6.2 | 5.4 |
| Rate of inflation 0.5% increase | 8.1 | 8.0 | 8.1 | 8.1 | 3.2 | 1.8 | 0.2 | 0.1 |
| 1 year increase in longevity for a member aged 65 | 3.5 | 3.1 | 3.0 | 3.0 | 2.0 | 1.8 | 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 2019 (forming part of the financial statements)

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:

| | 2019 | 2018 |
|------------------------------------|------|------|
| | % | |
| Liability discount rate..... | 3.2 | 4.1 |
| 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

| | 2019 | 2018 |
|---|--------------|-------------|
| | €m | |
| Present value of the defined benefit obligation in respect of pension plans | 828.6 | 682.3 |
| Present value of obligations in respect of post-retirement health care plan | 22.2 | 20.2 |
| Fair value of plan assets | (721.3) | (604.5) |
| Deficit | 129.5 | 98.0 |

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

| | 2019 | 2018 |
|--|--------------|-------------|
| | €m | |
| Obligations in respect of pension plans: | | |
| European | 67.8 | 55.6 |
| United Kingdom..... | 15.8 | 2.1 |
| North America..... | (1.9) | (1.3) |
| Rest of world..... | 25.6 | 21.4 |
| Total obligations in respect of pension plans | 107.3 | 77.8 |
| Obligations in respect of post-retirement care plans..... | 22.2 | 20.2 |
| Recognised liability for defined benefit obligations..... | 129.5 | 98.0 |

The Group expects to contribute approximately €8.5 million (2018: €15.1 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 2019 (forming part of the financial statements)

21. EMPLOYEE BENEFITS (continued)

Consolidated income statement

| | European | United Kingdom | North America | Rest of the world | Post-retirement health care plans | Total |
|---|------------|----------------|---------------|-------------------|-----------------------------------|-------------|
| | €m | | | | | |
| Year ended 31 December 2019 | | | | | | |
| Current service cost..... | 4.6 | 0.8 | 0.8 | 2.0 | 0.3 | 8.5 |
| Interest cost on defined benefit obligation | 2.7 | 12.7 | 2.4 | 0.9 | 0.8 | 19.5 |
| Interest income on assets..... | (1.7) | (12.8) | (2.4) | (0.3) | - | (17.2) |
| | 5.6 | 0.7 | 0.8 | 2.6 | 1.1 | 10.8 |

| | European | United Kingdom | North America | Rest of the world | Post-retirement health care plans | Total |
|---|------------|----------------|---------------|-------------------|-----------------------------------|-------------|
| | €m | | | | | |
| Year ended 31 December 2018 | | | | | | |
| 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) |
| | 6.1 | 5.1 | 0.7 | 2.1 | 1.0 | 15.0 |

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

| | 2019 | 2018 |
|--|-------------|-------------|
| | €m | |
| Cost of sales, distribution and administrative expenses..... | 8.5 | 12.1 |
| Net finance cost..... | 2.3 | 2.9 |
| | 10.8 | 15.0 |

Pension plans

| | European | United Kingdom | North America | Rest of the world | Total |
|--|-------------|----------------|---------------|-------------------|--------------|
| | €m | | | | |
| Year ended 31 December 2019 | | | | | |
| Present value of funded obligations | 140.4 | 555.9 | 69.7 | 12.9 | 778.9 |
| Present value of unfunded obligations..... | 27.8 | - | - | 21.9 | 49.7 |
| | 168.2 | 555.9 | 69.7 | 34.8 | 828.6 |
| Fair value of plan assets | (100.4) | (540.1) | (71.6) | (9.2) | (721.3) |
| | 67.8 | 15.8 | (1.9) | 25.6 | 107.3 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

21. EMPLOYEE BENEFITS (continued)

Pension plans (continued)

| | European | United Kingdom | North America | Rest of the world | Total |
|--|----------|----------------|---------------|-------------------|---------|
| | €m | | | | |
| Year ended 31 December 2018 | | | | | |
| 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) |
| | 55.6 | 2.1 | (1.3) | 21.4 | 77.8 |

Movements in present value of defined benefit obligation:

| | European | United Kingdom | North America | Rest of the world | Total |
|---|----------|----------------|---------------|-------------------|--------|
| | €m | | | | |
| At 1 January 2018..... | 151.3 | 532.6 | 70.9 | 27.8 | 782.6 |
| 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) |
| At 31 December 2018..... | 138.3 | 450.9 | 62.3 | 30.8 | 682.3 |
| Current service cost | 4.6 | 0.8 | 0.8 | 2.0 | 8.2 |
| Interest cost on defined benefit obligations..... | 2.7 | 12.7 | 2.4 | 0.9 | 18.7 |
| Member contributions..... | 0.2 | - | - | - | 0.2 |
| Actuarial loss – experience..... | 1.6 | - | - | 0.3 | 1.9 |
| Actuarial loss/(gain) – demographic assumptions.... | 0.1 | 18.2 | (0.1) | 0.6 | 18.8 |
| Actuarial loss – financial assumptions..... | 23.6 | 67.6 | 6.5 | 1.3 | 99.0 |
| Disbursements from plan assets..... | (0.1) | (21.5) | (5.0) | (1.0) | (27.6) |
| Disbursements paid directly by the employer | (2.8) | - | (0.2) | (0.4) | (3.4) |
| Acquisitions | - | - | - | 1.3 | 1.3 |
| Transfers between subsidiaries | (0.1) | - | - | - | (0.1) |
| Exchange | 0.1 | 27.2 | 3.0 | (1.0) | 29.3 |
| At 31 December 2019 | 168.2 | 555.9 | 69.7 | 34.8 | 828.6 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

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 | | |
| At 1 January 2018 | 83.9 | 504.5 | 73.2 | 8.8 | 670.4 |
| 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) |
| At 31 December 2018 | 82.7 | 448.8 | 63.6 | 9.4 | 604.5 |
| Interest income on plan assets..... | 1.7 | 12.8 | 2.4 | 0.3 | 17.2 |
| Return on plan assets greater/ (less) than discount rate | 11.6 | 65.0 | 6.7 | (0.1) | 83.2 |
| Employer contributions..... | 7.2 | 8.3 | 1.0 | 0.7 | 17.2 |
| Member contributions..... | 0.2 | - | - | - | 0.2 |
| Disbursements..... | (3.0) | (21.5) | (5.2) | (1.3) | (31.0) |
| Acquisitions | - | - | - | 1.3 | 1.3 |
| Exchange | - | 26.7 | 3.1 | (1.1) | 28.7 |
| At 31 December 2019 | 100.4 | 540.1 | 71.6 | 9.2 | 721.3 |

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 | | |
| Year ended 31 December 2019 | | | | | |
| Equities | 32.5 | 197.1 | 6.7 | 0.3 | 236.6 |
| Government bonds | 35.9 | 191.6 | 51.6 | 0.7 | 279.8 |
| Corporate bonds | 14.9 | 53.7 | 12.6 | 0.1 | 81.3 |
| Property | 1.1 | 64.4 | - | - | 65.5 |
| Other | 16.0 | 33.3 | 0.7 | 8.1 | 58.1 |
| Total plan assets | 100.4 | 540.1 | 71.6 | 9.2 | 721.3 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

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 | | | | |
| Year ended 31 December 2018 | | | | | |
| 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 |
| Total plan assets | 82.7 | 448.8 | 63.6 | 9.4 | 604.5 |

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:

| | 2019 | 2018 |
|--|-------------|-------------|
| | €m | |
| At 1 January | 20.2 | 21.1 |
| Current service cost..... | 0.3 | 0.3 |
| Interest cost on defined benefit obligations..... | 0.8 | 0.7 |
| Actuarial gain – experience..... | - | (0.3) |
| Actuarial gain – demographic assumptions..... | (0.2) | - |
| Actuarial loss/(gain) – financial assumptions..... | 1.6 | (1.3) |
| Disbursements directly paid by the employer | (1.1) | (0.6) |
| Disposals | - | (0.2) |
| Exchange adjustments | 0.6 | 0.5 |
| At 31 December | 22.2 | 20.2 |

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:

| | 2019 | 2018 |
|---|------|------|
| | % | |
| Discount rate 1.0% decrease | 10.8 | 11.0 |
| 1 year increase in longevity for a member currently aged 65 | 1.7 | 1.7 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

22. PROVISIONS

| | Decommissioning and restoration costs | Severance and restructuring costs | Other | Total |
|---|---|---|--------------|----------------|
| | €m | | | |
| At 1 January 2018 | 1,464.1 | 18.5 | 269.2 | 1,751.8 |
| 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) |
| At 31 December 2018 | 1,402.3 | 12.0 | 245.1 | 1,659.4 |
| Utilised during the year | (51.7) | (6.9) | (25.7) | (84.3) |
| Reclassifications..... | - | - | (2.5) | (2.5) |
| Provision (released)/made during the year | (85.5) | 0.5 | (9.4) | (94.4) |
| Increase in decommissioning provision | 69.3 | - | - | 69.3 |
| Business acquisitions | - | - | 4.1 | 4.1 |
| Discount unwinding | 13.3 | - | - | 13.3 |
| Exchange adjustments | 31.5 | - | - | 31.5 |
| At 31 December 2019 | 1,379.2 | 5.6 | 211.6 | 1,596.4 |
| Non – current | 1,348.8 | 1.0 | 230.7 | 1,580.5 |
| Current | 53.5 | 11.0 | 14.4 | 78.9 |
| Balance at 31 December 2018..... | 1,402.3 | 12.0 | 245.1 | 1,659.4 |
| Non – current | 1,329.0 | 0.6 | 188.4 | 1,518.0 |
| Current | 50.2 | 5.0 | 23.2 | 78.4 |
| Balance at 31 December 2019..... | 1,379.2 | 5.6 | 211.6 | 1,596.4 |

Decommissioning and restoration costs

The Group has €1,379.2 million (2018: €1,402.3 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 plugging and abandonment of wells, the total 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 0.2%-1.6% (2018: 0.3%-1.7 %) and an inflation rate of 0.2%-1.6% (2018: 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 between 2021 and 2045.

Severance and restructuring costs

The Group has provided €1.4 million (2018: €4.7 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 the end of 2020.

The Group has provided €1.6 million (2018: €1.6 million) 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 the end of 2020.

Other provisions

Other provisions mainly comprise of provisions for historical construction cost obligations, business disputes and onerous contracts. As part of the DONG E&P A/S acquisition the Group acquired a provision 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. As at 31 December 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

22. PROVISIONS (continued)

the remaining provision was €181.6 million of which €168.1 million is subject to indemnification for which an indemnification asset is recognised by the Group within non-current other receivables.

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

| | 2019 | 2018 |
|--|------|------|
| | €m | |
| Fully paid | | |
| 197,500 (2018: 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. As the reporting currency of the Company is the euro the share capital has been converted to euros at the effective rate of exchange ruling at the date of issuance.

24. DIVIDENDS

The following dividends were recognised during the year:

| | 2019 | 2018 |
|--|-------|-------|
| | €m | |
| Dividends (2019: €2,408.86 per share, 2018: €610.13 per share) | 475.7 | 120.5 |

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.

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 the related party loans is the same as the carrying value. The fair value of securitisation facilities is the same as the carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

25. FINANCIAL INSTRUMENTS (continued)

Fair values

Set out below is a comparison of the carrying amount and fair values of the Group's financial instruments. The different levels have been defined as follows:

Level 1: valued using trading prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: valued using inputs that are observable for the asset or liability, either directly (that is as prices), or indirectly (that are derived from prices); and

Level 3: valued using inputs that are not observable for the asset or liability.

| | 2019 | | 2018 | |
|--|-----------------|----------------|-----------------|----------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | €m | | | |
| Financial assets held at fair value through profit and loss: | | | | |
| Derivative commodity contracts..... | 71.5 | 71.5 | 0.5 | 0.5 |
| Financial assets carried at amortised cost: | | | | |
| Trade receivables | 629.5 | 629.5 | 752.5 | 752.5 |
| Amounts due from related parties | 229.8 | 229.8 | 156.2 | 156.2 |
| Other receivables..... | 390.2 | 390.2 | 447.0 | 447.0 |
| Cash and cash equivalents..... | 606.3 | 606.3 | 931.6 | 931.6 |
| Restricted cash | 24.5 | 24.5 | 124.3 | 124.3 |
| Total financial assets | 1,951.8 | 1,951.8 | 2,412.1 | 2,412.1 |
| Financial liabilities held at fair value through profit and loss: | | | | |
| Derivative commodity contracts..... | 17.3 | 17.3 | 7.6 | 7.6 |
| Financial liabilities carried at amortised cost: | | | | |
| Trade payables | 475.2 | 475.2 | 483.7 | 483.7 |
| Other payables..... | 548.4 | 548.4 | 536.2 | 536.2 |
| Securitisation facilities | 190.0 | 190.0 | 50.0 | 50.0 |
| Amount due to related parties | 994.8 | 994.8 | 779.9 | 779.9 |
| Senior Secured Term Loan due 2024 | 617.5 | 618.8 | 620.9 | 620.9 |
| Senior Secured Term Loan due 2022 | 260.3 | 265.0 | - | - |
| Reserves Based Lending facility | 307.1 | 323.0 | 194.8 | 194.8 |
| Lease liabilities | 292.9 | 292.9 | 9.2 | 9.2 |
| Guaranteed Notes due 2019 | - | - | 284.6 | 284.6 |
| INEOS Upstream loan..... | 550.8 | 550.8 | 539.7 | 539.7 |
| Related Party loans..... | 124.1 | 124.1 | - | - |
| Other loans | 44.6 | 45.5 | 31.4 | 31.4 |
| Total financial liabilities | 4,423.0 | 4,445.8 | 3,538.0 | 3,538.0 |

All financial assets and liabilities are level 3, other than cash and derivatives commodity contracts which are level 2.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

25. FINANCIAL INSTRUMENTS (continued)

Net gains from receivables and loans relate primarily to recognition and derecognition of impairment losses, results from the translation of foreign currencies and interest income.

Net losses from financial liabilities measured at amortised cost relate primarily to amortisation of discounts, results from the translation of foreign currencies, interest expense and other financing related expenses.

The item 'financial instruments at fair value through profit or loss' comprise valuation gains and losses, and only includes gains and losses from instruments which are not designated as hedging instruments as defined by IFRS 9.

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

| | Financial assets carried at amortised cost | |
|-------------------------------------|---|-------------|
| | 2019 | 2018 |
| | €m | |
| Finance income | 43.3 | 6.3 |
| Foreign exchange gains | 27.1 | 56.2 |
| Net result | 70.4 | 62.5 |
| Carrying value at 31 December | 1,880.3 | 2,411.6 |

| | Financial liabilities carried at amortised cost | | Financial instruments at fair value through profit and loss | |
|---|--|-------------|--|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| | €m | | €m | |
| Finance cost | (158.0) | (88.7) | - | - |
| Other finance cost | (2.9) | (16.0) | - | - |
| Net fair value gain/(loss) on derivatives | - | - | 110.7 | (46.8) |
| Foreign exchange losses | (31.8) | (36.9) | - | - |
| Net result | (192.7) | (141.6) | 110.7 | (46.8) |
| Carrying value at 31 December | (4,405.7) | (3,530.4) | 54.2 | (7.1) |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

25. FINANCIAL INSTRUMENTS (continued)

the Group's standard payment and delivery terms and conditions are offered or are adjusted accordingly. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval.

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

Investments, cash and cash 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.

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

| | 2019 | | | | | |
|---|-----------------|------------------------|----------------|----------------|----------------|------------------|
| | Carrying amount | Contractual cash flows | 1 year or less | 1 to<2 years | 2 to<5 years | 5 years and over |
| | €m | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Trade payables | 475.2 | 475.2 | 475.2 | - | - | - |
| Other payables..... | 548.4 | 548.4 | 384.1 | 164.3 | - | - |
| Securitisation facilities | 190.0 | 190.0 | - | 190.0 | - | - |
| Amount due to related parties | 994.8 | 994.8 | 271.0 | 723.8 | - | - |
| Senior Secured Term Loan due 2024 | 617.5 | 693.6 | 25.3 | 25.2 | 643.1 | - |
| Senior Secured Term Loan due 2022 | 260.3 | 286.4 | 7.3 | 7.3 | 271.8 | - |
| Reserves Based Lending facility | 307.1 | 349.5 | 9.5 | 9.5 | 330.5 | - |
| Lease liabilities | 292.9 | 308.5 | 37.9 | 37.9 | 79.8 | 152.9 |
| INEOS Upstream loan..... | 550.8 | 647.3 | 38.6 | 38.6 | 570.1 | - |
| Related party loans..... | 124.1 | 179.4 | 7.0 | 7.0 | 121.0 | 44.4 |
| Other loans | 44.6 | 47.7 | 12.7 | 7.5 | 21.9 | 5.6 |
| Derivative financial liabilities | | | | | | |
| Derivative commodity contracts..... | 17.3 | 17.3 | 17.3 | - | - | - |
| | 4,423.0 | 4,738.1 | 1,285.9 | 1,211.1 | 2,038.2 | 202.9 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

25. FINANCIAL INSTRUMENTS (continued)

| | 2018 | | | | | |
|---|-----------------|------------------------|----------------|--------------|--------------|------------------|
| | Carrying amount | Contractual cash flows | 1 year or less | 1 to<2 years | 2 to<5 years | 5 years and over |
| | €m | | | | | |
| Non-derivative financial liabilities | | | | | | |
| 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 due 2024 | 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 | - | - | - |
| | 3,530.4 | 3,794.4 | 1,417.8 | 990.5 | 719.6 | 666.5 |

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

25. FINANCIAL INSTRUMENTS (continued)

| | 2019 | 2018 |
|-----------------|--------------|--------------|
| | €m | |
| Euro..... | 141.3 | 190.0 |
| US dollars..... | (488.5) | (424.3) |
| Sterling..... | 501.0 | 394.6 |
| Other | 81.0 | 62.5 |
| | <u>234.8</u> | <u>222.8</u> |

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 | |
|------------------|--------------|--------------|----------------|-------------|
| | 2019 | 2018 | 2019 | 2018 |
| | €m | €m | €m | €m |
| Euro | - | - | (0.5) | 0.9 |
| US dollars | 92.3 | 87.8 | (0.7) | (1.1) |
| Sterling..... | - | - | 50.1 | 39.5 |
| Other | 54.2 | 31.6 | 6.2 | 5.4 |
| | <u>146.5</u> | <u>119.4</u> | <u>55.1</u> | <u>44.7</u> |

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.

Market risk – Interest rate risk

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

| | 2019 | 2018 |
|-------------------------------------|------------------|----------------|
| | €m | |
| Carrying amount of liability | | |
| Fixed rate instruments | | |
| Financial assets | 81.5 | 41.6 |
| Financial liabilities | (1,234.2) | (833.5) |
| | <u>(1,152.7)</u> | <u>(791.9)</u> |
| | <u>2019</u> | <u>2018</u> |
| | €m | |
| Variable rate instruments | | |
| Financial assets | 606.3 | 1,055.9 |
| Financial liabilities | (1,153.1) | (897.1) |
| | <u>(546.8)</u> | <u>158.8</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

25. FINANCIAL INSTRUMENTS (continued)

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. The analysis is performed on the same basis for the comparative year.

| | 2019 | 2018 |
|---|-------|------|
| | €m | |
| Profit or loss | | |
| Loss on increase in interest rate by 1% | (5.5) | 1.6 |

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 2019 there was a net mark to market derivative asset in respect of commodity contracts of €54.2 million entered into by the Group to manage such risk. 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.

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 €2,824.5 million (2018: €2,646.7 million) at 31 December 2019 as shareholders' funds of €1,336.4 million (2018: €1,972.0 million) and net debt (net of debt issue costs) of €1,488.1 million (2018: €674.7 million).

The principal sources of debt available to the Group at 31 December 2019 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

26. LEASE OBLIGATIONS

| | |
|---|-----------------|
| <i>Analysed as:</i> | 2019 |
| | €m |
| Current lease liabilities..... | 28.4 |
| Non-current lease liabilities..... | 264.5 |
| | 292.9 |
| <i>Maturity analysis – contractual undiscounted cash flows:</i> | 2019 |
| | €m |
| Less than one year..... | 37.9 |
| Between one and five years..... | 117.7 |
| More than five years..... | 152.9 |
| Total undiscounted lease liabilities at 31 December | 308.5 |
| <i>Amounts recognised in the statement of cash flows:</i> | 2019 |
| | €m |
| Total cash outflow for leases..... | 35.2 |

The Group leases a number of assets as part of its activities. This includes land, buildings, storage tanks and transportation assets with typical life of the leases varying between 1 to 29 years. Some leases will have payments that vary with market interest or inflation rates. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

Prior to 1 January 2019

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.) | 9.2 |

Operating lease liabilities

Future aggregate minimum lease payments are as follows:

| | |
|---------------------------------|--------------|
| | 2018 |
| | €m |
| Less than one year..... | 44.3 |
| Between one and five years..... | 113.6 |
| More than five years..... | 84.9 |
| | 242.8 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)**

27. CAPITAL COMMITMENTS

Outstanding capital expenditure authorised by the Board and for which contracts had been placed as at 31 December 2019 by the Group amounted to approximately €329.3 million (2018: €365.0 million).

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.

INEOS Limited and INEOS AG, a subsidiary of INEOS Limited, provide operational management services to the Group through management services agreements. Management fees of €37.7 million (2018: €24.5 million) were charged in the year. At 31 December 2019 amounts owed to INEOS AG were €23.8 million (2018: €21.9 million). At 31 December 2019 amounts owed by INEOS AG were €26.5 million (2018: €Nil).

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 Holdings 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 €547.9 million (2018: €744.7 million), recovered costs from related parties of €142.7 million (2018: €142.5 million), made cost recoveries to related parties of €196.4 million (2018: €196.0 million) and made purchases from related parties of €272.4 million (2018: €394.3 million). At 31 December 2019 €971.0 million (2018: €757.9 million) was owed to related parties (excluding the INEOS Upstream Limited loan and Related Party loans) and €203.3 million (2018: €156.2 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 in June 2024 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 2024 and bears interest at 7.0% per annum. During 2019 no loan repayments were made (2018: net loan repayments of \$122.5 million (€105.4 million)), leaving \$617.1 million (€550.8 million) (2018: \$617.1 million (€539.7 million)) outstanding under the loan as at 31 December 2019.

The Group has a £104.3 million shareholder loan facility from Petroineos Refining Limited, a related party, which matures in 2042 and carries an interest rate of 5.53% per annum. The facility is for exclusive use on construction costs of the new power plant at the Grangemouth site. Qualifying interest is capitalised as part of the construction of plant and machinery. The total amount outstanding under the shareholder loan facility was €24.1 million as at 31 December 2019.

In December 2019 the Group issued €100.0 million unsecured loans notes due 2024 (the "Notes") to the shareholders of the ultimate parent undertaking, INEOS Limited, a related party. The Notes are listed on the International Stock Exchange in Guernsey and accrue interest at 7% per annum which is payable on redemption of the Notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

28. RELATED PARTIES (continued)

During 2019 the Group entered into a number of derivative contracts with INEOS Europe AG, a related party. The net fair value gain on these derivatives during the year ended December 31, 2019 was €80.3 million. As at December 31, 2019, the mark to market derivative liability was €15.3 million and the mark to market asset was €54.5 million in respect of these related party derivative financial instruments (see Notes 14 and 20).

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.

29. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent undertaking at 31 December 2019 was INEOS Limited, a company registered in the Isle of Man. The immediate parent undertaking at 31 December 2019 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

| | 2019 €m | 2018 €m |
|--|------------|------------|
| (Decrease)/increase in cash and cash equivalents in the year | (315.5) | 173.3 |
| (Decrease)/increase in restricted cash in the year | (100.1) | 42.7 |
| Cash (inflow)/outflow from change in debt financing | (340.8) | 513.1 |
| Change in net debt resulting from cash flows | (756.4) | 729.1 |
| Debt acquired with acquisition of business | (29.0) | - |
| Debt disposed of from disposal of business | - | 29.0 |
| Other net non-cash transactions | (21.3) | (30.8) |
| Movement in net debt in year | (806.7) | 727.3 |

| | 1 Jan 2019 | Cash flow | Acquisitions* €m | Disposals* | Other non cash changes | 31 Dec 2019 |
|--|---------------|--------------|---------------------|------------|------------------------------|----------------|
| Cash at bank and in hand | 931.6 | (315.5) | - | - | (9.8) | 606.3 |
| Restricted cash | 124.3 | (100.1) | - | - | 0.3 | 24.5 |
| Debt due within one year | (355.0) | 269.7 | (22.7) | - | 31.8 | (76.2) |
| Debt due after more than one year | (1,380.6) | (610.5) | (6.3) | - | (43.6) | (2,041.0) |
| | (1,735.6) | (340.8) | (29.0) | - | (11.8) | (2,117.2) |
| Net debt before issue costs | (679.7) | (756.4) | (29.0) | - | (21.3) | (1,486.4) |

* Excludes cash

Following the application of IFRS 16 Leases on 1 January 2019, all lease liabilities have been excluded from the definition of net debt. In 2018 finance leases of €9.2 million were included within net debt before issue costs.

Restricted cash relates to amounts only available for use in respect of joint venture operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

30. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (continued)

| | 1 Jan 2018 | Cash flow | Acquisitions* | Disposals* | Other non cash changes | 31 Dec 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 year..... | (2,052.4) | 318.9 | - | - | 352.9 | (1,380.6) |
| Finance leases | (10.8) | 1.2 | - | - | 0.4 | (9.2) |
| | <u>(2,247.1)</u> | <u>513.1</u> | <u>-</u> | <u>29.0</u> | <u>(39.8)</u> | <u>(1,744.8)</u> |
| Net debt before issue costs | <u>(1,416.2)</u> | <u>729.1</u> | <u>-</u> | <u>29.0</u> | <u>(30.8)</u> | <u>(688.9)</u> |

* Excludes cash

31. SUBSEQUENT EVENTS

On 10 January 2020, the Group announced plans to build a world-scale ABS plant in Ningbo. The investment will be a greenfield ABS plant adjacent to the Ningbo polystyrene site in the Zhejiang Province in Eastern China. The annual capacity of this new world-scale plant will be 600,000 tonnes. The completion is expected in 2023.

On 31 January 2020, the Group successfully completed a refinancing of the Senior Secured Term Loans due 2024, increasing the principal amount of the Euro tranche to €450 million, whilst keeping the US Dollar tranche at \$202 million and extending the maturity to January 2027. In addition, the Group issued €600 million of Senior Secured Notes due 2027.

On 2 March 2020, the Group entered into an agreement with Spirit Energy to acquire its Danish and Norwegian legal entities covering the participating interests in the Hejre and Solsort licences. The acquisition is subject to approval by the Danish Authorities and is expected to close later in the year.

On 18 June 2020, the Group entered into a £155 million loan facility with external lenders. The primary purpose of the funding is to assist with future capital expenditure.

On 29 June 2020, the Group announced its intention to acquire BP's global Aromatics and Acetyls business for a consideration of \$5 billion. The business consists of 15 sites across the world (5 in the Americas, 2 in Europe and 8 in Asia) as well as 10 leading joint ventures. The Group paid an initial deposit for the acquisition to BP of \$400 million. To finance the deposit, the Group entered into a \$400 million bank facility.

On 23 July 2020, the Group extended the maturity of its existing €350 million Senior Secured Term Loans due 2022 which were due to expire in June 2022 to June 2025.

The withdrawal agreement under which the United Kingdom will leave the European Union was ratified on 31 January 2020. This has started a transition period until the end of December 2020. The Group has made significant plans to limit the impact of Brexit on its activities from liaising with employees, contingent planning for inventories and review ways of working for export sales.

On 11 March 2020 the World Health Organisation declared a global pandemic and the Group is following the advice of the World Health Organisation and local governments. The Group has taken measures to mitigate the risk to keep employees safe and the sites operational, such as requesting staff who are able to do so to work from home and introducing social distancing measures on all premises. The effect the virus will have on the global economy and the industry is difficult to assess at this point in time, nevertheless the Group is constantly evaluating the situation and monitoring any potential effects on production, operations and deliveries.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)**

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.

Critical judgements

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

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 assumptions and judgements made in estimating the size and grade of the reservoir.

Oil and 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 for oil and gas properties and goodwill, and the timing of decommissioning.

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 example those uncertain tax provisions recognised in those acquired subsidiaries of DONG E&P A/S. 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. Note 10 shows tax adjustments in respect of prior years of €10.8 million but this has been higher in previous periods and material adjustments might arise in the future.

Exceptional costs

The presentation of the Group's results separately identifies the effect of profits and losses on the disposal of businesses, the impairment of goodwill, the cost of restructuring acquired businesses and the impact of one off events such as legal settlements as exceptional items. Judgement is involved in determining if the costs incurred are deemed as exceptional, exceptional items are reviewed individually but are determined under a

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

32. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

common process and consistent basis. A change in that judgement could result in changes in Segment EBITDA.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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.

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 (between 2021 and 2045). 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)**

32. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 as well as the key assumptions are included within the financial statements are detailed in Note 22. If the estimated discount rate, one of the key assumptions in determining the decommissioning and restoration provisions, used in the calculation had been 1% higher than management's estimate, the carrying amount of the decommissioning and restoration costs provision would have been €122.7 million lower.

Impairment reviews

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

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

In calculating the net present value of the future cash flows, certain assumptions and estimates are required to be made in respect of highly uncertain matters, including management's expectations of:

- Growth rates of various revenue streams;
- Long term growth rates;
- Future margins;
- The selection of an appropriately risk adjusted discount rate; and
- The determination of terminal values.

Changing the assumptions selected by management, in particular the discount rate used in the present value calculation, could significantly affect the Group's impairment evaluation and results.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)**

33. CONTINGENCIES

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, and 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.

As surety with primary liability, Ørsted A/S has provided a guarantee for the Group's subsidiary, INEOS E&P Grønland A/S, obligations and liabilities under a Greenlandic licence. The guarantee is not capped. If Ørsted A/S is held liable under the guarantee then the Group shall indemnify Ørsted A/S for such liability.

Section 3 - Company Financial Statements

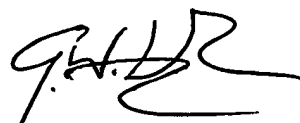
COMPANY BALANCE SHEET AS AT 31 DECEMBER 2019

| | Note | 2019 | 2018 |
|---|------|---------------|--------------|
| | | €m | |
| Fixed assets | | | |
| Property, Plant & Equipment..... | 4 | 40.7 | - |
| Investments..... | 5 | 9.4 | 9.4 |
| Total fixed assets..... | | 50.1 | 9.4 |
| Current assets | | | |
| Debtors (including €2.3m (2018: €1.2m) due after more than one year)..... | 6 | 7.2 | 3.5 |
| Cash..... | | 0.1 | 0.3 |
| Creditors: amounts falling due within one year..... | 7 | (7.8) | (5.0) |
| Net current liabilities..... | | (0.5) | (1.2) |
| Total assets less current liabilities..... | | 49.6 | 8.2 |
| Creditors: amounts falling due after more than one year..... | 8 | (44.3) | (7.6) |
| Net assets..... | | 5.3 | 0.6 |
| Capital and reserves | | | |
| Called up share capital..... | 9 | - | - |
| Profit and loss account*..... | | 5.3 | 0.6 |
| Total shareholders' funds..... | | 5.3 | 0.6 |

* The parent company recorded a profit for the financial year of €480.4 million (2018: €120.4 million).

The notes on pages 92 to 98 are an integral part of these Company financial statements.

The financial statements on pages 90 to 98 were approved by the Board of Directors on 31 July 2020 and signed on its behalf by:


G Leask
Director

Registered number: 6959146

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

| | Note | Called up share capital | Profit and loss account | Total shareholders' funds |
|--|-------------|------------------------------------|------------------------------------|--|
| | | €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..... | 10 | - | (120.5) | (120.5) |
| Balance at 31 December 2018..... | | - | 0.6 | 0.6 |

| | Note | Called up share capital | Profit and loss account | Total shareholders' funds |
|--|-------------|------------------------------------|------------------------------------|--|
| | | €m | | |
| Balance at 1 January 2019..... | | - | 0.6 | 0.6 |
| Profit for the financial year | | - | 480.4 | 480.4 |
| Transactions with owners, recorded directly in equity: | | | | |
| Dividend..... | 10 | - | (475.7) | (475.7) |
| Balance at 31 December 2019..... | | - | 5.3 | 5.3 |

The notes on pages 91 to 97 are an integral part of these Company financial statements.

**NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)**

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.

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.

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.

**NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)**

1. ACCOUNTING POLICIES (continued)

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.

Investments in debt and equity securities

Investments in debt and equity securities are stated at amortised cost less impairment.

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.

Impact of new standards and interpretations

From January 1, 2019 the Company has applied IFRS 16 Leases for the first time. There are no other amendments to accounting standards that are effective for the year ended 31 December 2019 which have had a material impact on the company

From 1 January 2019, the Company has applied IFRS 16 for the first time along with a number of other new standards, although only IFRS 16 has had a material effect on the Company's financial statements.

IFRS 16 Leases

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

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

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

The Company has applied IFRS 16 on 1 January 2019 using the 'modified retrospective approach' without restatement of comparative information. The details of the changes in accounting policies are disclosed below.

i) Adjustments recognised on adoption to IFRS 16 in which the Company is a lessee

The Company has recognised new right-of-use assets and lease liabilities for lease contracts previously classified as operating leases, which includes the office buildings. The nature of expenses related to those leases has changed because the Company recognises a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Company 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 Company no longer recognises provisions for operating leases that it assess to be onerous. Instead, the Company now includes the payments due under the lease in its lease liability and recognises any required impairment of the corresponding right-of-use asset.

At commencement or on modification of a contract that contains a lease and non-lease component, the Company allocates the consideration in the contract to each component on the basis of its relative stand-alone price.

On transition lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right of use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

1. ACCOUNTING POLICIES (continued)

IFRS 16 Leases (continued)

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

| | 2019 |
|---|------------------------|
| | <i>(€ in millions)</i> |
| Operating lease commitments disclosed as at December 31, 2018..... | 31.5 |
| Impact of discounting using the Group's incremental borrowing rates at the date of initial application..... | (5.0) |
| Lease liability recognised as at January 1, 2019..... | 26.5 |
| <i>Of which are:</i> | |
| Current lease liabilities | 1.6 |
| Non-current lease liabilities | 24.9 |
| | 26.5 |

The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.0%.

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

- *Right-of-use assets* – increase of €23.9 million being €26.5 million equal to the lease liability, adjusted by the amount of accrued lease payments of €2.6 million.
- *Other payables* – increase of €23.9 million being increase in lease liability of €26.5 million less €2.6 million accrued lease payments which has been adjusted against the carrying value of the right-of-use asset.

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

(ii) Practical expedients applied

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

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

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

**NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)**

1. ACCOUNTING POLICIES (continued)

IFRS 16 Leases (continued)

Lease policies applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into on or after 1 January 2019.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term which is between 10.75 and 14.6 years for the land and buildings right-of-use assets. Right-of-use assets are subject to impairment.

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

Policies applicable prior to 1 January 2019

Operating lease payments

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

2. STAFF NUMBERS AND COSTS

There were nil (2018: nil) employees with contracts of employment in the name of the Company.

3. DIRECTORS' REMUNERATION

None (2018: none) of the Directors received any fees or remuneration for services as a Director of the Company during the financial year.

4. PROPERTY, PLANT & EQUIPMENT

| | Right-of use assets - Land & buildings €m | Right-of use assets - Total €m |
|---|--|--------------------------------------|
| Cost | | |
| At 1 January 2019 | - | - |
| Impact of adopting IFRS 16 (see Note 1) | 23.9 | 23.9 |
| Additions | 21.0 | 21.0 |
| At 31 December 2019 | 44.9 | 44.9 |
| Accumulated depreciation | | |
| At 1 January 2019 | - | - |
| Depreciation charge for the year | 4.2 | 4.2 |
| At 31 December 2019 | 4.2 | 4.2 |
| Net book value | | |
| At 31 December 2019 | 40.7 | 40.7 |
| At 31 December 2018 | - | - |

See Note 11 for the lease obligations on right-of-use assets.

5. INVESTMENTS

| | Subsidiaries | Joint ventures | Associated undertakings | Total |
|---|--------------|-------------------|----------------------------|------------|
| | €m | | | |
| At 31 December 2019 and 2018 | 9.4 | - | - | 9.4 |

The subsidiary and undertakings of the Company at 31 December and the percentage of equity share capital held are detailed in Note 13 of the consolidated financial statements.

**NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)**

6. DEBTORS

| | 2019 | 2018 |
|-------------------------------------|------------|------------|
| | €m | |
| Amounts due from group undertakings | 4.0 | - |
| Other receivables | 3.2 | 3.5 |
| | <u>7.2</u> | <u>3.5</u> |
| Due within one year | 4.9 | 2.3 |
| Due after more than one year | 2.3 | 1.2 |

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 | 2018 |
|---------------------------------|------------|------------|
| | €m | |
| Trade payables | 4.1 | - |
| Lease obligations (see Note 11) | 2.7 | - |
| Other payables | 1.0 | 5.0 |
| | <u>7.8</u> | <u>5.0</u> |

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2019 | 2018 |
|------------------------------------|-------------|------------|
| | €m | |
| Amounts owed to group undertakings | - | 6.3 |
| Lease obligations (see Note 11) | 44.0 | - |
| Other payables | 0.3 | 1.3 |
| | <u>44.3</u> | <u>7.6</u> |

9. CALLED UP SHARE CAPITAL

| | 2019 | 2018 |
|--|----------|----------|
| | €m | |
| 197,500 (2018: 197,500) ordinary shares of £0.00001 each | - | - |
| | <u>-</u> | <u>-</u> |

10. DIVIDENDS

The following dividends were recognised during the year:

| | 2019 | 2018 |
|--|--------------|--------------|
| | €m | |
| Dividends (2019: €2,408.86 per share, 2018: €610.13 per share) | 475.7 | 120.5 |
| | <u>475.7</u> | <u>120.5</u> |

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (forming part of the financial statements)

11. LEASE OBLIGATIONS

Included with other payables is the following lease obligations in respect of rental property at 38 Hans Crescent, London until October 2028 and Anchor House 15 – 19 Britten Street, London until June 2032. The operating lease commitment at the end of 2018 was €31.5 million.

| | 2019 |
|-------------------------------|-------------|
| | €m |
| <i>Analysed as:</i> | |
| Current lease liabilities | 2.7 |
| Non-current lease liabilities | 44.0 |
| | 46.7 |

| | 2019 |
|--|-------------|
| | €m |
| <i>Maturity analysis- contractual undiscounted cash flows:</i> | |
| Less than one year | 2.7 |
| Between one and five years | 22.6 |
| More than five years | 32.6 |
| Total undiscounted lease liabilities at 31 December | 57.9 |

12. 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.

13. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking at 31 December 2019 was INEOS Holdings AG, a company registered in Switzerland.

The ultimate parent undertaking at 31 December 2019 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.

14. 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.